

Osborne/Burda Investment Vehicle

In order to take best advantage of the investing opportunities in the internet/social media sector, we have decided to establish a Guernsey based company. The rationale behind selecting a corporate, rather than partnership, structure is set out below.

1. Investment proposal

[Osborne/Burda] Investments Limited ("the Company") will invest [\$60 million] over approximately one year in a small number of emerging companies in the internet/social media sector. The investments will be minority stakes in private companies with the intention being for disposal to occur at or following public listing of the company's shares.

Investors will receive returns from investments only when the Company realises capital gains upon disposal. With these private investments it is unlikely that there will be income distributions of a material amount. Returning the value of the initial investment will be the first priority, and investors will receive 100% of any distributions until this is achieved; we will take 30% of any further distributions.

There will be no management fee, rather [the Company will have an annual budget contributed by the investors. At the end of every year, any surplus will be credited to the following year's budget and any deficit will be made up by the investors. OR our joint venture vehicle will fund the Company's running costs and investors will be invoiced for their share, pro rated to their investment, each year. **Ian to confirm**].

2. Investment structure

The particular characteristics of this investment proposal, combined with a desire for minimal regulation and tax efficiency, point towards a Guernsey company structure.

From a regulatory standpoint, it is important that we establish our investment vehicle in a low intensity jurisdiction such as Guernsey (as opposed to UK, USA or Hong Kong). It is also important that, for the time being, we do not create a 'fund' or similar passive, pooled investment structure with a separate advisory vehicle, to which a presumption of regulatory authorisation would apply. The investment vehicle will allow us to utilise our expertise in the internet/social media sector for a small number of sophisticated investors. We do not at this stage wish to access other sources of funding, or indeed become fund managers, and consequently there is no need for us to establish an investment structure requiring regulatory oversight and authorisation. By identifying and effecting investments as directors of the Company, rather than providing arm's length advice as managers of a discrete passive investment vehicle, we can avoid this.

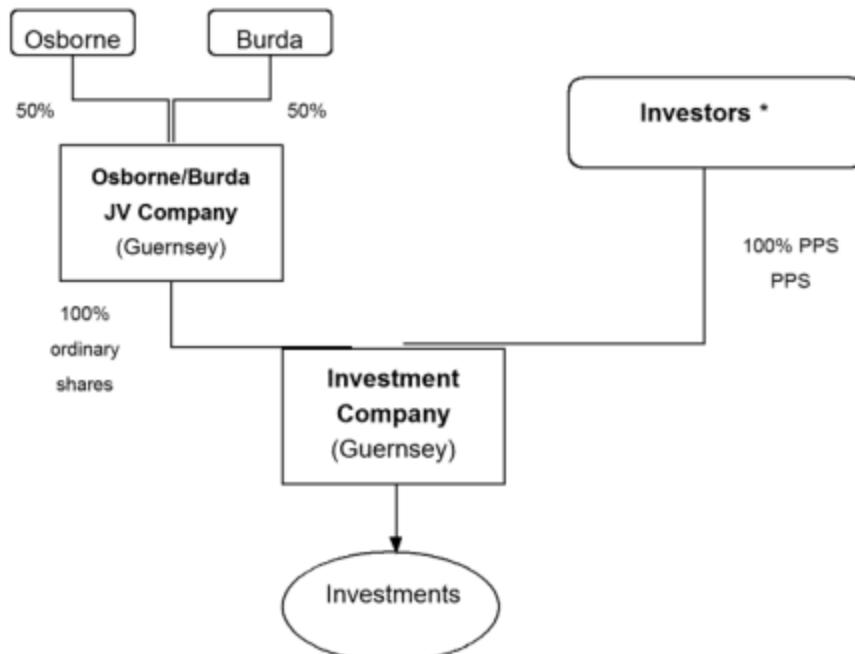
If we were seeking income-generating investments then we would want a "tax transparent" vehicle such as a partnership, so that taxable investors obtained credit for any dividend withholding tax. Here the objective is capital growth, so it makes sense to use an "opaque" entity which does not pay tax in its own jurisdiction and a company resident for tax purposes in Guernsey (or, at least, not resident in a tax-paying jurisdiction) fits the bill. Using a company rather than a partnership may also reduce tax compliance for investors.

3. The Company

We intend to structure the Company as follows:

- (A) Participating Preference Shares ("PPS") that will not carry voting rights or rights to a preferential dividend, but will be entitled, pari passu amongst PPS holders, to 100% of income and capital distributions by the Company until such time as the entire value of the investors' aggregate capital contributions has been returned. Once this has occurred, the PPS holders will be entitled to 70% of any further income and capital distributions to be divided pari passu amongst the PPS holders.
- (B) Ordinary shares that will have full voting rights and rights to 30% of income and capital distributions once the entire value of the investors' aggregate capital contributions has been returned. These shares will be held by us through ordinary shares in a joint venture company.

The structure chart below demonstrates how this will work in diagrammatic form:



*We will be purchasing PPS (on the same terms as other investors)

4. Possible future investments

Our intention is to make our first investments through the Company. Depending on results, we may seek to raise further funds and make further investments. We could do this either by seeking further investor contributions through an issue of further PPS in the Company, or by setting up a second company along the same lines. Further contributions to the Company would only be made with the consent of existing PPS holders.

