

Report of Independent Accountants

To the Management of BidCactus®, LLC:

We have examined management's assertion included in the accompanying "Report of Management on the BidCactus, LLC Online Penny Auctions" regarding the effectiveness of its controls surrounding the BidCactus, LLC ("BidCactus") Online Penny Auction environment to provide reasonable assurance that, as of April 30, 2011, it believes that bids on auctions are placed by bona fide users, with no use of bots, shill bidding or bidding by employees; winning auctions are fulfilled (i.e., shipped); and bids are processed in the order received (e.g. "first in first out" basis) without the element of chance. These assertions are the responsibility of BidCactus' management. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of BidCactus Online Penny Auction environment, including evaluating and testing the design of controls supporting management's assertions, and performing other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in controls, error or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that the validity of such conclusions may be altered because of changes made to the system or controls, the failure to make needed changes to the system or controls, or deterioration in the degree of effectiveness of the controls.

In our opinion, management's assertion referred to above, as of April 30, 2011, is fairly stated, in all material respects, based on the criteria specified by management in Appendix A of the accompanying report.

Ernst & Young LLP

May 6, 2011



Report of Management on the BidCactus® Online Penny Auctions

BidCactus is responsible for operating their Online Penny Auction environment. With regard to its responsibility for operating the Online Penny Auction environment, management of BidCactus believes that as of April 30, 2011:

1. BidCactus maintained effective controls to provide reasonable assurance that bids are placed by bona fide users, with no use of bots, shill bidding or bidding by employees.
2. BidCactus maintained effective controls to provide reasonable assurance that winning auctions were fulfilled (i.e., shipped).
3. BidCactus maintains effective controls to provide reasonable assurance that bids are processed in the order received (e.g. "first in first out" basis) without the element of chance.

Because of inherent limitations in any control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of any objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

BidCactus has assessed its controls over the Online Penny Auction environment. Based upon this assessment, BidCactus believes that, as of April 30, 2011, its controls related to the Online Penny Auctions environment were effective in providing reasonable assurance that the criteria contained in Attachment A supporting management's assertions above were achieved.

Refer also to Attachment B ("Description of the BidCactus Online Penny Auctions Environment") which summarizes those aspects of the BidCactus Online Penny Auctions environment operating environment and management team supporting our assertions.

By: President of BidCactus
BidCactus, LLC



Attachment A – Management Criteria

For each assertion, BidCactus® management has defined specific criteria indicating how BidCactus meets the assertions. These criteria are listed below:

Assertion #1

BidCactus maintains effective controls to provide reasonable assurance that bids are placed by bona fide users, with no use of bots, shill bidding or bidding by employees.

Criteria

- Standard policies have been developed regarding employee conduct, awareness, and responsibilities associated with non registered user bids.
- Procedures have been developed to restrict non user/employee bids from being placed on items being auctioned in accordance with disclosed business practices.
- Procedures have been developed to monitor authenticity of user bid activity/transactions captured.
- Procedures exist to investigate unusual bid activities and take appropriate action when necessary.
- Policies have been developed and disclosed to registered users regarding authenticity of user bids placed on auctions.

Assertion #2

BidCactus maintains effective controls to provide reasonable assurance that winning auctions are fulfilled (i.e., shipped).

Criteria

- Policies have been developed and disclosed to registered users regarding shipment of items won via auction.
- Procedures exist to monitor winning auction transactions and confirm shipment and delivery.
- Procedures exist to ship items won via auction in accordance with the Company's disclosed business practices.
- Procedures have been designed and implemented to investigate and resolve customer complaints/issues that arise related to the shipment of items won via auction.
- Standard policies have been developed that define employee responsibilities for the shipment of winning auctions.



Assertion #3

BidCactus maintains effective controls to provide reasonable assurance that bids are processed in the order received (e.g. "first in first out" basis) without the element of chance.

Criteria

- Policies have been developed that prohibit introducing program functionality that could impact the integrity of the bid and that each bid is processed in the order it was received at the BidCactus server farm.
- Procedures exist to assign each bid received a unique and sequential identification number and time stamp.
- Procedures exist to provide transparency into the bidding process and displaying the bidding queue to customers.
- Procedures exist to process each bid in the order received.



Attachment B – Description of the BidCactus® Online Penny Auctions Environment

BidCactus is an online auction website that sells new consumer goods and retail gift cards at potentially deep discounts from retail prices. Some of the auction items on the BidCactus website will include “hard to purchase” items or items in limited retail quantity. Other items up for auction may include LCD and plasma televisions, computer and computing related items, cameras, retail gift cards and other items. This form of “auction entertainment” offers consumers a fast paced, entertaining and price conscious alternative to many of the retail channels currently available in the marketplace.

Bidding

Bidding on the BidCactus online auction website begins after the successful completion of these four steps:

- Register as a guest
- Purchase bids
- Select an auction
- Begin bidding

Guests on the BidCactus online auction website must register in order to bid on auctions. Registration is free, easy and intuitive. As part of the registration process, guests provide certain information about themselves, such as: name, email address, guest name and password. As part of the registration process, BidCactus will check a database of existing guests to ensure the guest name and email address selected have not been taken. Similarly, the password chosen by the guest must meet minimum strength conditions, such as minimum password length and passwords may not be the same as the user name.

Purchase Bids

Bids generally cost \$0.75, and are available for purchase in bid packs of various sizes (e.g., 30, 50, 100, 150, 250, and 500). Guests can choose the desired bid pack to purchase using their own credit card, debit card, PayPal, or other means of available on the website. Purchased bids will be placed in the registered guests account for immediate use. Bid amounts are visible to the guest when logged into their account on the BidCactus online auction website.



Select an Auction

Simply put, a user can bid directly on any open auction item.

Begin Bidding

A registered guest must place bids on an open auction in order to win. While there may be a number of different kinds of auctions running simultaneously on the BidCactus® online website, open auctions will typically start as low as \$0.00 with no reserve amount. A guest that has sufficient bids in their account can place a bid on an open auction. When a guest places a bid on an open auction the price of the item in auction increases by a fixed amount specified in the auction (typically \$0.01). After a guest places a bid, their account will decrease by one bid (valued at \$0.75 per bid). Bidding activity on an open auction can continue until bidding interest diminishes and the bidding clock described in the Timing section below reaches zero.

Timing

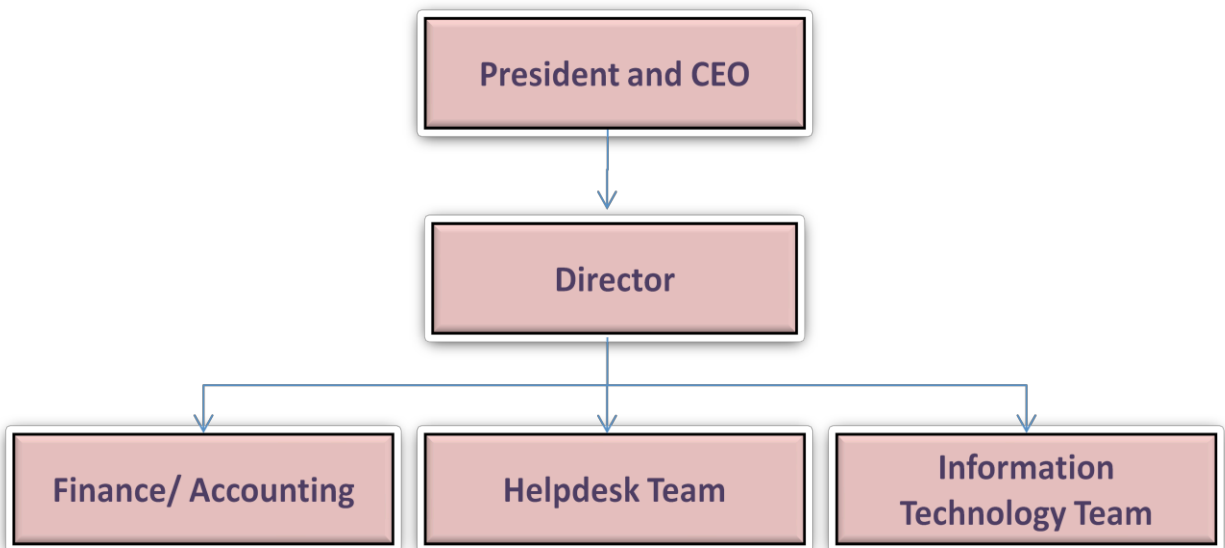
When an auction opens, a running countdown clock is displayed on the BidCactus online website for that auction showing the amount of time in minutes left before the auction duration ends. While the clock begins with a specific amount of time displayed, auctions may run open for specified longer period of time. This is because auction duration is based on continued interest in auction items. If auction interest remains high as indicated by continued bidding activity, the bid clock will continue to reset for a specific amount of time. For example, if a new auction begins the count-down clock at 3 hours, the auction may not end in 3 hours because bidder interest will increase the amount of time on the countdown clock. When a bid is placed and there is less than 30 seconds left of the auction; the bid clock is automatically incremented with a maximum of 30 seconds to give someone else the chance to bid if they're interested. If no one else bids and the counter clock does reach zero, the highest bidder for the auction wins. The winner can now complete the check out process in order to arrange for payment and shipping.



Organization Overview

The Company has implemented an organization structure that supports defined roles and responsibilities and segregation of functional duties. The following functional teams have been established:

- Chief Executive Officer – President of the Company.
- Director – Responsible for Human Resources and organizational management.
- Finance – Responsible for accounting and financial reporting process.
- Customer Service – Responsible for fulfillment / shipping and customer service process.
- IT Support Team – Responsible for managing maintenance and development of the BidCactus® online auction website and underlying IT systems.



Policies and Procedures

BidCactus has established and implemented formal policies and procedures to govern the Company's commitment to internal control. These policies include a formal business plan, the BidCactus Employee Handbook that states the Company's HR policies, and expectations and guidelines for employee behavior. Formal staff meetings and leadership meetings are conducted regularly. In addition, there are formal policies and procedures that govern the areas of Information Technology such as system development and change management, logical access, and IT operations. Formal procedures are in place to monitor online auction activities and shipment / fulfillment of won auctions.