

# VALUEVISION MEDIA INC

## FORM SC 13D/A (Amended Statement of Beneficial Ownership)

Filed 10/2/1996

Address	6740 SHADY OAK RD MINNEAPOLIS, Minnesota 55344-3433
Telephone	612-947-5200
CIK	0000870826
Industry	Retail (Catalog & Mail Order)
Sector	Services
Fiscal Year	01/31

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Schedule 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 4)\*

# VALUEVISION INTERNATIONAL, INC.

(Name of Issuer)

## COMMON STOCK, \$.01 PAR VALUE

(Title of Class of Securities)

**92047K10**

(CUSIP Number)

Montgomery Ward & Co., Incorporated

Montgomery Ward Plaza

Chicago, Illinois 60671

ATTN: John L. Workman

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

**September 27 and 28, 1996**

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this Schedule because of Rule 13d-1(b)(3) or (4), check the following box.

Check the following box if a fee is being paid with the statement. (A fee is not required only if the Reporting Person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Note. Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1 (a) for other parties to whom copies are to be sent.

(Continued on following pages)

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1. Name of Reporting Person:

**Montgomery Ward & Co., Incorporated**

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2. Check the Appropriate Box if a Member of a Group:

(a)

(b) X

---

3. SEC Use Only

---

4. Source of Funds: WC

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5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):

---

6. Citizenship or Place of Organization: Illinois

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	7.	Sole Voting Power: 5,122,143 (But see Items 4 and 5)	_____
Number of Shares Beneficially Owned By Each Reporting Person	8.	Shared Voting Power: 0	_____
	9.	Sole Dispositive Power: 5,122,143 (But see Items 4 and 5)	_____

**With** \_\_\_\_\_

10. Shared Dispositive Power: 0

---

11. Aggregate Amount Beneficially Owned by Each Reporting Person:

5,122,143 (But see Items 4 and 5)

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12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares:

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13. Percent of Class Represented by Amount in Row (11): 15.2% (But see Items 4 and 5)

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14. Type of Reporting Person: CO

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1. Name of Reporting Person:

**Montgomery Ward Holding Corp.**

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2. Check the Appropriate Box if a Member of a Group: (a)

(b) X

3. SEC Use Only

---

4. Source of Funds: WC

---

5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):

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6. Citizenship or Place of Organization: Delaware

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	7. Sole Voting Power: 0
	_____
Number of	8. Shared Voting Power: 5,122,143(1) (But
Shares	see Items 4 and 5)
Beneficially	_____
Owned By	9. Sole Dispositive Power: 0
Each	_____
Reporting	10. Shared Dispositive Power:
Person	5,122,143 (1) (But see Items 4 and 5)
With	
	_____
11. Aggregate Amount Beneficially Owned by Each Reporting Person:	
5,122,143 (But see Items 4 and 5)	
	_____
12. Check Box if the Aggregate Amount in Row (11) Excludes Certain	
Shares:	

---

13. Percent of Class Represented by Amount in Row (11): 15.2% (But see Items 4 and 5)

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14. Type of Reporting Person: CO

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(1) Solely in its capacity as the sole stockholder of Montgomery Ward & Co., Incorporated, an Illinois corporation.

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1. Name of Reporting Person:

**Bernard F. Brennan**

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2. Check the Appropriate Box if a Member of a Group: (a)

(b) X

3. SEC Use Only

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4. Source of Funds: WC

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5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):

---

6. Citizenship or Place of Organization: United States

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	7. Sole Voting Power: 0
	_____
Number of	8. Shared Voting Power: 5,122,143(1) (But
Shares	see Items 4 and 5)
Beneficially	_____
Owned By	9. Sole Dispositive Power: 0
Each	_____
Reporting	10. Shared Dispositive Power:
Person	5,122,143(1) (But see Items 4 and 5)
With	_____
	11. Aggregate Amount Beneficially Owned by Each Reporting Person:
	5,122,143 (But see Items 4 and 5)
	_____
	12. Check Box if the Aggregate Amount in Row (11) Excludes Certain
	Shares:

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13. Percent of Class Represented by Amount in Row (11): 15.2% (But see Items 4 and 5)

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14. Type of Reporting Person: IN

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(1)Mr. Brennan is Chairman of the Board and Chief Executive Officer of each of Montgomery Ward & Co., Incorporated, an Illinois corporation, and Montgomery Ward Holding Corp., a Delaware corporation, and Designator under that certain Stockholders' Agreement dated as of June 17, 1988, as amended and restated to date, applicable to shares of common stock of Montgomery Ward Holding Corp. As Designator, Mr. Brennan has the right to designate a majority of the board of directors of Montgomery Ward Holding Corp. In addition, Mr. Brennan has the right to vote approximately 38% of the outstanding shares of common stock of Montgomery Ward Holding Corp.

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1. Name of Reporting Person:

**Montgomery Ward Direct, L.P.**

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2. Check the Appropriate Box if a Member of a Group: (a)

(b) X

---

3. SEC Use Only

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4. Source of Funds: OO

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5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):

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6. Citizenship or Place of Organization: Delaware

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Number  
of  
Shares  
Beneficially  
Owned By  
Each  
Reporting  
Person  
With

7. Sole Voting Power: 0

8. Shared Voting Power: 0

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 0

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11. Aggregate Amount Beneficially Owned by Each Reporting Person: 0

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12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares:

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13. Percent of Class Represented by Amount in Row (11): 0.0% (But see Items 4 and 5)

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14. Type of Reporting Person: PN

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1. Name of Reporting Person:

**MW Direct General, Inc.**

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2. Check the Appropriate Box if a Member of a Group: (a)

(b) X

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3. SEC Use Only

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4. Source of Funds: OO

---

5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):

---

6. Citizenship or Place of Organization: Delaware

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7. Sole Voting Power: 0

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Number of  
Shares 8. Shared Voting Power: 0 Beneficially  
Owned By \_\_\_\_\_ Each  
Reporting 9. Sole Dispositive Power: 0 Person  
With \_\_\_\_\_

10. Shared Dispositive Power: 0

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11. Aggregate Amount Beneficially Owned by Each Reporting Person: 0

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12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares:

---

13. Percent of Class Represented by Amount in Row (11): 0.0% (But see Items 4 and 5)

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14. Type of Reporting Person: CO

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(1) Solely in its capacity as the sole general partner of Montgomery Ward Direct, L.P., a Delaware limited partnership.



This statement constitutes Amendment No. 4 to the Statement on Schedule 13D (the "Schedule 13D") filed March 22, 1995 by Montgomery Ward & Co., Incorporated, an Illinois corporation, Montgomery Ward Holding Corp., a Delaware corporation, and Bernard F. Brennan in connection with the beneficial ownership of shares of common stock, \$.01 par value, of ValueVision International, Inc., a Minnesota corporation. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Schedule 13D, as amended through Amendment No. 3 thereto.

**Item 3. Source and Amount of Funds or Other Consideration.**

**Item 3 is hereby amended and restated as follows:**

The source and amount of funds or other consideration used by the Reporting Persons to purchase the Purchased Shares (as defined herein) consisted solely of working capital of MW. MW has not yet determined the source of funds or other consideration to be used to exercise any Warrants (as defined herein) or New Warrants (as defined herein). New Warrants have been received by Direct as consideration for the acquisition by the Company of substantially all of the assets, and the assumption by the Company of enumerated liabilities, of Direct.

**Item 4. Purpose of Transaction.**

**Item 4 is hereby amended and restated as follows:**

The Shares to which this statement relates have been acquired for investment purposes and to influence the direction and management of the Company.

On March 13, 1995, the Company and MW entered into each of an Operating Agreement (the "Operating Agreement"), a Credit Card License and Receivables Sales Agreement, and a Servicemark License Agreement (collectively, the "Related Agreements"), pursuant to which MW provides the Company with certain operational support, including merchandise sourcing and permitting the use of MW credit cards by the Company's customers.

Also on March 13, 1995, the Company and MW entered into a Securities Purchase Agreement (the "Securities Purchase Agreement"), pursuant to which, on August 8, 1995 (the "Closing Date"), the Company issued and sold to MW 1,280,000 Shares (the "Purchased Shares") at a price of \$6.25 per share, or \$8,000,000 in the aggregate. Also pursuant to the Securities Purchase Agreement, on the Closing Date the Company issued and sold to MW non-transferable warrants (the "Warrants") to purchase an aggregate of 25,000,000 Shares with exercise prices ranging from \$6.50 to \$17.00 per Share, and an average exercise price of \$9.16 per Share. The Warrants were subject to the terms and provisions of a Warrant Agreement (the "Warrant Agreement") dated August 8, 1995 between the Company and MW, which provided terms with respect to vesting of the Warrants, their

expiration, certain termination rights, certain adjustment mechanisms and pre-emptive rights.

On the Closing Date, the Company and MW entered into a Registration Rights Agreement pursuant to which MW has certain demand and so-called "piggyback" registration rights.

Pursuant to the Operating Agreement, the Company expanded its board of directors from five members to seven and agreed to nominate and recommend to the stockholders of the Company in the Company's Proxy Statement for its annual meeting of stockholders two individuals designated by MW to fill the two new directorships.

The foregoing descriptions of the Securities Purchase Agreement, the Operating Agreement, the Warrant Agreement, the Registration Rights Agreement and the Warrants are qualified in their entirety by reference to the texts of such documents, which are filed as Exhibits 1, 2, 6, 7 and 8 hereto, respectively, and incorporated herein by reference.

On September 5, 1996, MW and the Company entered into a Restructuring Agreement dated as of July 27, 1996 (the "Restructuring Agreement") with respect to a restructuring of the relationship between the Company and MW. The consummation of such restructuring occurred on September 27, 1996 (the "1996 Closing Date"), and on such date the parties entered into, among other agreements, amendments and restatements of the Operating Agreement, the Warrant Agreement and the Registration Rights Agreement. The foregoing description is qualified in its entirety by reference to the Restructuring Agreement (including the exhibits thereto) filed as Exhibit 10 hereto and incorporated herein by reference.

On the 1996 Closing Date, pursuant to the Restructuring Agreement, in connection with certain revisions to the terms of the Operating Agreement and the Related Agreements and the acquisition by the Company of the assets of Direct, all of the Warrants, other than 7,000,000 Warrants which were currently exercisable, were replaced with new "Series P" warrants to purchase 1,484,467 Shares at an exercise price of \$0.01 per Share ("New Warrants") and Direct received New Warrants with respect to 1,484,993 Shares. All New Warrants expire on August 8, 2003 and are fully exercisable.

The Operating Agreement, as amended and restated, now provides that during the period commencing on the 1996 Closing Date and ending on the first to occur of (x) the date on which MW owns or has the right to own less than 10% of the outstanding common stock of the Company (computed on a fully diluted basis) and (y) the date on which the Operating Agreement terminates, MW will have the right to designate one nominee on the Company's slate of nominees for the Company's Board of Directors. MW, the Company and Messrs. Robert Johander and Nicholas Jaksich agreed in the amended and restated Operating Agreement to vote all shares over which they have voting power for the election of the slate of directors nominated by the Company, including the MW designees. MW's right to designate

individuals to serve as directors of the Company is subject to certain limitations provided in the amended and restated Operating Agreement. John L. Workman, who was originally elected as a director of the Company on August 8, 1995, currently serves as MW's nominee on the Company's board of directors.

On September 4, 1996, MW, the Company and Merchant Advisors, Limited Partnership ("MALP") entered into an agreement dated as of July 27, 1996 (the "MPLP Agreement") with respect to a contribution to be made by each of MW, the Company and MALP to Merchant Partners, Limited Partnership ("MPLP"). Each of MW and the Company are limited partners of MPLP and MALP is the sole general partner of MPLP. Pursuant to the MPLP Agreement, on the 1996 Closing Date, MW contributed to MPLP New Warrants with respect to 1,327,317 Shares and the Company contributed to MPLP New Warrants with respect to 199,097 Shares. MALP concurrently contributed to MPLP cash and a promissory note in an amount determined pursuant to the MPLP Agreement. The foregoing description is qualified in its entirety by reference to the MPLP Agreement filed as Exhibit 11 hereto and incorporated herein by reference.

Also on the 1996 Closing Date, Direct and its partners made a liquidating distribution of the New Warrants received on the 1996 Closing Date by Direct, and such New Warrants are, therefore, now held directly by MW.

On September 28, 1996, pursuant to an Exchange Agreement dated as of September 28, 1996 between MW and the Company (the "Exchange Agreement"), MW exchanged the 7,000,000 exercisable Warrants held by it with the Company for 2,200,000 New Warrants. Following such transaction, MW no longer holds any Warrants, but holds New Warrants with respect to an aggregate of 3,842,143 Shares. In connection with this exchange, the parties entered into a Second Amended and Restated Warrant Agreement and a Second Amended and Restated Registration Rights Agreement, each of which contained amendments reflecting the exchange of all remaining original Warrants. The foregoing description of the Exchange Agreement is qualified in its entirety by reference to the text of the Exchange Agreement, which is filed as Exhibit 12 hereto and incorporated herein by reference.

The foregoing descriptions of the Amended and Restated Operating Agreement, the Second Amended and Restated Warrant Agreement, the Second Amended and Restated Registration Rights Agreement and the New Warrants are qualified in their entirety by reference to the texts of such documents, which are filed as Exhibits 13, 14, 15 and 16 hereto, respectively, and incorporated herein by reference.

The Reporting Persons intend to review continuously their investment in the Company and, on the basis of such review and such market and other factors as they may deem relevant, may, subject to the limitations contained in the agreements described above, determine to increase or decrease their investment in the Company. In addition, the designees of MW on the Company's board of directors

may make proposals and take such other actions as are commensurate with their rights and duties as directors.

Except as described herein, the Reporting Persons have no plans or proposals with respect to the Company that relate to or would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

**Item 5. Interests in Securities of the Issuer.**

**Item 5 is hereby amended and restated as follows:**

According to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1996, as of September 12, 1996, 29,888,298 Shares were outstanding. The calculations made pursuant to this Item 5 assume that the application of Rule 13d-3(d)(1)(i) promulgated under the Act could result in beneficial ownership by the Reporting Persons of all of the Shares subject to the Warrants.

(a) Including the 3,842,143 Shares subject to the New Warrants held by MW, MW may be deemed to beneficially own (pursuant to Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) directly 5,122,143 Shares, which constitutes approximately 15.2% of the Shares outstanding including such 5,122,143 Shares. Both Holding and Brennan, through their relationship with MW, may be deemed to beneficially own all of the Shares beneficially owned by MW. Because of the liquidating distributions described in Item 4, neither Direct nor General currently beneficially owns any Shares. MPLP may be deemed to beneficially own (pursuant to Rule 13d-3) 1,526,414 Shares (or approximately 4.9% of the Shares outstanding). Each of the Reporting Persons disclaims any beneficial ownership with respect to Shares beneficially owned by MPLP.

(b) Except as limited by the agreement contained in the Operating Agreement with respect to the election of directors as described in Item 4 above, MW will have the sole power to vote or direct the vote of, and the sole power to dispose or direct the disposition of, the Shares reported herein as owned by it. Holding, as the sole stockholder of MW, and Brennan, as the Chairman of the Board and Chief Executive Officer of MW and as Designator, may each be deemed to share voting and dispositive power with respect to all Shares beneficially owned by MW.

(c) Except as set forth above, the Reporting Persons do not beneficially own any Shares and, except as set forth herein, have effected no transactions in Shares during the preceding 60 days.

**Item 7. Material to be filed as Exhibits.**

**Item 7 is hereby amended by adding thereto the following:**

**Exhibit 12 Exchange Agreement**

**Exhibit 13 Amended and Restated Operating Agreement**

**Exhibit 14 Second Amended and Restated Warrant Agreement**

Exhibit 15 Second Amended and Restated Registration Rights Agreement

Exhibit 16 Series P Warrant Certificates

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: September 30, 1996

**MONTGOMERY WARD & CO., INCORPORATED**

By: /s/ JOHN L. WORKMAN  
John L. Workman, Executive  
Vice President and Chief  
Financial Officer

**MONTGOMERY WARD HOLDING CORP.**

By: /s/ JOHN L. WORKMAN  
John L. Workman, Executive  
Vice President and Chief  
Financial Officer

/s/ MYRON LIEBERMAN  
Myron Lieberman, as  
attorney-in-fact for  
Bernard F. Brennan

**MONTGOMERY WARD DIRECT, L.P.**

By: MW DIRECT GENERAL, INC.,  
its general partner

By: /s/ JOHN L. WORKMAN  
John L. Workman, Treasurer

MW DIRECT GENERAL, INC.

By: /s/ JOHN L. WORKMAN

John L. Workman, Treasurer

**EXHIBIT A**

Pursuant to Rule 13d-1(f)(1)(iii) of Regulation 13D-G of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the undersigned agree that the statement to which this Exhibit is attached is filed on behalf of each of them in the capacities set forth herein below.

Dated: September 30, 1996

MONTGOMERY WARD &  
CO., INCORPORATED

MONTGOMERY WARD HOLDING CORP.

By: /s/ JOHN L. WORKMAN  
John L. Workman,  
Executive Vice President  
and Chief Financial Officer

By: /s/ JOHN L. WORKMAN  
John L. Workman,  
Executive Vice President  
and Chief Financial Officer

/s/ MYRON LIEBERMAN  
Myron Lieberman, as  
attorney-in-fact for  
Bernard F. Brennan

**MONTGOMERY WARD DIRECT, L.P.**

**By: MW DIRECT GENERAL, INC.,**  
its general partner

*By: /s/ JOHN L. WORKMAN*  
*John L. Workman, Treasurer*

**MW DIRECT GENERAL, INC.**

*By: /s/ JOHN L. WORKMAN*

John L. Workman, Treasurer

## EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT is made as of September 28, 1996, between Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW") and ValueVision International, Inc., a Minnesota corporation ("VVI").

### RECITALS

A. MW and VVI entered into a Stock Purchase Agreement (the "Stock Purchase Agreement"), pursuant to which MW agreed to purchase and VVI agreed to issue 1,280,000 shares of VVI common stock (the "Shares"), and VVI also agreed to issue a total of 25,000,000 warrants, subject to adjustment (the "Original Warrants") to MW. .

B. The closing of the purchase of the Shares and issuance of the Original Warrants took place on August 8, 1995, at which time the Shares and the Original Warrants were issued, and MW and VVI entered into (i) a Warrant Agreement with respect to the Original Warrants (the "Original Warrant Agreement") and (ii) a Registration Rights Agreement with respect to the Shares and the shares of stock underlying the Original Warrants (the "Original Registration Rights Agreement"). The Original Warrant Agreement and the Original Registration Rights Agreement are referred to herein as the "Original Securities Related Agreements".

C. On July 27, 1996, MW and VVI entered into a restructuring agreement (the Restructuring Agreement ) which provided for, among other matters, the exchange of the Series C through O Warrants, inclusive for newly issues Series P Warrants and the execution of an Amended and Restated Warrant Agreement (the Amended and Restated Warrant Agreement ) which amends and restates the Original Warrant Agreement and the execution of an Amended and Restated Registration Rights Agreement (the Amended and Restated Warrant Agreement ) which amends and restates the Original Registration Rights Agreement. In connection with such Restructuring Agreement, Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD")received certain Series P Warrants ( MWD Warrants ) and subsequently transferred all of its right title and interest in and to the MWD Warrants to MW. In addition, MW transferred certain of its Series P Warrants to Merchant Partners, Limited Partnership, a Delaware limited partnership ( MPLP ).

D. Original Warrants of Series A and B have vested ( Vested Warrants ). MW and VVI now desire to exchange the Vested Warrants for New Warrants, as provided, and to amend the Amended and Restated Warrant Agreement and the Amended and Restated Registration Rights Agreement according as set forth in Exhibits A and B respectively.



## A G R E E M E N T S

NOW, THEREFORE, the parties agree as follows:

1. Amendment and Restatement of Agreements. On the Closing Date:

(a) MW, MWD, MPLP and VVI shall amend and restate the Amended and Restated Warrant Agreement by entering into a Second Amended and Restated Warrant Agreement in the form attached hereto as Exhibit A (the "Second Amended and Restated Warrant Agreement"); and

(b) MW, MWD, MPLP and VVI shall amend and restate the Amended and Restated Registration Rights Agreement by entering into an Second Amended and Restated Registration Rights Agreement in the form attached hereto as Exhibit B (the "Second Amended and Restated Registration Rights Agreement").

The documents referred to in this paragraph 2 are referred to herein collectively as the "Second Amended and Restated Documents".

2. Surrender of Warrants. On the Closing Date, MW shall surrender to VVI all of the Vested Warrants for cancellation.

3. Issuance of New Warrants. In consideration of the surrender of the Vested Warrants, VVI shall issue to MW a total of 2,200,000 New Warrants.

All New Warrants shall contain the terms and features set forth in the Second Amended and Restated Warrant Agreement. Concurrently with the issuance of New Warrants.

4. Time of Closing; Effectiveness of Closing. The closing of the surrender and cancellation of the Vested Warrants, and the issuance of the New Warrants (the "Closing"), shall all take place concurrently, on the date which is not more than five (5) business days after the date on which this Agreement is executed by all of the parties hereto (the "Closing Date").

5. Notices. All notices, demands, requests or other communications which may be or are required to be given pursuant to this Agreement or any of the Related Agreements shall be in writing and shall be personally delivered, mailed by first-class, registered or certified mail, postage prepaid, or sent by electronic or facsimile transmission, addressed as follows:

**If to VVI:**

ValueVision International, Inc.  
6740 Shady Oak Road

Minneapolis, Minnesota 55344 Attention: Chief Executive Officer

with a copy to:

Maslon, Edelman, Borman & Brand, a  
professional limited liability partnership 3300 Norwest Center 90 South Seventh Street Minneapolis, Minnesota 55402-4140 Attention:  
William M. Mower

If to MW:

Montgomery Ward & Co., Incorporated 619 W. Chicago Avenue Chicago, Illinois 60671 Attention: General Counsel

with a copy to:

Alzheimer & Gray Suite 4000  
10 South Wacker Drive Chicago, Illinois 60606 Attention: Myron Lieberman

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request or communication which shall be delivered, mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee or at such time as delivery is refused by the addressee upon presentation.

6. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if one or more of the provisions of any of such documents are subsequently declared invalid or unenforceable, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions of such documents, which shall be applied and construed so as to reflect substantially the intent of the parties and achieve the same economic effect as originally intended by the terms hereof, unless those provisions which are invalidated or unenforceable are material to the performance of either party's affirmative or negative obligations under the relevant agreement, in which case the entire such agreement shall be terminable, at the option of the party whose rights thereunder have been adversely affected thereby, provided that such party must exercise its option to terminate such agreement

within ninety (90) days following the date on which such provision is declared or determined to be invalid, voidable or unenforceable and the other party must be given sixty (60) days in which to agree to a valid modification of such agreement which would substantially eliminate such adverse effects.

7. **Waivers.** Neither the waiver by any party hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of any party hereto, on one or more occasions, to enforce any of the provisions of any of said documents or to exercise any right, remedy or privilege hereunder shall thereafter be construed as a waiver of any such provisions, rights, remedies or privileges hereunder. Any of the terms, covenants, representations, warranties, or conditions hereof and thereof may be waived only by a written instrument executed by the party waiving compliance.

8. **Exercise of Rights.** No failure or delay on the part of any party hereto in exercising any right, power or privilege under this Agreement, and no course of dealing between the parties hereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of such documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

9. **Binding Effect.** Subject to the provisions hereof restricting assignment, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

10. **Entire Agreement.** This Agreement, including the Exhibits hereto, contains the entire agreement between the parties hereto with respect to the matters contained herein and therein, and supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein.

11. **Pronouns.** All pronouns and any variations thereof used in this Agreement shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the Person or the context may require.

12. **Headings.** Section headings contained in this Agreement and the Related Agreements are inserted for convenience of reference only, shall not be deemed to be a part of such Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

13. **Governing Law.** This Agreement, the rights and obligations of the parties hereto and thereto, and any claim or disputes relating to any thereof, shall be governed by and construed in accordance with the internal laws of the State of Illinois,

without giving effect to the principles of conflicts of laws thereof.

14. Execution in Counterparts. To facilitate execution, this Agreement may each be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all Persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the Persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

15. Assignment. Neither party may assign its rights under this Agreement without the consent of the other party, which consent may be granted or withheld in the sole discretion of such other party, except that either party may assign all of its rights hereunder in connection with a sale or other transfer of substantially all of its assets, provided that the assignee assumes all of the liabilities of the assignor hereunder. No permitted assignment shall relieve the assignor of its obligations (which shall be primary and which may be discharged in whole or in part by the assignee) under this Agreement. Any unauthorized assignment and any assignment made in contravention of this Section 18 shall be null and void.

16. Amendments and Modification. This Agreement may only be amended or modified by a subsequent written agreement by the parties hereto.

17. Construction. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that such document may have been prepared primarily by counsel for one of the parties, it being recognized that both parties have contributed substantially and materially to the preparation of such documents.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective on the date first set forth above.

**MONTGOMERY WARD & CO., INCORPORATED VALUEVISION INTERNATIONAL, INC.**

*BY: /s/ JOHN L. WORKMAN*

*BY: /s/ ROBERT L. JOHANDER*

*TITLE: Executive Vice President*

*TITLE: Chief Executive Officer*

**Exhibit A**  
**SECOND AMENDED AND RESTATED WARRANT AGREEMENT**

Warrant Agreement dated as of this 28th day of September, 1996, by and among ValueVision International, Inc., a Minnesota corporation (the "Company"), Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW"), Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD") and Merchant Partners, Limited Partnership, a Delaware limited partnership (MPLP).

**RECITALS**

A. Pursuant to a Securities Purchase Agreement dated as of March 13, 1995 by and between the Company and MW, the Company agreed to issue and sell, and MW agreed to purchase, Existing Warrants (as herein defined) to purchase an aggregate of 25,000,000 shares of the Common Stock of the Company, subject to adjustment, under the terms and subject to the conditions set forth therein. The Existing Warrants are governed by the terms of a certain Warrant Agreement, dated August 8, 1995, between MW and VVI (the Original Warrant Agreement).

B. Pursuant to a certain Restructuring Agreement, dated July 27, 1996, between the Company and MW (the "Restructuring Agreement"), the Company and MW agreed to exchange the Series C-O Warrants, to amend and restate that certain Operating Agreement and that certain Servicemark License Agreement, and to amend that certain Credit Card Receivables Sale and Purchase Agreement, all dated as of March 13, 1995, and to amend and restate that certain Registration Rights Agreement, dated August 8, 1995 and this Agreement, all in consideration of the issuance by VVI of new Series P Warrants to purchase an aggregate of 1,484,462 shares of Common Stock (the "Exchange Warrants").

D. Pursuant to an Asset Purchase Agreement, dated as of July 27, 1996, between the Company's subsidiary, ValueVision Direct Marketing Company, Inc., and MWD (the "Asset Purchase Agreement"), ValueVision Direct Marketing Company, Inc. delivered to MWD, as consideration for the sale of all of MWD's assets, Series P warrants to purchase an aggregate of 1,484,993 shares of Common Stock (the "MWD Warrants"). MWD subsequently transferred all of its right title and interest in and to the MWD Warrants to MW. In addition, MW transferred certain of its Series P Warrants to MPLP.

E. Pursuant to an Exchange Agreement dated September \_\_\_\_, 1996, (the Exchange Agreement) VVI and MW have agreed to exchange the Vested Warrants for additional Series P Warrants to purchase an aggregate of 2,200,000 shares of Common Stock (the Replacement Warrants) and to amend this Agreement and the Amended and Restated Registration Rights.

F. MPLP desires to become a party to this Agreement and MW, MWD, MPLP and VVI desire to amend and restate the Amended and Restated Warrant Agreement to set forth the terms under which the New Warrants may be exercised.

## A G R E E M E N T S

NOW, THEREFORE, in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, MW MPLP and MWD agree that the Original Warrant Agreement shall be amended and restated to read as follows:

A. Definition of Terms. As used in this Warrant Agreement, the following capitalized terms shall have the following respective meanings:

- (a) Asset Purchase Agreement: "Asset Purchase Agreement" has the meaning assigned thereto in the Recitals.
- (b) Business Day: A day other than a Saturday, Sunday or other day on which banks in the State of Minnesota are authorized by law to remain closed.
- (c) Common Stock: Common stock, \$.01 par value per share, of the Company.
- (d) Common Stock Equivalents: Securities that are convertible into or exercisable for Common Stock.
- (e) Company: "Company" has the meaning assigned thereto in the Preamble.
- (f) Conversion Ratio: The number of Warrant Shares of Common Stock issuable upon the exercise of a Warrant, which shall initially be 1, subject to adjustment from time to time pursuant to Section 6.1.
- (g) Exchange Act: The Securities Exchange Act of 1934, as amended.
- (h) Exchange Agreement: "Exchange Agreement" has the meaning assigned thereto in the Recitals.
- (i) Exchange Warrants: "Exchange Warrants" has the meaning assigned thereto in Recital B.
- (j) Exercise Price Per Share: The "Exercise Price Per Share" shall mean in the case of New Warrants, the exercise price payable for each Warrant Share upon exercise of a New

Warrant, which shall initially be set at \$.01 per share, subject to adjustment from time to time pursuant to Section 6.1.

(k) Existing Warrants: Warrants issued pursuant to the Securities Purchase Agreement and the Warrant Agreement.

(l) Expiration Date: August 8, 2003, or if such day is not a Business Day, the next succeeding day which is a Business Day.

(m) HSR Act: "HSR Act" has the meaning assigned thereto in Section 5.9.

(n) Market Price: The Market Price per share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 20 consecutive trading days ending on such date. The closing price for each day shall be the last sale price of the Common Stock, or in case no such reported sales take place on such day, the average of the last reported bid and asked prices of the Common Stock, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not listed or admitted to trading on any such exchange, as reported by NASDAQ, or other similar organization if NASDAQ is no longer reporting such information, or if not so available, the fair market price of the Common Stock as determined in good faith by the Board of Directors.

(o) MPLP: "MPLP" has the meaning assigned thereto in Section 13.

(p) MW: "MW" has the meaning assigned thereto in the Preamble.

(q) MWD: "MWD" has the meaning assigned thereto in the Preamble.

(r) MWD Warrants: "MWD Warrants" has the meaning assigned thereto in Recital E.

(s) MW Group: "MW Group" has the meaning assigned thereto in that certain Amended and Restated Operating Agreement by and between MW and the Company of even date herewith.

(t) NASD: National Association of Securities Dealers, Inc. and NASDAQ: NASD Automatic Quotation System.

(u) New Warrants: Warrants in the form attached hereto as Exhibit A to be issued on the date hereof pursuant to the

Exchange Agreement, the Restructuring Agreement and the Asset Purchase Agreement in exchange for all of the Existing Warrants including but not limited to the Series A-B Warrants, and all other warrants that may be issued in their place (together evidencing the right to purchase an aggregate of 5,169,455 shares of Common Stock), subject to adjustment pursuant to Section 6 hereof. The New Warrants include the Exchange Warrants, the Replacement Warrants and the MWD Warrants.

(v) Original Warrant Agreement: That certain Warrant Agreement, dated August 8, 1995, between the Company and MW.

(w) Replacement Warrants: Warrants in the form attached hereto as Exhibit A to be issued on the date hereof pursuant to the Exchange Agreement in exchange for all of the Vested Warrants, and all other warrants that may be issued in their place, to purchase an aggregate of 2,200,000 shares of Common Stock subject to adjustment pursuant to Section 6 hereof.

(x) Exchange Agreement: "Exchange Agreement" has the meaning assigned thereto in the Recitals.

(y) Series A-B Warrants: "Series A-B Warrants" has the meaning assigned thereto in the Recitals.

(z) Series C-O Warrants: "Series C-O Warrants" has the meaning assigned thereto in the Recitals.

(aa) SEC: The Securities and Exchange Commission.

(ab) Securities Purchase Agreement: "Securities Purchase Agreement" has the meaning assigned thereto in the Recitals.

(ac) Term: "Term" has the meaning assigned thereto in Section 15.

(ad) Warrants: The New Warrants.

(ae) Warrant Shares: "Warrant Shares" has the meaning assigned thereto in Section 2.

B. Warrant Shares. Each New Warrant will initially be exercisable for one share of Common Stock (a "Warrant Share"), subject to adjustment pursuant to Section 6 hereof.

C. Vesting. All New Warrants shall be fully vested when issued.

D. Expiration of Warrants. All Warrants shall expire at



5:00 pm Minneapolis, Minnesota time, on the Expiration Date. All Warrants that are not exercised on or prior to the Expiration Date shall become void on the Expiration Date, and all rights hereunder and under such Warrants shall thereupon cease.

E. Exercise of Warrants.

1. Exercise Period. Any or all Warrants may be exercised by the holder thereof at any time and from time to time after 9:00 am, Minneapolis, Minnesota time, on the date hereof, and before 5:00 pm, Minneapolis, Minnesota time, on the Expiration Date.

2. Exercise Procedure. The Warrant holder may exercise Warrants during any time that such Warrants are exercisable in whole or in part, by presentation and surrender of the Warrant Certificate to the Company at its principal executive offices, with the Subscription Form annexed thereto duly executed and accompanied by payment of the full Exercise Price Per Share for each Warrant Share to be purchased in immediately available funds by wire transfer to a bank designated by the Company from time to time.

3. Issuance of Warrant Shares. Subject to Section 5.9, upon receipt of the Warrant Certificate with Subscription Form duly executed and accompanied by payment of the aggregate Exercise Price Per Share for the Warrant Shares for which the Warrant is then being exercised, and provided that the holder has made any government filings, and has obtained any governmental actions, consents, approvals, or waiver, required on the holder's part in order to exercise the Warrants, the Company shall cause to be issued certificates for the total number of whole shares of Common Stock for which the Warrant is being exercised (adjusted to reflect the effect of the provisions contained in Section 6 hereof, if any), in such denominations as are requested for delivery to the holder, and the Company shall thereupon deliver such certificates to the holder. The holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the holder. If at the time a Warrant is exercised, a Registration Statement is not in effect to register under the Securities Act the Warrant Shares issuable upon exercise of such Warrant, the Company may require the holder to make such representations, and may place such legends on certificates representing the Warrant Shares, as are customary and may be reasonably required in the opinion of counsel to the Company to permit the Warrant Shares to be issued without such registration.

4. Residual Warrants. In case the Warrant holder shall exercise a Warrant with respect to less than all of the Warrant Shares that may be purchased under such Warrant, the Company shall execute a Warrant in the form of such Warrant for the balance of such

Warrant Shares and deliver such Warrant to the holder.

5. **Transfer Taxes.** The Company shall pay any and all stock transfer and similar taxes which may be payable in respect of the issue of the Warrant or in respect of the issue of any Warrant Shares.

6. **Reservation of Shares.** The Company hereby agrees that at all times while any Warrants are outstanding there shall be reserved for issuance and delivery upon exercise of the Warrants such number of shares of Common Stock or other shares of capital stock of the Company from time to time issuable upon exercise of the Warrants. All such shares shall be duly authorized, and when issued upon such exercise, shall be validly issued, fully paid and nonassessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights.

7. **Fractional Shares.** The Company shall not be required to issue any fraction of a share of its capital stock in connection with the exercise of a Warrant. The holder of Warrants will be required to exercise such number of Warrants so that a whole number of shares of Common Stock will be issued, or, at the Company's sole option, the Company may (i) pay such holder an amount in cash equal to such fraction of a share multiplied by the Market Price of one share of Common Stock on the exercise date, or (ii) may issue the larger number of whole shares purchasable upon exercise of the Warrant, and may require such holder to pay an additional amount equal to the exercise price multiplied by the balance of the share.

8. **Listing.** Prior to the issuance of shares of Common Stock upon exercise of a Warrant, the Company shall use its reasonable best efforts to secure the listing of such shares of Common Stock upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of the Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock from time to time issuable upon the exercise of the Warrant; and the Company shall so list on each national securities exchange or automated quotation system, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of the Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or automated quotation system.

9. **Approvals of Regulatory Authorities.** In the event any filings with or approvals by any federal or state regulatory agency would be required by virtue of the exercise of any of the Warrants (including, without limitation, the U.S. Departments of Justice and Commerce under the Hart-Scott-Rodino Antitrust

Improvements Act ("HSR Act") or the Federal Communications Commission under the Federal Communications Act), such exercise of such Warrant shall be conditional upon (x) expiration or termination of the waiting period under the HSR Act, and (y) receipt of any other required regulatory approvals, but shall otherwise be unconditional. If this Section 5.9 is applicable, (x) the parties will cooperate with each other and make such respective filings and take such other respective actions as may be necessary or desirable in order that the exercise of any such Warrant shall be in accordance with applicable laws, and (y) the Term of this agreement shall be extended, if required, during the period in which applications for regulatory approvals are pending before regulatory authorities.

F. Exercise Price Per Share and Conversion Ratio Adjustments. The Exercise Price Per Share and the Conversion Ratio, and the kind of Warrant Shares shall be subject to adjustment from time to time upon the occurrence of certain events and at the times as provided for in this Section 6.

1. Mechanical Adjustments. If at any time prior to the exercise of any Warrant, the Company shall (i) declare a dividend or make a distribution on the Common Stock payable in shares of its capital stock (whether shares of Common Stock or of capital stock of any other class); (ii) subdivide, reclassify or recapitalize outstanding Common Stock into a greater number of shares; (iii) combine, reclassify or recapitalize its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of its Common Stock (including any such reclassification in connection with a consolidation or a merger in which the Company is the continuing corporation), excluding, however, any dividend, distribution, reclassification or recapitalization that requires the payment of more than nominal additional consideration by security holders, the Conversion Ratio in effect at the time of the record date of such dividend, distribution, subdivision, combination, reclassification or recapitalization shall be immediately adjusted so that upon exercise of a Warrant the holder thereof shall be entitled to receive the aggregate number and kind of shares which, if the Warrants had been exercised in full immediately prior to such event, the holder thereof would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, combination, reclassification or recapitalization, for the same aggregate consideration. The Exercise Price Per Share payable upon exercise of each Warrant shall simultaneously be adjusted by multiplying the initial Exercise Price Per Share in effect for such Warrant by the Conversion Ratio in effect immediately prior to such adjustment and dividing the products so obtained by the Conversion Ratio, as adjusted. Any adjustments required by this Section 6.1 shall be made successively immediately after the record date, in the case of a dividend or distribution, or the effective date, in the case of a subdivision, combination, reclassification or recapitalization, to allow the purchase of such

aggregate number and kind of shares, subject to Section 6.4.

2. Subsequent Adjustments. In the event that at any time, as a result of any adjustment made pursuant to Section 6, the holder of a Warrant thereafter shall become entitled to receive any shares of the Company other than Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Section 6, subject to Section 6.6.

3. No Adjustment for Cash Dividends. No adjustment in respect of any cash dividends not constituting Special Dividends shall be made during the term of the Warrants or upon the exercise of any Warrant.

6.4 Notice of Adjustment. No adjustment in the Conversion Ratio shall be required unless such adjustment would increase or decrease the Conversion Ratio by at least .001; provided, however, that any adjustments which by reason of this Section 6.6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6 shall be made to the nearest one-hundredth of a share or the nearest tenth of a cent, as the case may be. The adjusted Conversion Ratio may be rounded off to the nearest one millionth (six places to the right of the decimal point). Whenever the Conversion Ratio or the Exercise Price Per Share is adjusted as herein provided, the Company shall prepare and deliver forthwith to all holders of Warrants a certificate signed by its Chief Financial Officer, setting forth the adjusted Conversion Ratio, the adjusted number of shares purchasable upon the exercise of Warrants and the Exercise Price Per Share of such shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The failure to give such notice or any defect therein shall not affect the validity or effectiveness of any such adjustment.

6.5 Form of Warrant After Adjustments. The form of Warrants need not be changed because of any adjustments in the Exercise Price Per Share or the number or kind of the Warrant Shares, and Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in an adjusted Warrant, as initially issued.

G. No Rights as Shareholders; Notice to Holders. Nothing contained in this Agreement or in the Warrants shall be construed as conferring upon a holder of Warrants by virtue of its status as a Warrant holder the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or of any other matter, or any rights whatsoever as shareholders of the Company. The Company shall give notice to all holders of Warrants if at any time prior to the expiration or exercise in full of the Warrants, any of the following events shall occur:

(a) the Company shall authorize the payment of any dividend payable in any securities upon shares of Common Stock or authorize the making of any distribution (other than a regular cash dividend or distribution paid out of net profits legally available therefor) to all holders of Common Stock;

(b) the Company shall authorize the issuance to all holders of Common Stock of any additional shares of Common Stock or Common Stock Equivalents or of rights, options or warrants to subscribe for or purchase Common Stock or Common Stock Equivalents or of any other subscription rights, options or warrants;

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger, or sale or conveyance of the property of the Company as an entirety or substantially as an entirety); or

(d) a capital reorganization or reclassification of the Common Stock (other than a change in the par value of the Common Stock) or any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or change of Common Stock outstanding) or in the case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety.

Such giving of notice shall be initiated (i) at least 5 Business Days prior to the date fixed as a record date or effective date or (ii) the date of closing of the Company's stock transfer books for the determination of the shareholders entitled to such dividend, distribution or subscription rights, or for the determination of the shareholders entitled to vote on such proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the stock transfer books, as the case may be. Failure to provide such notice shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up.

H. Lost, Stolen, Mutilated or Destroyed Warrants. If a Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may in its discretion impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as, and in substitution for the Warrant.

I. Restrictions on Transfer of Warrants and Warrant Shares. The Warrants and the Warrant Shares may not be transferred, disposed of or encumbered (any such action, a "Transfer"), except in accordance with and subject to the provisions of the Securities Act and the rules and regulations promulgated thereunder. If at the time of a Transfer, a Registration Statement is not in effect to register the Warrant Shares, the Company may require the holder thereof to make such representations, and to provide the Company with an opinion of counsel reasonably acceptable to the Company that such Transfer would not result in violation of any federal or state law regarding the offering or sale of securities and the Company may place such legends on certificates representing the Warrant Shares, as are customary and may be reasonably required in the opinion of counsel to the Company to permit a Transfer without such registration. Subject to the foregoing and to Section 13, all Warrants and Warrant Shares shall be freely transferable.

J. Warrant Register. All Warrants shall be in registered form. The Company shall maintain a register of the Warrants (the "Warrant Register"). All Transfers of Warrants shall be recorded in the Warrant Register.

K. Registration Under the Securities Act of 1933. The Warrant Shares shall be entitled to certain registration rights provided in that Registration Rights Agreement by and among the Company, MW and MWD of even date herewith.

L. Certain Filings. The parties will cooperate with each other in determining whether action by or in respect of, or filing with, any governmental body, agency or official, or authority is required, or any actions, consents, approvals or waivers are required to be obtained in connection with the transactions and adjustments contemplated by this Agreement, and provide each other with reasonable assistance in seeking any such actions, consents, approvals, or waivers or making any such filings, furnishing information required in connection therewith, and seeking timely to obtain any such actions, consents, approvals or waivers.

M. Right of First Offer. No holder of a Warrant or Common Stock (including Warrant Shares) will transfer, sell, or in any manner convey any interest in any Warrants or Common Stock (including Warrant Shares), except through an offering to the public that is registered under the Securities Act, or pursuant to the provisions of Rule 144 under the Securities Act (excluding paragraph (k) of Rule

144), unless such holder first offers such Warrants or Common Stock (including Warrant Shares) to the Company. The holder shall provide the Company with a written offer specifying the amount of securities being offered, the purchase price and other terms of such offer. The Company shall have fifteen (15) days from and after the date of receipt by the Company of such written offer within which to accept such offer, or to make a written counteroffer with respect to all or any part of the securities offered. If the Company does not accept the holder's offer, or the holder does not accept the Company's counteroffer, by written notice given within such 15-day period, the holder may offer and sell such securities to any party within 180 days thereafter on terms that are not less favorable to the holder than the terms of the later to be made of the holder's last offer to the Company or the Company's last counteroffer to the holder, if any, provided that the terms of a sale to a third party shall not be deemed to be less favorable to the holder solely based on a lower purchase price paid by the third party if such lower purchase price is at least 90% of the highest price offered by or to the Company. This Section 13 shall not apply to any transfer of Warrants or Common Stock (including Warrant Shares) (i) by any member of the MW Group to any other member of the MW Group, (ii) by MW to MPLP, or (iii) by MPLP to its partners, and the partners or stockholders (direct or remote) of such partners.

N. Term. Subject to Section 5.9, the term of this Agreement shall begin on the date hereof and expire on August 8, 2003 (the "Term").

O. Additional Actions and Documents. Each of the parties hereto agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such further documents and instruments, and to use all reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

17. Cancellation and Return of Existing Warrants. Effective as at the date hereof, all Existing Warrants including but not limited to all of the Series A-B Warrants and the Series C-O Warrants issued pursuant to the Original Warrant Agreement and the Securities Purchase Agreement are deemed to have expired unexercised and are hereby terminated. All Existing Warrants shall be surrendered to the Company within 30 days of the date hereof.

IN WITNESS WHEREOF, this Warrant Agreement has been duly executed by the Company under its corporate seal as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By:  
Robert L. Johander  
Its Chief Executive Officer

Attest: \_\_\_\_\_  
Secretary  
**MONTGOMERY WARD & CO., INCORPORATED**

By:  
\_\_\_\_\_ President

Attest: \_\_\_\_\_  
Secretary  
**MONTGOMERY WARD DIRECT, L.P.**

By: MW Direct General, Inc., the  
general partner

By:

Its:

Attest: \_\_\_\_\_  
Secretary

**MERCHANT PARTNERS, LIMITED  
PARTNERSHIP**  
By: MERCHANT PARTNERS, LIMITED  
PARTNERSHIP, the general partner

By: Merchant Development Corp.,  
the general partner

By:

Its:

Attest: \_\_\_\_\_  
Secretary



## Exhibit B

### SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Amended and Restated Registration Rights Agreement dated as of September 28, 1996, by and among ValueVision International, Inc., a Minnesota corporation (the "Company"), Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD"), Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW") and Merchant Partners, Limited Partnership, a Delaware limited partnership (MPLP).

#### RECITALS

A. Pursuant to a Securities Purchase Agreement, dated as of March 13, 1995, by and between the Company and MW (the "Securities Purchase Agreement"), the Company agreed to issue and sell, and MW agreed to purchase, 1,280,000 shares (the "Shares") of Common Stock of the Company, under the terms and subject to the conditions set forth therein.

B. Pursuant to the Securities Purchase Agreement, the Company also agreed to issue and sell, and MW agreed to purchase, Existing Warrants (as herein defined) to purchase an aggregate of 25,000,000 shares of the Common Stock of the Company, subject to adjustment, under the terms and subject to the conditions set forth therein. Existing Warrants of Series A and Series B, both inclusive (the "Series A-B Warrants"), have vested, and Existing Warrants of Series C through Series O, all inclusive (the "Series C-O Warrants") have not vested.

C. Pursuant to the Securities Purchase Agreement, the Company agreed to grant MW certain registration rights with respect to the Shares and the shares issued upon exercise of the Existing Warrants and executed that certain Registration Rights Agreement, dated as of August 8, 1995 (the Original Registration Rights Agreement).

D. Pursuant to a certain Exchange Agreement, dated as of even date herewith, between the Company and MW (the "Exchange Agreement"), the Company and MW have agreed to exchange the Series C-O Warrants, to amend and restate that certain Operating Agreement and that certain Servicemark License Agreement, and to amend that certain Credit Card Receivables Sale and Purchase Agreement, all dated as of March 13, 1995, and to amend and restate that certain Warrant Agreement, dated August 8, 1995 and this Agreement, all in consideration of the issuance by VVI of new Series P Warrants (New Warrants) to purchase an aggregate of 1,484,462 shares of Common Stock.

E. MWD is a wholly owned subsidiary of MW. Pursuant to an Asset Purchase Agreement, dated as of August 1, 1996, between the Company's subsidiary, ValueVision Direct Marketing Company, Inc., and MWD (the "Asset Purchase Agreement"), ValueVision Direct Marketing Company, Inc. has agreed to deliver to MWD, as consideration for the sale of all of MWD's assets, New Warrants to purchase an aggregate of 1,484,993 shares of Common Stock ( MWD Warrants ). MWD subsequently transferred all of its right title and interest in and to the MWD Warrants to MW. In addition, MW transferred certain of its Series P Warrants to MPLP. MWD no longer desires to be a party to this Agreement but MPLP desires to be a party to this Agreement.

F. Pursuant to the Exchange Agreement, dated as of September 28, 1996, between the Company and MW (the "Exchange Agreement"), VVI and MW have agreed to exchange all of the Series A-B Warrants for Series P Warrants to purchase 2,200,000 shares of Common Stock (the Exchange Warrants ).

G. In connection with the cancellation of the Series C-O Warrants and the issuance of the New Warrants, the parties agreed to amend and restate the Original Registration Rights Agreement as set forth herein.

H. In connection with the cancellation of the Series A-B Warrants and the issuance of the Replacement Warrants, the parties desire to amend and restate the Amended and Restated Registration Rights Agreement as set forth herein.

## **A G R E E M E N T S**

NOW, THEREFORE, in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, MWD and MW agree that the Original Registration Rights Agreement is amended and restated in its entirety to read as follows:

1. Definition of Terms. As used in this Registration Rights Agreement, the following capitalized terms shall have the following respective meanings:

(a) Asset Purchase Agreement: See Recital E.

(b) Business Day: A day other than a Saturday, Sunday or other day on which banks in the State of Minnesota are authorized by law to remain closed.

(c) Closing Date: August 8, 1995.

- (d) Common Stock: Common Stock, \$.01 par value per share, of the Company.
- (e) Company: See the Preamble.
- (f) Demand Notice: See Section 3(a).
- (g) Demand Registration: See Section 3(a).
- (h) Demand Registration Rights: See Section 3(a).
- (i) Exchange Act: The Securities Exchange Act of 1934, as amended.
- (j) Exercise Price: The exercise price of a New Warrant as indicated in, and as may be adjusted by, the Warrant Agreement.
- (k) Expiration Date: 5:00 P.M., Minneapolis, Minnesota time, on August 7, 2003, or if such day is not a Business Day, the next succeeding day which is a Business Day.
- (l) Inspectors: See Section 5(g).
- (m) MW: See the Preamble.
- (n) MWD: See the Preamble.
- (o) NASD: National Association of Securities Dealers, Inc. and NASDAQ: NASD Automated Quotation System.
- (p) New Warrants: Series P warrants issued pursuant to the Amended and Restated Exchange Agreement and the Asset Purchase Agreement.
- (q) Outstanding Registration Rights Agreement: The Representative's Warrant Agreement dated as of November 15, 1993 by and between the Company and Gerard Klauer Mattison & Co., Inc.
- (r) Person: An individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.
- (s) Piggyback Notice: See Section 2(a).
- (t) Piggyback Registration: See Section 2(a).
- (u) Piggyback Registration Rights: See Section 2(a).
- (v) Prospectus: Any prospectus included in any Registration Statement, as amended or supplemented by any prospectus

supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments and all material incorporated by reference in such Prospectus.

(w) Public Offering: A public offering of any of the Company's equity or debt securities pursuant to a registration statement under the Securities Act.

(x) Records: See Section 5(g).

(y) Registration Expenses: Any and all expenses incurred in connection with any registration or action incident to performance of or compliance by the Company with this Agreement, including, without limitation, (i) all SEC, national securities exchange and NASD registration and filing fees; all listing fees and all transfer agent fees; (ii) all fees and expenses of complying with state securities or blue sky laws; (iii) all printing, mailing, messenger and delivery expenses and (iv) all fees and disbursements of counsel for the Company and of its accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, but excluding underwriting discounts and commissions, brokerage fees and transfer taxes, if any, and fees of counsel or accountants retained by MW.

(z) Registration Notice: See Section 2(a).

(aa) Registration Period: The period of time from the second anniversary of the Closing Date to the Expiration Date except as provided in Sections 3(a), 3(b) and 5.

(ab) Registrable Securities: Any Shares or Warrant Shares issued to MW or MPLP, including those which may thereafter be issued by the Company in respect of any such securities by means of any stock splits, stock dividends, recapitalizations, reclassifications or the like, and as adjusted pursuant to the Amended and Restated Warrant Agreement.

(ac) Registration Statement: Any registration statement of the Company filed or to be filed with the SEC which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including all amendments (including post-effective amendments) and supplements thereto, all exhibits thereto and all material incorporated therein by reference.

(ad) SEC: The Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

(ae) Securities Act: The Securities Act of 1933, as

amended.

(af) Securities Purchase Agreement: See Recital A.

(ag) Series A-B Warrants: See Recital B.

(ah) Series C-O Warrants: See Recital B.

(ai) Series P Warrants: See Recital B.

(aj) Shares: See Recital A.

(ak) Warrant Agreement: That certain Second Amended and Restated Warrant Agreement, dated as of July 27, 1996, among the Company, MW, MPLP and MWD.

(al) Warrant Shares: All shares of Common Stock issued or issuable upon exercise of any or all of the New Warrants.

## 2. Piggyback Registration.

(a) Right to Include Registrable Securities. If at any time during the Registration Period, the Company proposes to register any of its securities under the Securities Act on any form for the registration of securities under such Act, whether or not for its own account (other than by a registration statement on Form S-4, S-8 or other successor form), it shall as expeditiously as possible give written notice (a "Registration Notice") to the holders of Registrable Securities of its intention to do so. Upon the written request of any such holder (a "Piggyback Notice", which notice shall specify the Registrable Securities intended to be registered) made within 20 days after receipt of a Registration Notice, the Company shall include in the Registration Statement the Registrable Securities (a "Piggyback Registration") which the Company has been so requested by such holder to register, subject to the limitations provided in the Existing Registration Rights Agreements. Such holder's rights to register shares hereunder are referred to hereinafter as "Piggyback Registration Rights."

(b) Withdrawal of Piggyback Registration by Company. If, at any time after giving a Registration Notice but prior to the effective date of the related Registration Statement, the Company shall determine for any reason not to register such securities, the Company shall give written notice of such determination to the holders of the Registrable Securities sought to be registered and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such Piggyback Registration. All best efforts obligations of the Company shall cease if the Company determines to terminate prior to such effective date any registration where Registrable Securities are being registered pursuant to this Section 2.

(c) Piggyback Registration of Underwritten Public Offerings. If a Piggyback Registration involves an offering by or through underwriters, then, (i) the holders of the Registrable Securities sought to be registered must agree to sell their Registrable Securities included in the Company's Registration Statement to the underwriters selected by the Company on the same terms and conditions as apply to other selling shareholders and (ii) such holders may elect in writing, not later than five Business Days prior to the effectiveness of the Registration Statement filed in connection with such registration, not to have their Registrable Securities so included in connection with such registration.

(d) Payment of Registration Expenses for Piggyback Registration. The Company shall pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to a Piggyback Registration Right contained in this Section 2.

### 3. Demand Registration.

(a) Request for Registration. Upon the written request (a "Demand Notice") of a holder of Registrable Securities at any time during the Registration Period, and subject to the limitations provided in the Existing Registration Rights Agreements, the Company shall, as soon as practicable, use its best efforts to file a Registration Statement (a "Demand Registration") with respect to all Registrable Securities that such holder requested be registered in the Demand Notice. Prior to the filing of such Demand Registration, the Company shall give written notice to all other holders of Registrable Securities of the Demand Registration. Upon the written request of any such holder made within 20 days after receipt of such notice, the Company shall include in the Demand Registration the Registrable Securities that such holder requested be registered, subject to the limitations provided in the Existing Registration Rights Agreements. The rights of holders of Registrable Securities to register shares hereunder are referred to hereinafter as "Demand Registration Rights." The holders of Registrable Securities may in the aggregate exercise up to two Demand Registration Rights during the Registration Period. The Company shall use its best efforts to obtain the effectiveness of the Registration Statement and to take all other action necessary under any Federal or state law or regulation to permit such Registered Securities to be sold or otherwise disposed of, and the Company shall maintain such compliance with each such Federal and state law and regulation for the period necessary for the holder of Registrable Securities to effect the proposed sale or other disposition (but in no event for more than 120 days). The Company shall be entitled to have the Demand Registration prepared, filed and caused to become effective pursuant to Form S-3 or any successor form promulgated by the SEC ("Form S-3") pursuant to this Section 3(a), so long as it is eligible to register its

securities pursuant to Form S-3 and Form S-3 is available for the distribution contemplated by the holder of Registrable Securities.

(b) Deferment of Demand Registration by Company. The Company shall be entitled to defer a Demand Registration for a period of up to 120 days if and to the extent that its Board of Directors shall determine in good faith that such registration would interfere with a pending material corporate transaction which has been approved by the Board of Directors of the Company. In such event, the Registration Period shall be extended by the amount of such delay and the related Demand Registration Right would be deemed not to be exercised.

(c) Payment of Registration Expenses for Demand Registration. Except as provided below, holders of Registrable Securities sought to be registered shall pay the first \$75,000 or Registration Expenses, plus 50% of all remaining Registration Expenses of a Demand Registration and the Company shall pay the balance of such Registration Expenses; and holders of such Registrable Securities and the Company shall pay the fees and expenses of each of their respective legal counsel. A registration will not count as a Demand Registration until it has become effective, unless the holders demanding such registration withdraw the Registrable Securities, in which case such demand will count as a Demand Registration unless the holders of such Registrable Securities agree to pay all Registration Expenses.

(d) Registration of Additional Securities. Except to the extent required by the Outstanding Registration Rights Agreements, neither the Company nor any other party may include in any Registration Statement filed pursuant to a Demand Registration any additional shares of Common Stock for registration for sale by the Company or any other holder of securities. The Company shall not grant any rights inconsistent with this Section 3(d).

(e) Priority in Demand Registration. If a Demand Registration involves an offering by or through an underwriter or underwriters, and the managing underwriter or underwriters of such offering advise the Company and the holders of Registrable Securities sought to be registered pursuant to such Demand Registration in writing that in their opinion the size of the offering which such holders and all other persons including the Company intend to make is such that the success of the offering would be materially and adversely affected by the inclusion of the Registrable Securities requested to be included, then the amount of securities to be offered for the account of holders of Registrable Securities shall be reduced pro rata (according to the Registrable Securities proposed for registration) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided that if securities are being offered for the account of other persons or

entities as well as the Company, then with respect to the Registrable Securities intended to be offered by holders of Registrable Securities, the proportion by which the amount of such securities is reduced shall not exceed the proportion by which the amount of such class of securities intended to be offered by such other persons or entities is reduced, except to the extent such other persons are entitled to a lesser reduction under the Existing Registration Rights Agreements.

4. Company Buy-out of Piggyback Registration or Demand Registration. In lieu of carrying out its obligations to effect a Piggyback Registration or Demand Registration of any Registrable Securities pursuant to this Agreement, the Company may carry out such obligation by offering to purchase and purchasing such Registrable Securities requested to be registered (a) in the case of outstanding shares of Common Stock, at the last sale price of the Common Stock on the day immediately prior to the day the request for registration is made and (b) in the case of shares not yet purchased under the New Warrants or Series A-B Warrants at an amount in cash equal to the difference between (i) the last sale price of the Common Stock on the day immediately prior to the day the request for registration is made and (b) the Exercise Price in effect on such day.

5. Registration Procedures. Whenever a holder of Registrable Securities has requested that any Registrable Securities be registered pursuant to either Section 2 or 3 hereof, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request, the Company will as expeditiously as possible:

(a) prepare and file with the Commission a Registration Statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become effective; provided that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by such holder copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel, and that after the filing of the registration statement, the Company will promptly notify all holders of Registrable Securities of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration



Statement effective for a period of not less than 120 days or such shorter period which will terminate when all Registrable Securities covered by such Registration Statement have been sold (but not before the expiration of the requirement of underwriters and dealers to deliver Prospectuses in connection with such distribution) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the selling holders thereof set forth in such Registration Statement;

(c) furnish to each selling holder of Registrable Securities and to each underwriter, prior to filing the Registration Statement or Prospectus or any amendment or supplement thereto, if requested, copies of such Registration Statement as proposed to be filed, and thereafter furnish to each selling holder of Registrable Securities and such underwriter such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the Prospectus included in such Registration Statement (including each Preliminary Prospectus) and such other documents as each selling holder of Registrable Securities or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by each selling holder of Registrable Securities;

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any selling holder of Registrable Securities or any managing underwriter reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable any selling holder of Registrable Securities or such managing underwriter to consummate the disposition in such jurisdictions of the Registrable Securities owned by any selling holder of Registrable Securities; provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this clause, (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction;

(e) use its best efforts to cause the Registrable Securities covered by such Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company or its subsidiaries to enable any selling holder of Registrable Securities and any managing underwriters to consummate the disposition of such Registrable Securities;

(f) immediately notify each selling holder of Registrable Securities, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the happening

of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and the Company will promptly prepare a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(g) make available for inspection by each selling holder of Registrable Securities, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by any selling holder of Registrable Securities or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibilities, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such Registration Statement. Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary in the opinion of the underwriter's counsel, if any, or counsel to selling holders of Registrable Securities to avoid or correct a material misstatement or omission in the Registration Statement, or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or governmental agency, or (iii) the information in such Records has been made generally available to the public. Each selling holder of Registrable Securities agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by a governmental agency, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(h) for purposes of a Demand Registration only, furnish to each selling holder of Registrable Securities and to each underwriter, if any, (x) an opinion or opinions of counsel to the Company and (y) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or by comfort letters, as the case may be, as any selling holder of Registrable Securities or the managing underwriter reasonably requests;

(i) otherwise use its best efforts to comply with all

applicable rules and regulations of the SEC, and make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of twelve months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act and Rule 158 thereunder;

(j) use its best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(k) cooperate with the selling holders of Registrable Securities, the underwriter or underwriters (or broker/dealer involved in the distribution), if any, and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

If any Demand Registration is requested to be in the form of an underwritten offering, the selection of the managing underwriter shall be subject to the Company's consent, which consent shall not be unreasonably withheld. If requested by the underwriters for any underwritten offering, the Company shall enter into an underwriting agreement in customary form with such underwriters for such offering, but subject to the Company's reasonable approval. The selling holders of the Registrable Securities shall be a party to such underwriting agreement. All fees and expenses (other than Registration Expenses otherwise required to be paid) of any managing underwriter, any co-manager or any independent underwriter shall be paid for by such underwriters or by such selling holders.

The Company may require the selling holders of Registrable Securities to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required or reasonably requested in connection with such registration.

Each selling holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(f) hereof, such selling holder will forthwith discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(f) hereof, and, if so directed by the Company, such holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the Company shall extend the period during which such Registration Statement shall be maintained effective pursuant to this

Agreement (including the period referred to in Section 5(b) hereof) by the number of days during the period from and including the date of the giving of such notice pursuant to Section 5(f) hereof to and including the date when each seller of Registrable Securities covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 5(f) hereof.

Except as otherwise provided in this Agreement, the Company shall have sole control in connection with the preparation, filing, withdrawal, amendment or supplementing of each Registration Statement, the selection of underwriters, and the distribution of any preliminary prospectus included in the Registration Statement, and may include within the coverage thereof additional shares of Common Stock or other securities for its own account or for the account of one or more of its other security holders.

## 6. Indemnification.

(a) Indemnification by Company. In connection with each Registration Statement relating to disposition of Registrable Securities, the Company shall indemnify and hold harmless each selling holder of Registrable Securities and each underwriter of Registrable Securities and each Person, if any, who controls any selling holder of Registrable Securities or underwriter (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) against any and all losses, claims, damages and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other Federal or state law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or any amendment thereof or supplement thereto, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of any selling holder of Registrable Securities or underwriter (or any Person controlling any selling holder of Registrable Securities or underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) on account of any losses, claims, damages or liabilities arising from the sale of the Registrable Securities if such untrue statement or omission or alleged untrue statement or omission was made in such Registration Statement, Prospectus or preliminary prospectus, or such amendment or supplement, in reliance upon and in conformity with information furnished in writing to the Company by such selling holder of

Registrable Securities or underwriter specifically for use therein. The Company shall also indemnify selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities, if requested. The indemnification obligation imposed on the Company under this Section 6(a) shall be in addition to any liability which the Company may otherwise have.

(b) Indemnification by Holder of Registrable Securities. In connection with each Registration Statement, each selling holder of Registrable Securities shall indemnify, to the same extent as the indemnification provided by the Company in Section 6(a), the Company, its directors and each officer who signs the Registration Statement and each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) but only insofar as such losses, claims, damages and liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which was made in the Registration Statement, the Prospectus or preliminary prospectus or any amendment thereof or supplement thereto, in reliance upon and in conformity with information furnished in writing by such selling holder of Registrable Securities to the Company specifically for use therein. In no event shall the liability of any selling holder of Registrable Securities hereunder be greater in amount than the dollar amount of the net proceeds received by any selling holder of Registrable Securities from the sale of the Registrable Securities giving rise to such indemnification obligation. The Company shall be entitled to receive indemnities from underwriters participating in the distribution, in the underwriting agreement pursuant to which such sales are made, with respect to information so furnished in writing by such Persons specifically for inclusion in any Prospectus, Registration Statement or preliminary prospectus or any amendment thereof or supplement thereto.

(c) Conduct of Indemnification Procedure. Any party that proposes to assert the right to be indemnified hereunder will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section, notify each such indemnifying party of the commencement of such action, suit or proceeding, enclosing a copy of all papers served. No indemnification provided for in this Section shall be available to any party who shall fail to give notice as provided in this Section 6 if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was prejudiced by the failure to give such notice but the omission so to notify such indemnifying party of any such action, suit or proceeding shall not relieve it from any liability that it may have to any indemnified

party for contribution or otherwise than under this Section. In case any such action, suit or proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and the approval by the indemnifying party to such indemnified party of its election so to assume the defense thereof and the approval by the indemnified party of such counsel, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses, except as provided below and except for the reasonable costs of investigation subsequently incurred by such indemnified party in connection with the defense thereof. The indemnified party shall have the right to employ its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party has been authorized in writing by the indemnifying parties, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying parties and the indemnified party in the conduct of the defense of such action (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying parties shall not have employed counsel to assume the defense of such action within a reasonable time after notice of the commencement thereof, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying parties. An indemnifying party shall not be liable for any settlement of any action, suit, proceeding or claim effected without its written consent, but if settled with its written consent, or if there is a final judgment for the plaintiff in any such action or proceeding, the indemnifying party shall indemnify and hold harmless such indemnified parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) Contribution. If the indemnification provided for in this Section 6 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or

expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6(c), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(d). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Priority of Indemnification. If indemnification is available under this Section 6, the indemnifying parties shall indemnify each indemnified party to the full extent provided in subparagraphs (a) and (b) of this paragraph without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 6.

7. Assignment. The Piggyback Rights, Demand Registration Rights and any other rights of MW and MPLP pursuant to this Agreement shall run in favor of any subsequent holder of Registrable Securities.

8. Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered, or mailed first-class postage prepaid, registered or certified mail,

if to MW, addressed to:

**MONTGOMERY WARD & CO, INCORPORATED**

Montgomery Ward Plaza  
619 West Chicago Avenue  
Chicago, IL 60671  
Attention: General Counsel

if to MPLP, addressed to:

**MERCHANT PARTNERS, LIMITED PARTNERSHIP**

9690 Deereco Road  
Timonium, Maryland 21093  
Attention: Raymond L. Bank

in case of either (i) or (ii), with a copy to:

Alzheimer & Gray 10 South Wacker Drive Suite 4000  
Chicago, Illinois 60606 Attention: David W. Schoenberg Telecopier: (312) 715-4800

if to the Company, addressed to:

**VALUEVISION INTERNATIONAL, INC.**

6740 Shady Oak Road  
Minneapolis, MN 55344-3433  
Attention: Chief Executive Officer

with a copy to:

Maslon, Edelman, Borman & Brand, a professional  
limited liability partnership  
3300 Norwest Center  
90 South Seventh Street  
Minneapolis, Minnesota 55402-4140  
Attention: William M. Mower

and such notices and other communications shall for all purposes of this Agreement be treated as being effective or having been given if delivered personally, or, if sent by mail, when received.

9. Headings. The headings of the Sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute part of this Agreement.

10. Choice of Law. It is the intention of the parties that the laws of Minnesota shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

11. Counterparts. This Agreement may be executed concurrently in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12. Invalid Provisions. If any provision of this Agreement is



held to be illegal, invalid or unenforceable under present or future law, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or its severance from this Agreement.

13. Termination of MWD s Interest. Upon execution of the this Agreement by the parties hereto, MWD shall cease to be a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By:  
Robert L. Johander  
Its Chief Executive Officer

**MONTGOMERY WARD & CO., INCORPORATED**

By:  
\_\_\_\_\_ President

**MONTGOMERY WARD DIRECT, L.P.**

By: MW Direct General, Inc., the  
general partner

By:  
Its:

**MERCHANT PARTNERS, LIMITED  
PARTNERSHIP**

By: MERCHANT PARTNERS, LIMITED  
PARTNERSHIP, the general partner

By: Merchant Development Corp.,  
the general partner

By:  
Its:

## AMENDED AND RESTATED OPERATING AGREEMENT

THIS AGREEMENT is made as of July 27, 1996 between Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW") and ValueVision International, Inc., a Minnesota corporation ("VVI").

### RECITALS

A. MW and VVI are parties to a certain Operating Agreement, dated March 13, 1995 (the "Original Agreement"), pursuant to which MW granted to VVI certain rights, and agreed to certain restrictions on its activities, in connection with Television Home Shopping (as herein defined).

B. Effective concurrently herewith, VVI is purchasing from Montgomery Ward Direct, L.P., a Delaware limited partnership which is a wholly owned indirect subsidiary of MW ("MWD"), substantially all of the assets of MWD. MWD is engaged in the business of selling Products (as herein defined) through direct-mail specialty catalogs. In addition, concurrently herewith, (x) the existing Servicemark License Agreement between MW and VVI, dated March 13, 1995 is being amended and restated to include the granting to VVI of a license to use the service mark "Montgomery Ward Direct" (the "MWD Mark") and (y) the existing Credit Card License and Receivables Sale Agreement between MW and VVI, dated March 13, 1995 is being amended in certain respects, to include the use of the Card (as herein defined) in connection with Catalog Activities (as herein defined).

C. By virtue of the acquisition of the assets of MWD, and the grant of the license to use the MWD Mark, the parties desire to amend and restate the Original Agreement to (i) cover the direct-mail businesses to be conducted by VVI under the MWD Mark, and (ii) revise certain provisions of the Original Agreement to reflect understandings reached by the parties based upon their fifteen months of experience in operating under the Original Agreement.

### AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby amend and restate the Original Agreement to read as follows:

1. Certain Definitions. For the purposes of this Agreement:

(a) "Affiliate" shall mean any Person which directly or indirectly is controlled by the Person in

question. "Control" means the possession, directly or indirectly, of the power to direct or to cause the direction of the management and policies of a Person whether through ownership of voting securities, through the power to appoint directors, by contract or otherwise. For purposes of this Agreement, neither the General Electric Company ("GE"), nor General Electric Capital Corporation ("GECC"), nor any subsidiary of GE or GECC, shall be deemed to be an Affiliate of MW.

(b) "Cable Systems" shall mean individual cable television systems. Each cable television system shall be considered to be an individual Cable System, regardless of whether such cable television system is operated by an operator of more than one Cable System.

(c) "Card" shall mean any private-label credit card offered by any member of the MW Group or its designee to customers of any member of the MW Group, including but not limited to the Montgomery Ward credit card and the Lechmere credit card.

(d) "Catalog Activities" shall mean the conduct of the following activities:

(i) the offer and sale of Products through mail-order catalog offers (the "Primary Catalog Activity");

(ii) the offer and sale of Products through direct mail syndications and reverse syndications (as such terms are commonly used in the catalog and direct-mail industry);

(iii) the offer and sale of Products through telemarketing to customers derived through the Primary Catalog Activity;

(iv) prospecting for new customers using a combination catalog and pre-approved credit offer;

(v) use of 30, 60 and 120 second television commercials for promotion of the Primary Catalog Activity;

(vi) the offer and sale of Products through solo and multi-solo mailings to customers derived through the Primary Catalog Activity; and

(vii) the use of the Internet and on-line services to promote the Primary Catalog Activity.

(e) "Effective Date" shall mean March 13, 1995.

(f) "Excluded Products" shall mean unique, proprietary Products (as herein defined) such as the PowerGrower, that (x) are developed or promoted by a member of the MW Group for the primary benefit of the MW Group, and (y) are not marketed through the use of any of the Marks.

(g) "HSN" shall mean Home Shopping Network, Inc., a Delaware corporation.

(h) "HSN Agreements" shall mean (i) that certain Agreement, dated as of October 12, 1988 among Signature Agency, Inc., HSN and HSN Insurance, Inc., (ii) that certain Agreement, dated as of October 31, 1987, between Signature's Nationwide Auto Club, Inc., HSN and Home Shopping Insurance, Inc., (iii) that certain Agreement, dated as of October 12, 1987, between Montgomery Ward Life Insurance Company, HSN and Home Shopping Insurance, Inc., and (iv) that certain Agreement, dated as of October 10, 1991, among Montgomery Ward Enterprises, Inc., The Signature Life Insurance Company of America, Home Shopping Club, Inc. and HSN Insurance, Inc.

(i) "Marks" shall have the meaning ascribed to such term in the Restated Servicemark License Agreement.

(j) "MW Group" shall mean, collectively, MW and its Affiliates.

(k) "MW Products" shall mean Products offered for sale by any member of the MW Group.

(l) "MW Services" shall mean services offered from time to time by Signature (as herein defined).

(m) "New Warrants" shall mean Series P Warrants to purchase shares of common stock, \$.01 par value, of VVI.

(n) "Person" shall mean a natural person, corporation, general or limited partnership, limited liability company or partnership, proprietorship, association, joint venture, governmental agency, trust, estate, unincorporated organization, or other entity or organization whether acting in an individual, fiduciary, or other capacity.

- (o) "Pledge Agreement" shall mean that certain Pledge Agreement, dated of even date herewith, between MW and VVI.
- (p) "Product" or "Products" shall mean any consumer merchandise other than Excluded Products.
- (q) "Related Agreements" shall mean the Pledge Agreement, the Receivables Sale and Purchase Agreement (as herein defined) and the Restated Servicemark License Agreement (as herein defined).
- (r) "QVC" shall mean QVC Network, Inc., a Delaware corporation.
- (s) "Restated Servicemark License Agreement" shall mean that certain Amended and Restated Servicemark License Agreement between MW and VVI, of even date herewith.
- (t) "Receivables Sale and Purchase Agreement" shall mean that certain Credit Card License and Receivables Sale Agreement between MW and VVI, dated March 13, 1995, as amended by a letter agreement of even date herewith.
- (u) "Retailer" shall mean a Person principally engaged in the retail merchandising of consumer goods within the United States, other than a member of the MW Group or VVI. By way of example and not of limitation, "Retailer" includes merchandisers such as Sears, J.C.Penney, Macys, Target, and the like.
- (v) "Retained Catalog Rights" shall mean the following:
- (i) the right of MW to conduct its existing special-offers business through statement inserts, solo and multi-solo mailings and through syndications;
  - (ii) the right of Signature (as herein defined) to market a membership-based shopping service and to do catalog or solo mailings to potential members to solicit memberships and to encourage members to purchase merchandise through such service; and
  - (iii) the right of Signature to conduct continuity businesses.

- (w) "Signature" shall mean Signature Financial/Marketing, Inc. and its Affiliates, all of which presently are members of the MW Group.
- (x) "Syndicated Programs" shall mean syndicated/transactional television programming intended for broadcast over multiple broadcast or cable television networks, using a format other than that described in the first sentence of the definition of Television Home Shopping.
- (y) "Taxes" shall mean sales, use, service and similar taxes.
- (z) "Television Home Shopping" shall mean Product-focused television programming whereby Products are sold by "on-air" hosts and orders are placed by viewers directly with the party providing said television programming or its agents or representatives, using substantially the format used as of the date hereof by VVI, HSN and QVC. Without limiting the generality of the preceding sentence, Television Home Shopping does not include commercials or Syndicated Programs, but does, for the five year period commencing on the date hereof, include so-called "infomercials" of a length not exceeding 30 minutes.
- (aa) "ViaTV" shall mean RSTV, Inc., a Florida corporation.
- (y) "VVI" shall mean ValueVision International, Inc. and its Affiliates.
- (z) "VVI Cataloging Business" shall mean the conduct by VVI of Catalog Activities, through the use of one or more of the Marks and/or offering customers the use of the Card.

Other definitions are contained in the body of this Agreement.

2. Exclusivity. During the term of this Agreement:

(a) No member of the MW Group will, directly or indirectly:

- (i) sell or offer for sale any Product through Television Home Shopping or Catalog Activities within the United States, except through VVI; provided, however that this Section 2(a)(i) shall not apply to (w) Excluded Products,  
(x) Retained Catalog Rights, or (y) Products

offered for sale by any business that is acquired from a third party after the Effective Date by any member of the MW Group;

(ii) start up a Television Home Shopping business or, for a period of five years, commencing on the date hereof, a Catalog Activities business;

(iii) acquire 10% or more of the outstanding equity securities (or securities representing 10% or more of the aggregate voting power of the outstanding securities) of a Person principally engaged in Television Home Shopping, including, without limitation, HSN, QVC, and ViaTV, or, for a period of five years, commencing on the date hereof, Catalog Activities; or

(iv) enter into, or assist any Person (i) to obtain, arrangements for Cable System carriage of Television Home Shopping, including, without limitation, by purchasing advertising time on any such Cable System for the purpose of so assisting such Person, or purchase advertising time on Television Home Shopping programming on any Cable System, except with VVI pursuant to this Agreement, or (ii) in starting-up, developing or conducting any Catalog Activities (other than the Retained Catalog Rights).

This Section 2(a) shall not prevent any member of the MW Group from acquiring a voting or equity interest in, or the operating assets of, a Person that engages in Television Home Shopping or Catalog Activities other than as a principal business; provided, however, that if the MW Group shall acquire a Person, or the assets of a Person, engaged in Catalog Activities other than as a principal business, MW shall notify VVI, and, if VVI shall desire to purchase the portion of such Person which is engaged in Catalog Activities, MW shall negotiate in good faith with VVI with a view to selling such portion to VVI.

(b) Without the prior written consent of MW, which shall not unreasonably be withheld:

(i) VVI and its Affiliates will not sell or offer for sale any Products through Television Home Shopping within the United States using the servicemarks, trade names or trademarks of any Retailer; and

(ii) VVI and its Affiliates shall not engage in Catalog Activities using any servicemarks, trade names or trademarks of any Retailer other than MW and its Affiliates, or offer for sale through Catalog Activities services which are competitive with MW Services then being offered by Signature, provided that Signature shall have offered such MW Services prior to the time competitive services are intended to be offered by VVI;

(c) Except as otherwise provided in the HSN Agreements, MW shall give to VVI the first opportunity to offer for sale, via Television Home Shopping, MW Services which MW considers in good faith to be appropriate for sale by means of Television Home Shopping. MW shall do so by giving VVI notice of MW's intent to offer such MW Services, and the prices, terms and other economic terms with respect to such MW Services which MW desires. MW and VVI shall thereupon negotiate in good faith over whether VVI shall offer such MW Services, and the terms of any such offer. If MW and VVI reach an agreement with respect to such MW Service within 30 days after the commencement of negotiations, then VVI shall have the exclusive right to offer such MW Service through Television Home Shopping. If the parties do not so reach an agreement, MW shall thereafter have the right to offer such MW Service to other Television Home Shopping networks on such terms as MW shall determine in its sole judgement, provided that the Card shall not be offered and the Marks shall not be used in connection with the offering of such MW Services on such networks.

(d) MW shall give to VVI the first opportunity to carry any Syndicated Program which MW desires to be distributed by a broadcast or cable television network engaged primarily in Television Home Shopping, including without limitation VVI, HSN, QVC and ViaTV. MW shall do so by giving VVI notice of MW's intent to so distribute such Syndicated Program, and the economic terms with respect to such Syndicated Program which MW desires. MW and VVI shall thereupon negotiate in good faith over the terms pursuant to which such Syndicated Program would be broadcast by VVI and the compensation, if any, payable to MW therefor. If MW and VVI reach an agreement with respect to such Syndicated Program within 30 days after the commencement of negotiations, then MW shall not offer such Syndicated Program over any broadcast or cable television network engaged primarily in Television Home Shopping other than VVI. If the parties do not so reach an agreement, MW shall



thereafter have the right to offer such Syndicated Program to other Television Home Shopping networks on terms not materially less favorable to MW than the terms which were offered to VVI, provided that the Card shall not be offered and the Marks shall not be used in connection with such Syndicated Program on such network.

3. Marks. MW shall not license or permit any Person, other than VVI or its Affiliates, to use the Marks (or marks confusingly similar thereto) in Television Home Shopping or Catalog Activities, nor shall MW license or permit any Person other than VVI engaged primarily in Television Home Shopping or Catalog Activities, including without limitation QVC, HSN and ViaTV, to use the Marks (or marks confusingly similar thereto) for any purpose.

4. Card. MW shall not license or permit any Person, other than VVI, to use the Card to sell or offer for sale any Products through Television Home Shopping or Catalog Activities, nor shall MW license or permit any Person other than VVI engaged primarily in Television Home Shopping (including without limitation QVC, HSN, and ViaTV) or Catalog Activities, to use the Card for any purpose, provided, however, that notwithstanding the foregoing, the Card may be used for any purpose other than to sell or offer for sale any Products through Television Home Shopping or Catalog Activities (other than through the Retained Catalog Rights) by (i) any member of the MW Group, and (ii) any person that was using the Card prior to such time as MW obtained actual knowledge that such Person was controlled by a company engaged primarily in Television Home Shopping or Catalog Activities.

5. Programming and Catalog Content. VVI shall have exclusive control over all television programming for Television Home Shopping, and catalog and mailing content for Catalog Activities, including without limitation, product selection, method and form of presentation and content; provided, however, that any Television Home Shopping programming, and any Catalog Activity, employing any of the Marks, or using the Card, shall be subject to the provisions of the Restated Servicemark License Agreement and the Receivables Sale and Purchase Agreement. Nothing contained herein shall preclude VVI from offering television programming in formats other than Television Home Shopping.

6. Fulfillment. VVI shall have sole responsibility for, and exclusive control over, fulfillment except as provided herein. Without limiting the generality of the preceding sentence:

(a) Except as provided in this paragraph, VVI shall have sole responsibility for and exclusive control over inbound telemarketing and fulfillment of viewer orders generated through Television Home Shopping, and fulfillment of sales generated through Catalog Activities, either from VVI's inventory or through drop-shipments arranged by VVI with MW or other drop-ship vendors. Notwithstanding the foregoing, MW shall have responsibility for fulfillment of viewer or customer orders that are drop-shipped from MW to the customer.

(b) Except as provided in this paragraph, VVI shall bear the sole risk of loss with respect to all merchandise, including MW Products, including the loss of risk in transit and the risk of theft. Notwithstanding the foregoing, MW shall bear the sole risk of loss, including the risk of loss in transit and the risk of theft, for orders that are drop-shipped from MW to the customer.

(c) VVI shall bear the sole credit risk with respect to all Products, including MW Products, and MW Services, which VVI shall sell on credit, excluding, however, any Product sold through use of the Card, except as otherwise provided in the Restated Receivable Sales and Purchase Agreement.

(d) Except as provided in this paragraph, VVI will be solely responsible for collecting from its customers any Taxes which may be due on any sales of Product (including MW Products) or MW Services to its customers and shall remit all such amounts to the appropriate taxing authorities. Notwithstanding the foregoing, MW shall be solely responsible for collection of Taxes from its customers who buy Product or MW Services using the Card, except as provided in the Restated Receivable Sales and Purchase Agreement. Nevertheless, MW shall remit to VVI, pursuant to the Restated Receivable Sales and Purchase Agreement, an amount equal to the Taxes charged to customers by VVI on each purchase using the Card, which amount VVI shall remit to the appropriate taxing authority.

(e) VVI will not modify its standard 30-day Product return period (except for Products constituting "seconds", Products which have been repaired or

reconditioned or close-outs) without MW's consent, which consent will not unreasonably be withheld. VVI and MW shall instruct customers to return Product purchased from VVI through Television Home Shopping or Catalog Activities (other than Product drop-shipped by MW) to VVI, and not to MW stores. In the event that MW accepts returns of Product purchased from VVI through Television Home Shopping or Catalog Activities in accordance with VVI's return policy, MW shall promptly ship such product to VVI. If such return was accepted in accordance with VVI's return policy, VVI will bear the freight cost associated with such return; otherwise, VVI and MW will each bear 50% of such cost.

#### 7. Purchase of MW Products and MW Services from MW.

(a) VVI shall have the right, exercisable from time to time upon written notice to MW using an agreed form of purchase order, to purchase MW Products, for the purpose of resale by means of Television Home Shopping or Catalog Activities, subject to (i) applicable restrictions in vendor agreements pursuant to which MW purchased such MW Products, and (ii) MW's own requirements for MW Products. Upon request, MW will advise VVI as to whether an agreement with any of MW's vendors contains any restrictions on MW's ability to resell Product from such vendor to VVI. MW shall have the sole right to determine its requirements for such MW Products. The prices of such MW Products shall not exceed MW's direct cost thereof (including freight, but excluding corporate overhead charges), and the terms of sale shall be the same terms as those under which MW purchased such MW Products, except that such MW Products shall be shipped to VVI f.o.b. MW's warehouses. MW agrees to use commercially reasonable efforts to assist VVI to obtain vendors' consents and any necessary trademark licenses. VVI will cease offering via Television Home Shopping any MW Product with respect to which MW advises VVI in writing that the vendor has specifically requested that such MW Product not be sold via Television Home Shopping ("Withdrawn Product"). MW will accept returns of all such Withdrawn Product from VVI and will reimburse to VVI the purchase price and freight charges paid by VVI in acquiring or returning such Withdrawn Product.

(b) Prices and terms with respect to MW Services shall be as agreed from time to time by MW and VVI with respect to the particular MW Service to be offered through Television Home Shopping or Catalog Activities.

(c) MW shall have the right to establish a credit limit, and credit terms, for all VVI purchases pursuant to this Section 7 and pursuant to Section 8. Except as provided above with respect to Withdrawn Product, return privileges with respect to MW Products shall be as agreed between MW and VVI with respect to the particular MW Products, and in the absence of such an agreement, VVI shall not have return privileges, except with respect to defective goods.

(d) MW disclaims any express or implied warranties with respect to MW Products, including without limitation the implied warranties of merchantability and fitness for a particular purpose, except for any private-label MW Products as to which MW offers a manufacturer's warranty (in which case MW's standard manufacturer's warranty for such MW Product shall apply). MW will assign to or otherwise make available to VVI all manufacturer's warranties and other rights of MW relating to third party claims arising from MW Products sold by MW to VVI and provide reasonable assistance to VVI in obtaining the benefits of such warranties, at no expense to MW; provided, however, that MW shall retain the concurrent right to assert such rights with respect to such MW Product.

8. Introductions to MW Vendors. From time to time during the term hereof, MW will introduce VVI's buyers to MW's principal vendors and such other MW vendors to which VVI reasonably requests an introduction, and MW's buyers will provide reasonable advice and assistance to VVI's buyers to obtain Product, vendors' consents and licenses, consistent with the needs of MW's business. In its discretion, and subject to the terms of its agreements with its vendors, MW may purchase Product for resale to VVI, on terms established by MW and acceptable to VVI.

9. Buying Office. During the term hereof, MW will make available to VVI, without charge, except as provided in this Section 9, office space and reasonable office support services at MW's headquarters in Chicago for use as a buying office. To the extent required in order to efficiently implement the provisions of this Agreement, during the term hereof, VVI will make office space and reasonable office support services available to MW at its headquarters in Minneapolis, without charge, except as provided in this Section 9. Each party may charge the other party for any office support service costs (e.g., long distance telephone, photocopies, postage), at such party's direct cost (excluding overhead) to be agreed upon by the parties. The parties agree to work together in good faith to determine

the most cost-effective means to equip and operate such offices.

10. Cable Carriage Agreements and Advertising Commitments. MW and VVI agree that:

(a) VVI shall, and MW may at its option, use commercially reasonable efforts to negotiate for long term cable carriage agreements pursuant to which Cable Systems will agree to carry VVI's Television Home Shopping programming. Each party will use its best efforts to promptly notify the other of the commencement of negotiations with any Cable System, and will permit the other party to participate therein. MW shall have the right, but not be obligated, to assist VVI to obtain long term cable carriage agreements by purchasing advertising time on such Cable Systems, with cash or non-cash consideration acceptable to the Cable System (such as MW Services);

(b) subject to the remainder of this paragraph 10, MW shall not be obligated to purchase advertising time except to the extent it expressly agrees in writing with the Cable System or VVI to be so obligated (an "Advertising Commitment"). Notwithstanding the preceding sentence, MW hereby makes an Advertising Commitment that the MW Group will, collectively, purchase not less than \$20,000,000 of advertising time on Cable Systems through VVI during the five year period commencing August 1, 1996. The MW Group will have sole control of (i) the nature and extent of all advertising it places with Cable Systems, (ii) the content of all advertisements, and (iii) the selection of the specific Cable Systems on which it intends to place advertising. MW shall receive full credit under this paragraph 10 for any advertising placed by an Affiliate of MW as of August 1, 1996 through VVI even though such Affiliate shall have ceased to be an Affiliate of MW. MW shall use its best efforts to place (i) \$5,000,000 of advertising through VVI during the one year period commencing August 1, 1996, (ii) \$4,000,000 of advertising during each of the years commencing on the first, second and third anniversary of said date, and (iii) \$3,000,000 of advertising during the year commencing on the fourth anniversary of said date. To the extent the MW Group shall have placed less than the minimum amount of advertising for a one year period referred to in the preceding sentence, the shortfall shall be carried forward to subsequent years; provided, however, that MW shall be obligated to place all \$20,000,000 of advertising prior to August 1, 2001. As collateral security for MW's

obligations under the preceding portions of this subparagraph (b), MW shall pledge to VVI New Warrants to purchase 1,637,138 shares, pursuant to the Pledge Agreement;

(c) VVI shall not be obligated to enter into any cable carriage agreement except to the extent that VVI has determined, in its sole discretion, that such cable carriage agreement is in the best interests of VVI. If at any time VVI is required to pay additional amounts to a Cable System solely because of MW's failure to purchase advertising time that MW had committed to purchase in an Advertising Commitment (other than by reason of a breach of such Advertising Commitment by such Cable System), MW will reimburse VVI for such additional amount that VVI is required to pay the Cable System, not to exceed the difference between the amount MW committed to expend on advertising with such Cable System pursuant to such Advertising Commitment, and the amount paid by MW for advertising under such Advertising Commitment. In addition to all other rights and remedies otherwise provided by law, except as specifically limited hereunder, in the event that MW breaches an Advertising Commitment, VVI shall have the termination right provided in subparagraph 22(b)(ii).

11. Board of Directors. Subject to the provisions of this paragraph 11, commencing on the date of this Agreement and ending on the first to occur of (x) the date on which MW owns or shall have the right to own less than 10% of the outstanding common stock of VVI (computed on a fully diluted basis) and (y) the date on which this Agreement terminates, MW will have the right to designate one nominee on management's slate of nominees for the Board of Directors; provided, however that MW will not designate as a director nominee (x) any person who is an officer or director of GE or GECC or any of their Affiliates, (y) any person with respect to whom VVI would be required to disclose information in response to Item 401(f) of Regulation S-K or Item 401(d) of Regulation S-B, or (z) any proposed nominee to the extent VVI is advised in writing by its counsel that, in such counsel's opinion, nomination of such designee would result in a violation of the fiduciary duties of VVI's directors. During the period in which MW has the right to designate a director-nominee, (i) VVI will agree to recommend such nominee to its stockholders, (ii) VVI (with respect to any Shares as to which it has voting power) and Messrs. Robert Johander and Nicholas Jaksich, as long as such individuals remain members of VVI's Board of Directors, will each vote all Shares over which they have voting power in favor of the election of MW's nominee, and (iii) MW will vote all Shares over which it has voting power in favor of

VVI's nominees. If this Agreement shall terminate, unless MW shall at such time own 10% or more of VVI's then outstanding common stock, MW will cause its designee to promptly resign from the Board of Directors. The MW director-nominee, and the directors of MW who were appointed by GE or GECC, shall each execute such recusal statements as may be required from time to time in order that none of VVI, GECC nor GE (as both the ultimate indirect owner of shares of MW and the owner of National Broadcasting Company, Inc. and its subsidiaries will be in violation of the multiple ownership and combined ownership rules, regulations, and policies of the Federal Communications Commission.

12. [Intentionally omitted.]

13. Insurance.

(a) VVI shall purchase and maintain in effect at all times during the term of this Agreement, the following policies of insurance:

(i) A policy of commercial general liability insurance, on an occurrence rather than a claims made basis, including coverage for contractual liability, product liability, business automobile liability insurance, personal injury, and property damage and advertising injury, naming MW as an additional insured, with a combined single limit of liability for bodily injury and property damage of not less than \$1 million, and endorsed to eliminate the exclusion for coverage as to property in MW's care, custody and control;

(ii) A policy of employer's liability insurance with a combined single limit of liability of \$500,000 per occurrence and in the aggregate.

(iii) Umbrella liability insurance on an occurrence basis with a \$10,000,000 combined single limit of liability per occurrence and in the aggregate.

(iv) Director's and officer's liability insurance covering all directors and executive officers, with a combined single limit of not less than \$2,000,000 per occurrence and in the aggregate.

(v) Crime insurance, including coverage for employee dishonesty, with a combined single limit of not less than \$1,000,000 per occurrence and in the aggregate.

All such insurance shall be endorsed to provide at least ten (10) days' prior written notice to MW in the event of any proposed cancellation or modification. All of the insurance specified in this paragraph shall be with insurance carriers duly authorized to do business in Minnesota. Upon request, VVI shall furnish MW with copies of policies, certificates or other evidence of all such insurance in conformity with the requirements of this Agreement. VVI will also use commercially reasonable efforts to obtain vendor's endorsements with respect to all material items of merchandise, other than MW Products or jewelry, sold by VVI, naming MW as an additional insured.

(b) During the term of this Agreement, MW will:

(i) cause VVI to be named as an additional insured with respect to all coverages, including without limitation, contractual liability, products liability and advertising injury, under MW's comprehensive general liability insurance policies with respect to all MW Products; and

(ii) use commercially reasonable efforts to obtain vendor's endorsements, naming VVI, with respect to all material MW Products which are sold to VVI pursuant to this Agreement.

14. **Inspection of Records.** Each party will have the right to inspect the other's books, records, and premises with regard to any transaction under this Agreement and the Related Agreements. In order to verify the accuracy of all the above accounts and records, each party will have the right at its sole cost to copy said books and records. All information in such books, records, or revealed by such inspection, shall be deemed to be confidential information subject to the provisions of Sections 15 (except to the extent provided in Section 15(a)(i), (ii) and (iii) and 15(b)(i), (ii) and (iii), and 16 hereof).

15. **Confidentiality.**

(a) In the performance of this Agreement and the Related Agreements, VVI and its Affiliates may be exposed to the confidential information or trade secrets of the MW Group and others. VVI and its Affiliates shall not disclose to anyone not employed by the MW Group or MW's designee under the Receivables Sale and Purchase Agreement nor use except on behalf of the MW Group or MW's designee under the Receivables Sale and Purchase Agreement any such confidential information acquired by VVI or its Affiliates in the



performance of this Agreement or the Related Agreements, except as authorized by MW by prior writing. Information regarding all aspects of the MW Group's business, either directly or indirectly disclosed to VVI or its Affiliates or developed by VVI or its Affiliates in the performance of this Agreement and the Related Agreements shall be presumed to be confidential except to the extent that such information (i) shall have been published or otherwise made freely available to the general public without restriction through no wrongdoing of VVI or its Affiliates, (ii) shall have been obtained from a third party not reasonably known by VVI or its Affiliates after reasonable inquiry, to be subject to a confidentiality agreement with MW or any of its Affiliates or (iii) is required (in the reasonable opinion of VVI's legal counsel) to be disclosed pursuant to law or legal process. With regard to all of such confidential information, VVI agrees that it and its Affiliates shall: (a) forever hold in strict confidence such information; (b) not alter, copy, misappropriate, misuse, transfer, sell, deliver or divulge, under any circumstances, any of such confidential information to anyone other than an employee or agent of VVI or its Affiliates whose duties require access to such information and then only in the course of VVI's performance under this Agreement and such employee or agent shall be bound by the terms of this paragraph 15(a); and (c) upon the termination of this Agreement, return all such confidential information to MW or to destroy same together with all additional copies thereof.

(b) In the performance of this Agreement and the Related Agreements, the MW Group (which, for the purposes of this paragraph 15(b) shall include MW's designee under the Receivables Sale and Purchase Agreement) may be exposed to confidential information or trade secrets of VVI, its Affiliates and others. The MW Group shall not disclose to anyone not employed by VVI or its Affiliates nor use except on behalf of VVI and its Affiliates any such confidential information acquired by the MW Group in the performance of this Agreement and the Related Agreements, except as authorized by VVI by prior writing. Information regarding all aspects of VVI's business either directly or indirectly disclosed to the MW Group or developed by any member of the MW Group in the performance of this Agreement and the Related Agreements shall be presumed to be confidential except to the extent that such information (i) shall have been published or otherwise made freely available to the general public without

restriction through no wrongdoing of the MW Group,

(ii) shall have been obtained from a third party not reasonably known by the MW Group, after reasonable inquiry, to be subject to a confidentiality agreement with VVI or any of its Affiliates or (iii) is required (in the reasonable opinion of MW's legal counsel) to be disclosed pursuant to law or legal process. With regard to all of such confidential information, the MW Group shall: (a) forever hold in strict confidence such information; (b) not alter, copy, misappropriate, misuse, transfer, sell, deliver or divulge, under any circumstances, any of such confidential information to anyone other than an employee or agent of the MW Group whose duties require access to such information and then only in the course of the MW Group's performance under this Agreement and such employee or agent shall be bound by the terms of this paragraph 15(b); and (c) upon the termination of this Agreement, return all such confidential information to VVI or to destroy same together with all additional copies thereof.

(c) The obligations of the parties under paragraphs 15(a) and 15(b) shall survive the termination or expiration of this Agreement for a period of five years after such termination or expiration.

#### 16. Cardholder Data.

(a) Pursuant to the Receivables Sale and Purchase Agreement, VVI and MW have come into, or will hereafter come into, possession of the names, addresses and other data and information ("Cardholder Data") with respect to VVI viewers or customers who are or become holders of the Card and who purchase Product from VVI using the Card ("Cardholders"). Cardholder Data already in MW's or VVI's possession as of the Effective Date or which MW or VVI acquires from sources other than the other party do not constitute Cardholder Data. Customers who have purchased Product from VVI by use of the Card (regardless of whether such customers have also used any other credit card) are referred to herein as "Cardholder Customers."

(b) The parties agree that (i) all Cardholder Data provided by MW to VVI with respect to Persons who are not Cardholder Customers shall remain the sole property of MW, and (ii) Cardholder Data with respect to Cardholder Customers will be the joint property of MW and VVI. Each of MW and VVI may exercise all rights of ownership with respect to Cardholder Data with respect to Cardholder Customers; provided, however,

that (x) no so-called "back-end" marketing of Products or services by VVI to Cardholder Customers, other than through Catalog Activities, shall include the use of the Marks or the offering of the Card without MW's approval, which shall not unreasonably be withheld, and (y) VVI will not, directly or indirectly, sell or lease to parties other than Affiliates of VVI as of the date hereof any Cardholder Data relating to Cardholder Customers to any Retailer or to any Person which is engaged in the rendering of services which are in competition with any of the MW Services as then offered by Signature. In any sale or lease of Cardholder Data pertaining to Cardholder Customers which is not prohibited pursuant to the preceding sentence, VVI shall not make available any Cardholder Data pertaining to the Cardholder Customer's past use of the Card or such Cardholder Customer's creditworthiness, to the extent any such information was obtained from the MW Group or the issuer of the Card.

(c) The obligations of the parties under paragraphs 16(a) and 16(b) shall survive the termination or expiration of this Agreement for a period of five years after such termination or expiration.

17. Representations and Warranties. The parties make the following representations and warranties to each other:

(a) MW makes the following representations and warranties to VVI:

(i) MW is a corporation duly organized, existing and in good standing under the laws of the State of Illinois;

(ii) MW has all necessary corporate authority, and it has obtained all required consents, to enter into this Agreement and the Related Agreements, and that such entry shall not constitute a breach of any other material agreement to which MW is a party or may be bound;

(iii) MW has obtained all necessary consents, authorizations, orders or approvals, if any, of any governmental authority or other person required on the part of MW for the performance by MW or its agents of its obligations under this Agreement and the Related Agreements;

(iv) MW possesses all material permits and licenses, if any, necessary to the performance of

its obligations under this Agreement and the Related Agreements;

(v) No member of the MW Group is subject to, or obligated under, any provision of (i) their respective articles of incorporation or by-laws, (ii) any agreement, arrangement or understanding, including, without limitation, the HSN Agreements, (iii) any license, franchise or permit, or (iv) any law, regulation, order, judgment or decree; that would be breached or violated, or in respect of which a right of termination or acceleration or any encumbrances on any of their respective assets would be created, by the execution, delivery and performance of this Agreement and the Related Agreements by MW;

(vi) neither the execution and delivery of this Agreement or the Related Agreements by MW and VVI, nor their performance thereof in accordance with the terms thereof, will result in a violation of any applicable law, regulations, orders, rulings or agreements which violation would have a material adverse effect on either MW or VVI;

(vii) MW is the user and owner of the entire right, title and interest in and to the Marks in the United States subject to any licenses that have previously been granted;

(viii) MW has no knowledge of any infringement in the United States of the rights granted under the Restated Servicemark License Agreement by any third party; and

(ix) MW has not granted any rights to any third party that conflict with the rights granted under the Restated Servicemark License Agreement.

(b) VVI makes the following representations and warranties to MW:

(i) VVI is a corporation duly organized, existing and in good standing under the laws of the State of Minnesota;

(ii) VVI has all necessary corporate authority, and has obtained all required consents, to enter into this Agreement and the Related Agreements and that such entry shall not constitute the breach of any other material agreement to which VVI is a party or may be bound;

(iii) VVI has obtained all necessary consents, authorizations, orders or approvals, if any, of any governmental authority or other person required on the part of VVI for the performance by VVI or its agents of its obligations under this Agreement and the Related Agreements;

(iv) VVI possesses all material permits and licenses, if any, necessary to the performance of its obligations under this Agreement and the Related Agreements; and

(v) VVI is not subject to, or obligated under, any provision of (i) its articles of incorporation or by-laws, (ii) any agreement, arrangement or understanding, (iii) any license, franchise or permit, or (iv) any law, regulation, order, judgment or decree; that would be breached or violated, or in respect of which a right of termination or acceleration or any encumbrances on any of its assets would be created, by the execution and delivery of this Agreement and the Related Agreements by VVI or the performance of this Agreement or the Related Agreements.

(c) The representations and warranties of the parties made in this Section 17 shall survive the execution of this Agreement for an eighteen month period.

18. Other Obligations of the Parties. The parties make the following affirmative covenants to each other:

(a) MW makes the following affirmative covenants to VVI:

(i) MW will comply in all material respects with all applicable laws and regulations which affect the performance in any material respect of MW's obligations under this Agreement and the Related Agreements.

(ii) MW shall not grant any rights to any third party that conflict with the rights granted under the Restated Servicemark License Agreement.

(b) VVI makes the following affirmative covenants to MW:

(i) VVI will comply in all material respects with all applicable laws and regulations which affect the performance in any material respect of

VVI's obligations under this Agreement and the Related Agreements; provided, however, that this covenant shall not be deemed to apply to laws and regulations with respect to the legality of the proposed use of the Card or the Revolving Charge Plan (as defined in the Receivables Sale and Purchase Agreement) in accordance with the Receivables Sale and Purchase Agreement;

(ii) not later than ninety (90) days after the end of each fiscal year of VVI, commencing with the fiscal year ending January 31, 1998, VVI shall give to MW a written statement, certified as accurate by VVI's chief financial officer, setting forth a detailed computation of gross and net sales of Products through Catalog Activities for the preceding fiscal year. MW shall have the right, exercisable upon reasonable prior notice, to inspect and copy VVI's books and records relating to the foregoing computations.

19. Term. Unless sooner terminated pursuant to paragraph 22 hereof, the term of this Amended and Restated Operating Agreement shall commence on the date hereof and end on July 31, 2008.

20. Events of Default.

(a) The occurrence of any of the following circumstances shall be an Event of Default by MW:

(i) MW or any member of the MW Group, as applicable, shall be in material default of its material obligations under this Agreement or the Related Agreements, and such material default shall not have been cured within 90 days after notice thereof is given by VVI to MW; or

(ii) any of MW's representations and warranties contained herein shall have been untrue in a material respect when made.

(b) It shall be an Event of Default by VVI upon the occurrence of any of the following circumstances:

(i) VVI shall be in material default of its material obligations under this Agreement or the Related Agreements and such material default shall not have been cured within 90 days after written notice thereof is given by MW to VVI; or

(ii) any of VVI's representations and warranties contained herein shall have been untrue in a material respect when made.

21. Termination Rights. The parties shall have the following rights to terminate this Agreement, or portions thereof, prior to the expiration of the term set forth in Section 19:

(a) MW shall have the right to terminate those provisions of this Agreement and the Related Agreements which permit VVI to engage in Catalog Activities through the use of the Marks and /or the Card, and which preclude the MW Group from engaging in Catalog Activities, if the net sales of VVI and its Affiliates from Catalog Activities for any two consecutive fiscal years (commencing February 1, 1997) through the use of the Marks and/or the offering of the Card shall be less than \$40,000,000 per year. For the purposes of the preceding sentence:

(i) net sales shall mean gross sales, less returns, allowances and discounts and shall not include Taxes; and

(ii) the foregoing right shall be exercisable during a 90 day period commencing on the date which is 90 days after the end of the second such calendar year. If the foregoing right is not so exercised, the first of such calendar years shall be ignored for the purposes of determining whether MW shall again have the right to terminate said provisions in the event the net sales of VVI and its Affiliates from Catalog Activities through the use of the Marks and/or the Card for the current year shall be less than \$40,000,000;

(b) MW shall have the right to terminate those portions of this Agreement which pertain to Television Home Shopping if VVI shall cease to engage in Television Home Shopping, or in substantially similar Product merchandising-focused television programming. Termination pursuant this Section 21(b) shall be effective on the date such notice is given;

(c) VVI may terminate this Agreement upon the occurrence of any of the following events:

(i) if during any month, MW fails to pay to VVI or to Cable Systems (where such failure to pay Cable Systems results in VVI being required to pay

an additional amount to the Cable System, and MW has not reimbursed VVI for such additional amount) a minimum of 75% of the aggregate dollar amount required to be paid by MW during said month pursuant to all outstanding Advertising Commitments, other than by reason of a breach or default by such Cable System, and such failure is not cured by MW within 60 days after written notice thereof is given to MW by VVI, then VVI may terminate this Agreement upon written notice to MW given at any time during the 30 day period immediately following the expiration of such 60 day cure period;

(ii) a petition shall be filed by or against MW under any chapter of the Bankruptcy Code (and, if filed against MW, such petition shall not be dismissed within sixty days thereafter), MW shall make an assignment for the benefit of creditors or a composition with creditors, MW shall admit in writing its inability to pay its debts as they become due, or a receiver shall be appointed for MW or any of its material assets; or

(iii) an Event of Default with respect to MW shall occur and be continuing.

Termination pursuant to any subparagraph of this Section 21(c) shall be effective on the date such notice is given;

(d) MW may terminate this Agreement upon the occurrence of any of the following events:

(i) a petition shall be filed by or against VVI under any chapter of the Bankruptcy Code (and, if filed against VVI, such petition shall not be dismissed within sixty days thereafter), VVI shall make an assignment for the benefit of creditors or a composition with creditors, VVI shall admit in writing its inability to pay its debts as they become due, or a receiver shall be appointed for VVI or any of its material assets; or

(ii) an Event of Default with respect to VVI shall occur and be continuing.

Termination pursuant to any subparagraph of this Section 21(c) shall be effective 60 days after the date on which such notice is given.



Termination of this Agreement shall operate as a concurrent termination of the Related Agreements.

22. Effects of Termination. Neither party shall have any liability to the other party solely by reason of the termination of this Agreement in accordance with paragraph 21, other than by reason of an Event of Default. No termination of this Agreement or the Related Agreements shall affect any obligation of a party under such documents which arose prior to termination, except as provided therein, or any obligations of VVI or MW under Section 3.1, 3.2 and 3.5 of the Receivables Sale and Purchase Agreement in respect of credit authorizations or Credit Sales arising prior to termination, and Customer Credits and chargebacks relating to such credit authorizations or Credit Sales. Notwithstanding any other provision of this Agreement to the contrary, the termination of this Agreement shall terminate each party's obligations hereunder, with the exception of obligations under paragraphs 10, 16, 17, 19(b)(ii), 23, 24, 25, 26, 27 and 28, all of which shall survive any termination of this Agreement for the periods (if any) set forth therein and, in the absence of a stated survival period, indefinitely.

23. VVI Indemnification Covenants.

(a) VVI shall indemnify, defend and hold harmless the MW Group, and their respective officers, directors, employees, agents, representatives, successors and assigns (collectively, "MW Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including, without limitation, reasonable fees and disbursements of counsel and witness fees, (collectively, "MW Claims") which are sustained or incurred by such Person as a result of, or arising out of or by virtue of:

(i) the failure of VVI to comply in all material respects with, or the material breach by VVI of any representation or warranty of VVI or of any of the material covenants of this Agreement or the Related Agreements to be performed by VVI (including, without limitation, this paragraph 23);

(ii) product liability claims relating to any Product purchased by a viewer or customer from VVI, other than Products sold by MW to VVI which were defective or dangerous at the time of delivery to VVI or, if the Product was drop-

shipped directly to the customer by MW, delivery to the customer;

(iii) material dilution, disparagement, or loss of good will to any of the Marks as a result of VVI's material breach of the Restated Servicemark License Agreement; or

(iv) VVI's failure to comply in all material respects with all applicable laws and regulations materially affecting the performance by VVI of its obligations under this Agreement and the Related Agreements; provided, however, that this paragraph (iv) shall not apply with respect to the Receivables Sale and Purchase Agreement to the extent it would, but for this proviso, apply to the legality of the proposed use of the Card or the Revolving Charge Plan (as defined in the Receivables Sale and Purchase Agreement) in accordance with the Restated Receivables Sale and Purchase Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, VVI shall be liable to indemnify the MW Indemnitees only if the aggregate amount of MW Claims exceeds \$100,000, in which event MW shall be entitled to indemnification for all MW Claims.

(c) The indemnification covenants provided in this paragraph 23 shall survive the termination of this Agreement until two years after the termination hereof, except with respect to claims made by governmental entities or other third parties, with respect to which the indemnification covenants shall survive until four years after the termination hereof. Any indemnification claim which is asserted by an MW Indemnitee during the applicable survival period shall survive until the final disposition thereof.

#### 24. MW Indemnification Covenants.

(a) MW shall indemnify, defend and hold harmless VVI, its Affiliates, and their respective officers, directors, employees, agents, representatives, successors and assigns (collectively, "VVI Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including, without limitation, fees and disbursements of counsel and witness fees, (collectively, "VVI Claims") which are sustained or incurred by any such

Person as a result of, or arising out of or by virtue of:

(i) the failure of MW to comply in all material respects with, or the material breach by MW of any representation or warranty of MW or any of the material covenants of this Agreement or the Related Agreements to be performed by MW (including, without limitation, this paragraph 24);

(ii) any challenge to the validity of any of the Marks in the United States or right to the limited license of any of the Marks, or any claim that any of the Marks infringe in the United States on the rights of a third party, as a result of any authorized use by VVI of any of the Marks pursuant to the Restated Servicemark License Agreement;

(iii) product liability claims relating to any Products sold by VVI to its viewers or customers which were sold by MW to VVI and were defective or dangerous at the time of delivery to VVI, or, if the Product was drop-shipped directly to the customer by MW, delivery to the customer;

(iv) MW's failure to comply in all material respects with all applicable laws and regulations materially affecting the performance by MW of its obligations under this Agreement or the Related Agreements, including, without limitation, any failure of the Card or transactions under the Receivables Sale and Purchase Agreement to comply with all applicable laws, regulations, orders, rulings or agreements if used in compliance with the Receivables Sale and Purchase Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, MW shall be liable to indemnify VVI only if the aggregate amount of VVI Claims exceeds \$100,000, in which event VVI shall be entitled to indemnification for all VVI Claims.

(c) The indemnification covenants provided in this paragraph 24 shall survive the termination of this Agreement until two years after the termination hereof, except with respect to claims made by governmental entities or other third parties, with respect to which the indemnification covenants shall survive until four years after the termination hereof. Any indemnification claim which is asserted by a VVI

Indemnitee during the applicable survival period shall survive until the final disposition thereof.

25. Rights Upon Indemnification. The rights of the MW Indemnitees and the VVI Indemnitees with respect to claims asserted by any Person other than the MW Indemnitees and the VVI Indemnitees shall be governed by the following:

(a) For the purposes of this paragraph 25, an "Indemnified Party" shall be an MW Indemnitee or VVI Indemnitee (as the case may be), who is entitled to indemnification pursuant to paragraph 23 or 24, and an "Indemnifying Party" shall be either MW or VVI, to the extent MW or VVI shall have an obligation of indemnification pursuant to paragraph 23 or 24.

(b) Promptly after receipt by an Indemnified Party of notice of the commencement of any action which may result in a claim for indemnification pursuant to either paragraph 23 or 24, the Indemnified Party will notify the Indemnifying Party thereof within a reasonable time thereafter. The failure so to notify any Indemnifying Party will not relieve it of any liability for indemnification hereunder as to the particular item for which indemnification may then be sought except to the extent that the failure to give notice shall have been prejudicial to the Indemnifying Party.

(c) An Indemnified Party shall have the right (i) to employ separate counsel in any action as to which indemnification shall be sought under paragraph 23 or 24 of this Agreement and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (x) the Indemnifying Party has agreed in writing to pay such fees and expenses, (y) the Indemnifying Party has failed to assume the defense thereof and employ counsel within a reasonable period of time after being given the notice required above, and as a consequence thereof, the Indemnified Party has employed separate counsel to protect its rights, or (z) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party and such Indemnified Party shall have reasonably concluded that representation of the Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or reasonably anticipated conflicts of interest between the Indemnified Party and the

Indemnifying Party in the conduct of the defense of such action (in which case the Indemnifying Party shall not have the right to direct the defense on behalf of the Indemnified Party). It is understood, however, that the Indemnifying Party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties having actual or reasonably anticipated conflicts of interest with the Indemnifying Party.

(d) In any case in which the Indemnifying Party has assumed the defense of the claim or has agreed to pay the fees and expenses of counsel for the Indemnified Party, the Indemnifying Party shall not be liable for any settlement of such action effected by the Indemnified Party without the written consent of the Indemnifying Party, which consent shall not unreasonably be withheld. No failure of an Indemnifying Party to assume the defense of a claim or agree to pay the fees and expenses of counsel for the Indemnified Party shall relieve the Indemnifying Party of any obligation of indemnification which such party shall have under Section 23 or 24 hereof.

(e) The indemnification provided in paragraphs 23 and 24 is for the benefit of the MW Indemnitees and the VVI Indemnitees only, and shall not be deemed to create any right (to indemnification or otherwise) for any other Person.

26. Non-Solicitation. For a period of two years following termination of this Agreement for any reason, no member of the MW Group shall employ or solicit the employment of any officers, executive employees, or on-air hosts of VVI, or any of the other persons named in Exhibit A to that certain confidentiality letter, dated December 4, 1994 (or persons performing similar functions).

27. Prevailing Party. If the parties hereto become parties to any litigation, commenced by or against one another involving the enforcement of any rights or remedies under this Agreement or any of the Related Agreements, or arising on account of a default of the other party in its performance of such party's obligations under any of the foregoing, the prevailing party in such litigation shall be entitled to reimbursement of all of its reasonable legal fees, costs, and expenses incurred in connection with such

litigation, (including allocated costs of internal counsel) and interest accrued thereon from the date of judgment, at the maximum rate permitted by law.

28. Relationship. This Agreement and the Related Agreements are not and shall not be construed as an agreement of lease, partnership, agency or employment of

(x) VVI or any of VVI's employees or agents by MW, or

(y) MW or any of MW's employees or agents by VVI. The parties acknowledge and agree that the parties are independent contractors whose operations are independent, separate and apart from that of the other. Neither shall order any merchandise, incur any indebtedness, enter into any undertaking or make any commitment in the other party's name or purporting to be on the other party's behalf, except with the other party's prior written approval. Neither party will represent, suggest or indicate in any way to any of its customers, suppliers, printers, service companies or other business entities that it is financially affiliated with, backed, supported, maintained or assisted by the other in any manner, except as may be required to implement the terms of this Agreement and with the other party's prior written approval.

29. Publicity. VVI and MW will jointly be responsible for initiating news releases and related announcements concerning this Agreement and the Related Agreements. Disclosures required by applicable law or regulation for either VVI or MW will be exempt from prior approval but will be provided in advance to the other party.

30. Additional Actions and Documents. Each of the parties hereto agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such further documents and instruments, and to use all reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement and the Related Agreements.

31. Notices. All notices, demands, requests or other communications which may be or are required to be given pursuant to this Agreement or any of the Related Agreements shall be in writing and shall be personally delivered, mailed by first-class, registered or certified mail, postage prepaid, or sent by electronic or facsimile transmission, addressed as follows:

**If to VVI:**

**ValueVision International, Inc.**

6740 Shady Oak Road  
Minneapolis, Minnesota 55344 Attention: Chief Executive Officer

with a copy to:

Maslon, Edelman, Borman & Brand, a professional limited liability partnership  
3300 Norwest Center  
90 South Seventh Street Minneapolis, Minnesota 55402-4140 Attention: William M. Mower

If to MW:

Montgomery Ward & Co., Incorporated 619 West Chicago Avenue Chicago, Illinois 60671 Attention: General Counsel

with a copy to:

Alzheimer & Gray  
Suite 4000  
10 South Wacker Drive Chicago, Illinois 60606 Attention: Myron Lieberman

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request or communication which shall be delivered, mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee or at such time as delivery is refused by the addressee upon presentation.

32. Severability. Whenever possible, each provision of this Agreement and the Related Agreements shall be interpreted in such a manner as to be effective and valid under applicable law, but if one or more of the provisions of any of such documents are subsequently declared invalid or unenforceable, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions of such documents, which shall be applied and construed so as to reflect substantially the intent of the parties and achieve the same economic effect as originally intended by the terms hereof, unless those provisions which are invalidated or unenforceable are material to the performance of either

party's affirmative or negative obligations under the relevant agreement, in which case the entire such agreement shall be terminable, at the option of the party whose rights thereunder have been adversely affected thereby, provided that such party must exercise its option to terminate such agreement within ninety (90) days following the date on which such provision is declared or determined to be invalid, voidable or unenforceable and the other party must be given sixty (60) days in which to agree to a valid modification of such agreement which would substantially eliminate such adverse effects.

33. Force Majeure. No party shall be liable for any failure of or delay in the performance of this Agreement or the Related Agreements for the period that such failure or delay is due to acts of God, public enemy, war, strikes or labor disputes, or any other cause beyond the parties' reasonable control, it being understood that lack of financial resources is not to be deemed a cause beyond a party's control. If the delay or failure caused by such force majeure condition shall continue for more than ninety (90) days, the party which did not suffer the event shall have the right, in its sole discretion, to terminate this Agreement, by giving notice to the other party of its election to terminate. Each party shall notify the other party promptly of the occurrence of any such cause and carry out this Agreement or any of the Related Agreements as promptly as practicable after such cause is terminated; provided, however, that the existence of any such cause shall not extend the term of any agreement.

34. Waivers. Neither the waiver by any party hereto of a breach of or a default under any of the provisions of this Agreement or any of the Related Agreements, nor the failure of any party hereto, on one or more occasions, to enforce any of the provisions of any of said documents or to exercise any right, remedy or privilege hereunder shall thereafter be construed as a waiver of any such provisions, rights, remedies or privileges hereunder. Any of the terms, covenants, representations, warranties, or conditions hereof and thereof may be waived only by a written instrument executed by the party waiving compliance.

35. Exercise of Rights. No failure or delay on the part of any party hereto in exercising any right, power or privilege under this Agreement or any of the Related Agreements, and no course of dealing between the parties hereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of such documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege.



36. Binding Effect. Subject to the provisions hereof and thereof restricting assignment, this Agreement and the Related Agreements shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

37. Entire Agreement. This Agreement and the Related Agreements contain the entire agreement between the parties hereto with respect to the matters contained herein and therein, and supersede all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein.

38. Pronouns. All pronouns and any variations thereof used in this Agreement and the Related Agreements shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the Person or the context may require.

39. Headings. Section headings contained in this Agreement and the Related Agreements are inserted for convenience of reference only, shall not be deemed to be a part of such Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

40. Governing Law. This Agreement and the Related Agreements, the rights and obligations of the parties hereto and thereto, and any claim or disputes relating to any thereof, shall be governed by and construed in accordance with the internal laws of the State of Illinois, without giving effect to the principles of conflicts of laws thereof.

41. Execution in Counterparts. To facilitate execution, this Agreement and the Related Agreements may each be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all Persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the Persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement or any of the Related Agreements to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

42. Assignment. Neither party may assign its rights under this Agreement or any of the Related Agreements

without the consent of the other party, which consent may be granted or withheld in the sole discretion of such other party. No permitted assignment shall relieve the assignor of its obligations (which shall be primary and which may be discharged in whole or in part by the assignee) under this Agreement or the Related Agreements. Any unauthorized assignment and any assignment made in contravention of this Section 42 shall be null and void.

43. Time. Time is to be considered of the essence for the purposes of this Agreement and the Related Agreements.

44. Amendments and Modification. This Agreement and the Related Agreements may only be amended or modified by a subsequent written agreement by the parties hereto.

45. Construction. This Agreement and the Related Agreements shall not be construed more strictly against one party than against the other merely by virtue of the fact that such document may have been prepared primarily by counsel for one of the parties, it being recognized that both parties have contributed substantially and materially to the preparation of such documents.

46. Restructuring of MW Group. As of the date hereof, the MW Group is exploring various potential strategic options and restructurings, including without limitation the potential sale of equity in MW to an investor and an entire or partial disposition of Signature, such as by means of a spin-off or an initial public offering (any such transactions being referred to herein as a "Restructuring"). Provided that as a result of any such Restructuring, MW (or any successor thereof in the Restructuring) shall remain obligated to perform all of its obligations under this Agreement and the Related Agreements, and Signature (or any successor thereof in the Restructuring) shall become obligated to perform all of its obligations under this Agreement and the Related Agreements, VVI (i) hereby consents to the Restructuring, and (ii) agrees to execute such amendments to this Agreement as counsel for MW shall deem to be reasonably necessary in order to reflect the effects of the Restructuring on this Agreement and the Related Agreements, including without limitation the possibility that Signature could cease to be an Affiliate of MW by virtue of the Restructuring.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first set forth above.

**MONTGOMERY WARD & VALUEVISION  
INTERNATIONAL, INC.  
CO., INCORPORATED**

*BY: /s/ JOHN L. WORKMAN*

*BY: /s/ ROBERT L. JOHANDER*

*TITLE: Executive Vice President*

*TITLE: Chief Executive Officer*

Robert L. Johander and Nicholas M. Jaksich hereby join in the foregoing Agreement for the sole purpose of agreeing to be bound by clause (ii) of paragraph 11 thereof.

*/s/ ROBERT L. JOHANDER  
Robert L. Johander*

*/s/ NICHOLAS M. JAKSICH  
Nicholas M. Jaksich*

## SECOND AMENDED AND RESTATED WARRANT AGREEMENT

Warrant Agreement dated as of this 28th day of September, 1996, by and among ValueVision International, Inc., a Minnesota corporation (the "Company"), Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW"), Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD") and Merchant Partners, Limited Partnership, a Delaware limited partnership (MPLP).

### RECITALS

A. Pursuant to a Securities Purchase Agreement dated as of March 13, 1995 by and between the Company and MW, the Company agreed to issue and sell, and MW agreed to purchase, Existing Warrants (as herein defined) to purchase an aggregate of 25,000,000 shares of the Common Stock of the Company, subject to adjustment, under the terms and subject to the conditions set forth therein. The Existing Warrants are governed by the terms of a certain Warrant Agreement, dated August 8, 1995, between MW and VVI (the Original Warrant Agreement).

B. Pursuant to a certain Restructuring Agreement, dated July 27, 1996, between the Company and MW (the "Restructuring Agreement"), the Company and MW agreed to exchange the Series C-O Warrants, to amend and restate that certain Operating Agreement and that certain Servicemark License Agreement, and to amend that certain Credit Card Receivables Sale and Purchase Agreement, all dated as of March 13, 1995, and to amend and restate that certain Registration Rights Agreement, dated August 8, 1995 and this Agreement, all in consideration of the issuance by VVI of new Series P Warrants to purchase an aggregate of 1,484,462 shares of Common Stock (the "Exchange Warrants").

D. Pursuant to an Asset Purchase Agreement, dated as of July 27, 1996, between the Company's subsidiary, ValueVision Direct Marketing Company, Inc., and MWD (the "Asset Purchase Agreement"), ValueVision Direct Marketing Company, Inc. delivered to MWD, as consideration for the sale of all of MWD's assets, Series P warrants to purchase an aggregate of 1,484,993 shares of Common Stock (the "MWD Warrants"). MWD subsequently transferred all of its right title and interest in and to the MWD Warrants to MW. In addition, MW transferred certain of its Series P Warrants to MPLP.

E. Pursuant to an Exchange Agreement dated September \_\_\_\_, 1996, (the Exchange Agreement) VVI and MW have agreed to exchange the Vested Warrants for additional Series P Warrants to purchase an aggregate of 2,200,000 shares of Common Stock (the Replacement Warrants) and to amend this Agreement and the Amended and Restated Registration Rights.

F. MPLP desires to become a party to this Agreement and MW, MWD, MPLP and VVI desire to amend and restate the Amended and Restated Warrant Agreement to set forth the terms under which the New

Warrants may be exercised.

## A G R E E M E N T S

NOW, THEREFORE, in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, MW MPLP and MWD agree that the Original Warrant Agreement shall be amended and restated to read as follows:

A. Definition of Terms. As used in this Warrant Agreement, the following capitalized terms shall have the following respective meanings:

(a) Asset Purchase Agreement: "Asset Purchase Agreement" has the meaning assigned thereto in the Recitals.

(b) Business Day: A day other than a Saturday, Sunday or other day on which banks in the State of Minnesota are authorized by law to remain closed.

(c) Common Stock: Common stock, \$.01 par value per share, of the Company.

(d) Common Stock Equivalents: Securities that are convertible into or exercisable for Common Stock.

(e) Company: "Company" has the meaning assigned thereto in the Preamble.

(f) Conversion Ratio: The number of Warrant Shares of Common Stock issuable upon the exercise of a Warrant, which shall initially be 1, subject to adjustment from time to time pursuant to Section 6.1.

(g) Exchange Act: The Securities Exchange Act of 1934, as amended.

(h) Exchange Agreement: "Exchange Agreement" has the meaning assigned thereto in the Recitals.

(i) Exchange Warrants: "Exchange Warrants" has the meaning assigned thereto in Recital B.

(j) Exercise Price Per Share: The "Exercise Price Per Share" shall mean in the case of New Warrants, the exercise price payable for each Warrant Share upon exercise of a New Warrant, which shall initially be set at \$.01 per share, subject to adjustment from time to time pursuant to Section 6.1.

(k) Existing Warrants: Warrants issued pursuant to the Securities Purchase Agreement and the Warrant Agreement.

(l) Expiration Date: August 8, 2003, or if such day is not a Business Day, the next succeeding day which is a Business Day.

(m) HSR Act: "HSR Act" has the meaning assigned thereto in Section 5.9.

(n) Market Price: The Market Price per share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 20 consecutive trading days ending on such date. The closing price for each day shall be the last sale price of the Common Stock, or in case no such reported sales take place on such day, the average of the last reported bid and asked prices of the Common Stock, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not listed or admitted to trading on any such exchange, as reported by NASDAQ, or other similar organization if NASDAQ is no longer reporting such information, or if not so available, the fair market price of the Common Stock as determined in good faith by the Board of Directors.

(o) MPLP: "MPLP" has the meaning assigned thereto in Section 13.

(p) MW: "MW" has the meaning assigned thereto in the Preamble.

(q) MWD: "MWD" has the meaning assigned thereto in the Preamble.

(r) MWD Warrants: "MWD Warrants" has the meaning assigned thereto in Recital E.

(s) MW Group: "MW Group" has the meaning assigned thereto in that certain Amended and Restated Operating Agreement by and between MW and the Company of even date herewith.

(t) NASD: National Association of Securities Dealers, Inc. and NASDAQ: NASD Automatic Quotation System.

(u) New Warrants: Warrants in the form attached hereto as Exhibit A to be issued on the date hereof pursuant to the Exchange Agreement, the Restructuring Agreement and the Asset Purchase Agreement in exchange for all of the Existing Warrants including but not limited to the Series A-B Warrants, and all other warrants that may be issued in their place (together evidencing the right to purchase an aggregate of 5,169,455 shares of Common Stock), subject to adjustment pursuant to Section 6 hereof. The New Warrants include the Exchange Warrants, the Replacement Warrants and the MWD Warrants.

(v) Original Warrant Agreement: That certain Warrant

Agreement, dated August 8, 1995, between the Company and MW.

(w) Replacement Warrants: Warrants in the form attached hereto as Exhibit A to be issued on the date hereof pursuant to the Exchange Agreement in exchange for all of the Vested Warrants, and all other warrants that may be issued in their place, to purchase an aggregate of 2,200,000 shares of Common Stock subject to adjustment pursuant to Section 6 hereof.

(x) Exchange Agreement: "Exchange Agreement" has the meaning assigned thereto in the Recitals.

(y) Series A-B Warrants: "Series A-B Warrants" has the meaning assigned thereto in the Recitals.

(z) Series C-O Warrants: "Series C-O Warrants" has the meaning assigned thereto in the Recitals.

(aa) SEC: The Securities and Exchange Commission.

(ab) Securities Purchase Agreement: "Securities Purchase Agreement" has the meaning assigned thereto in the Recitals.

(ac) Term: "Term" has the meaning assigned thereto in Section 15.

(ad) Warrants: The New Warrants.

(ae) Warrant Shares: "Warrant Shares" has the meaning assigned thereto in Section 2.

B. Warrant Shares. Each New Warrant will initially be exercisable for one share of Common Stock (a "Warrant Share"), subject to adjustment pursuant to Section 6 hereof.

C. Vesting. All New Warrants shall be fully vested when issued.

D. Expiration of Warrants. All Warrants shall expire at 5:00 pm Minneapolis, Minnesota time, on the Expiration Date. All Warrants that are not exercised on or prior to the Expiration Date shall become void on the Expiration Date, and all rights hereunder and under such Warrants shall thereupon cease.

E. Exercise of Warrants.

1. Exercise Period. Any or all Warrants may be exercised by the holder thereof at any time and from time to time after 9:00 am, Minneapolis, Minnesota time, on the date hereof, and before 5:00 pm, Minneapolis, Minnesota time, on the Expiration Date.

2. Exercise Procedure. The Warrant holder may

exercise Warrants during any time that such Warrants are exercisable in whole or in part, by presentation and surrender of the Warrant Certificate to the Company at its principal executive offices, with the Subscription Form annexed thereto duly executed and accompanied by payment of the full Exercise Price Per Share for each Warrant Share to be purchased in immediately available funds by wire transfer to a bank designated by the Company from time to time.

3. Issuance of Warrant Shares. Subject to Section 5.9, upon receipt of the Warrant Certificate with Subscription Form duly executed and accompanied by payment of the aggregate Exercise Price Per Share for the Warrant Shares for which the Warrant is then being exercised, and provided that the holder has made any government filings, and has obtained any governmental actions, consents, approvals, or waiver, required on the holder's part in order to exercise the Warrants, the Company shall cause to be issued certificates for the total number of whole shares of Common Stock for which the Warrant is being exercised (adjusted to reflect the effect of the provisions contained in Section 6 hereof, if any), in such denominations as are requested for delivery to the holder, and the Company shall thereupon deliver such certificates to the holder. The holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the holder. If at the time a Warrant is exercised, a Registration Statement is not in effect to register under the Securities Act the Warrant Shares issuable upon exercise of such Warrant, the Company may require the holder to make such representations, and may place such legends on certificates representing the Warrant Shares, as are customary and may be reasonably required in the opinion of counsel to the Company to permit the Warrant Shares to be issued without such registration.

4. Residual Warrants. In case the Warrant holder shall exercise a Warrant with respect to less than all of the Warrant Shares that may be purchased under such Warrant, the Company shall execute a Warrant in the form of such Warrant for the balance of such Warrant Shares and deliver such Warrant to the holder.

5. Transfer Taxes. The Company shall pay any and all stock transfer and similar taxes which may be payable in respect of the issue of the Warrant or in respect of the issue of any Warrant Shares.

6. Reservation of Shares. The Company hereby agrees that at all times while any Warrants are outstanding there shall be reserved for issuance and delivery upon exercise of the Warrants such number of shares of Common Stock or other shares of capital stock of the Company from time to time issuable upon exercise of the Warrants. All such shares shall be duly authorized, and when issued upon such exercise, shall be validly issued, fully paid and nonassessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all



preemptive rights.

7. Fractional Shares. The Company shall not be required to issue any fraction of a share of its capital stock in connection with the exercise of a Warrant. The holder of Warrants will be required to exercise such number of Warrants so that a whole number of shares of Common Stock will be issued, or, at the Company's sole option, the Company may (i) pay such holder an amount in cash equal to such fraction of a share multiplied by the Market Price of one share of Common Stock on the exercise date, or (ii) may issue the larger number of whole shares purchasable upon exercise of the Warrant, and may require such holder to pay an additional amount equal to the exercise price multiplied by the balance of the share.

8. Listing. Prior to the issuance of shares of Common Stock upon exercise of a Warrant, the Company shall use its reasonable best efforts to secure the listing of such shares of Common Stock upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of the Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock from time to time issuable upon the exercise of the Warrant; and the Company shall so list on each national securities exchange or automated quotation system, and shall maintain such listing of, any other shares of capital stock of the Company issuable upon the exercise of the Warrant if and so long as any shares of the same class shall be listed on such national securities exchange or automated quotation system.

9. Approvals of Regulatory Authorities. In the event any filings with or approvals by any federal or state regulatory agency would be required by virtue of the exercise of any of the Warrants (including, without limitation, the U.S. Departments of Justice and Commerce under the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Act") or the Federal Communications Commission under the Federal Communications Act), such exercise of such Warrant shall be conditional upon (x) expiration or termination of the waiting period under the HSR Act, and (y) receipt of any other required regulatory approvals, but shall otherwise be unconditional. If this Section 5.9 is applicable, (x) the parties will cooperate with each other and make such respective filings and take such other respective actions as may be necessary or desirable in order that the exercise of any such Warrant shall be in accordance with applicable laws, and (y) the Term of this agreement shall be extended, if required, during the period in which applications for regulatory approvals are pending before regulatory authorities.

F. Exercise Price Per Share and Conversion Ratio Adjustments. The Exercise Price Per Share and the Conversion Ratio, and the kind of Warrant Shares shall be subject to adjustment from time to time upon the occurrence of certain events and at the times as provided for in this Section 6.

1. Mechanical Adjustments. If at any time prior to the exercise of any Warrant, the Company shall (i) declare a dividend or make a distribution on the Common Stock payable in shares of its capital stock (whether shares of Common Stock or of capital stock of any other class); (ii) subdivide, reclassify or recapitalize outstanding Common Stock into a greater number of shares; (iii) combine, reclassify or recapitalize its outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of its Common Stock (including any such reclassification in connection with a consolidation or a merger in which the Company is the continuing corporation), excluding, however, any dividend, distribution, reclassification or recapitalization that requires the payment of more than nominal additional consideration by security holders, the Conversion Ratio in effect at the time of the record date of such dividend, distribution, subdivision, combination, reclassification or recapitalization shall be immediately adjusted so that upon exercise of a Warrant the holder thereof shall be entitled to receive the aggregate number and kind of shares which, if the Warrants had been exercised in full immediately prior to such event, the holder thereof would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, combination, reclassification or recapitalization, for the same aggregate consideration. The Exercise Price Per Share payable upon exercise of each Warrant shall simultaneously be adjusted by multiplying the initial Exercise Price Per Share in effect for such Warrant by the Conversion Ratio in effect immediately prior to such adjustment and dividing the products so obtained by the Conversion Ratio, as adjusted. Any adjustments required by this Section 6.1 shall be made successively immediately after the record date, in the case of a dividend or distribution, or the effective date, in the case of a subdivision, combination, reclassification or recapitalization, to allow the purchase of such aggregate number and kind of shares, subject to Section 6.4.

2. Subsequent Adjustments. In the event that at any time, as a result of any adjustment made pursuant to Section 6, the holder of a Warrant thereafter shall become entitled to receive any shares of the Company other than Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Section 6, subject to Section 6.6.

3. No Adjustment for Cash Dividends. No adjustment in respect of any cash dividends not constituting Special Dividends shall be made during the term of the Warrants or upon the exercise of any Warrant.

6.4 Notice of Adjustment. No adjustment in the Conversion Ratio shall be required unless such adjustment would increase or decrease the Conversion Ratio by at least .001; provided, however, that any adjustments which by reason of this Section 6.6 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 6

shall be made to the nearest one-hundredth of a share or the nearest tenth of a cent, as the case may be. The adjusted Conversion Ratio may be rounded off to the nearest one millionth (six places to the right of the decimal point). Whenever the Conversion Ratio or the Exercise Price Per Share is adjusted as herein provided, the Company shall prepare and deliver forthwith to all holders of Warrants a certificate signed by its Chief Financial Officer, setting forth the adjusted Conversion Ratio, the adjusted number of shares purchasable upon the exercise of Warrants and the Exercise Price Per Share of such shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The failure to give such notice or any defect therein shall not affect the validity or effectiveness of any such adjustment.

6.5 Form of Warrant After Adjustments. The form of Warrants need not be changed because of any adjustments in the Exercise Price Per Share or the number or kind of the Warrant Shares, and Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in an adjusted Warrant, as initially issued.

G. No Rights as Shareholders; Notice to Holders. Nothing contained in this Agreement or in the Warrants shall be construed as conferring upon a holder of Warrants by virtue of its status as a Warrant holder the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or of any other matter, or any rights whatsoever as shareholders of the Company. The Company shall give notice to all holders of Warrants if at any time prior to the expiration or exercise in full of the Warrants, any of the following events shall occur:

(a) the Company shall authorize the payment of any dividend payable in any securities upon shares of Common Stock or authorize the making of any distribution (other than a regular cash dividend or distribution paid out of net profits legally available therefor) to all holders of Common Stock;

(b) the Company shall authorize the issuance to all holders of Common Stock of any additional shares of Common Stock or Common Stock Equivalents or of rights, options or warrants to subscribe for or purchase Common Stock or Common Stock Equivalents or of any other subscription rights, options or warrants;

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger, or sale or conveyance of the property of the Company as an entirety or substantially as an entirety); or

(d) a capital reorganization or reclassification of the Common Stock (other than a change in the par value of the Common Stock) or any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which

the Company is the continuing corporation and that does not result in any reclassification or change of Common Stock outstanding) or in the case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety.

Such giving of notice shall be initiated (i) at least 5 Business Days prior to the date fixed as a record date or effective date or (ii) the date of closing of the Company's stock transfer books for the determination of the shareholders entitled to such dividend, distribution or subscription rights, or for the determination of the shareholders entitled to vote on such proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the stock transfer books, as the case may be. Failure to provide such notice shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up.

H. Lost, Stolen, Mutilated or Destroyed Warrants. If a Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may in its discretion impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as, and in substitution for the Warrant.

I. Restrictions on Transfer of Warrants and Warrant Shares. The Warrants and the Warrant Shares may not be transferred, disposed of or encumbered (any such action, a "Transfer"), except in accordance with and subject to the provisions of the Securities Act and the rules and regulations promulgated thereunder. If at the time of a Transfer, a Registration Statement is not in effect to register the Warrant Shares, the Company may require the holder thereof to make such representations, and to provide the Company with an opinion of counsel reasonably acceptable to the Company that such Transfer would not result in violation of any federal or state law regarding the offering or sale of securities and the Company may place such legends on certificates representing the Warrant Shares, as are customary and may be reasonably required in the opinion of counsel to the Company to permit a Transfer without such registration. Subject to the foregoing and to Section 13, all Warrants and Warrant Shares shall be freely transferable.

J. Warrant Register. All Warrants shall be in registered form. The Company shall maintain a register of the Warrants (the "Warrant Register"). All Transfers of Warrants shall be recorded in the Warrant Register.

K. Registration Under the Securities Act of 1933. The Warrant Shares shall be entitled to certain registration rights provided in that Registration Rights Agreement by and among the Company, MW and MWD of even date herewith.

L. Certain Filings. The parties will cooperate with each other in determining whether action by or in respect of, or filing with, any governmental body, agency or official, or authority is required, or any actions, consents, approvals or waivers are required to be obtained in connection with the transactions and adjustments contemplated by this Agreement, and provide each other with reasonable assistance in seeking any such actions, consents, approvals, or waivers or making any such filings, furnishing information required in connection therewith, and seeking timely to obtain any such actions, consents, approvals or waivers.

M. Right of First Offer. No holder of a Warrant or Common Stock (including Warrant Shares) will transfer, sell, or in any manner convey any interest in any Warrants or Common Stock (including Warrant Shares), except through an offering to the public that is registered under the Securities Act, or pursuant to the provisions of Rule 144 under the Securities Act (excluding paragraph (k) of Rule 144), unless such holder first offers such Warrants or Common Stock (including Warrant Shares) to the Company. The holder shall provide the Company with a written offer specifying the amount of securities being offered, the purchase price and other terms of such offer. The Company shall have fifteen (15) days from and after the date of receipt by the Company of such written offer within which to accept such offer, or to make a written counteroffer with respect to all or any part of the securities offered. If the Company does not accept the holder's offer, or the holder does not accept the Company's counteroffer, by written notice given within such 15-day period, the holder may offer and sell such securities to any party within 180 days thereafter on terms that are not less favorable to the holder than the terms of the later to be made of the holder's last offer to the Company or the Company's last counteroffer to the holder, if any, provided that the terms of a sale to a third party shall not be deemed to be less favorable to the holder solely based on a lower purchase price paid by the third party if such lower purchase price is at least 90% of the highest price offered by or to the Company. This Section 13 shall not apply to any transfer of Warrants or Common Stock (including Warrant Shares) (i) by any member of the MW Group to any other member of the MW Group, (ii) by MW to MPLP, or (iii) by MPLP to its partners, and the partners or stockholders (direct or remote) of such partners.

N. Term. Subject to Section 5.9, the term of this Agreement shall begin on the date hereof and expire on August 8, 2003 (the "Term").

O. Additional Actions and Documents. Each of the parties hereto agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such further documents and instruments, and to use all reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

17. Cancellation and Return of Existing Warrants. Effective as at the date hereof, all Existing Warrants including but not limited to all of the Series A-B Warrants and the Series C-O Warrants issued pursuant to the Original Warrant Agreement and the Securities Purchase Agreement are deemed to have expired unexercised and are hereby terminated. All Existing Warrants shall be surrendered to the Company within 30 days of the date hereof.

IN WITNESS WHEREOF, this Warrant Agreement has been duly executed by the Company under its corporate seal as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ ROBERT L. JOHANDER

Robert L. Johander  
Its Chief Executive Officer

Attest: /s/ STUART ROMENESKO  
Secretary

MONTGOMERY WARD & CO., INCORPORATED

By: /s/ JOHN L. WORKMAN  
Executive Vice President

Attest: /s/ SPENCER H. HEINE  
Secretary

MONTGOMERY WARD DIRECT, L.P.

By: MW Direct General, Inc., the general partner

By: /s/ JOHN L. WORKMAN  
Its: Vice President

Attest: /s/ PHILIP D. DELK  
Secretary

MERCHANT PARTNERS, LIMITED  
PARTNERSHIP  
By: MERCHANT PARTNERS, LIMITED  
PARTNERSHIP, the general partner

By: Merchant Development Corp., the general partner

By: /s/ RAYMOND L. BANK  
Its: President

Attest: \_\_\_\_\_

Secretary

## SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Amended and Restated Registration Rights Agreement dated as of September 28, 1996, by and among ValueVision International, Inc., a Minnesota corporation (the "Company"), Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD"), Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW") and Merchant Partners, Limited Partnership, a Delaware limited partnership (MPLP).

### RECITALS

- A. Pursuant to a Securities Purchase Agreement, dated as of March 13, 1995, by and between the Company and MW (the "Securities Purchase Agreement"), the Company agreed to issue and sell, and MW agreed to purchase, 1,280,000 shares (the "Shares") of Common Stock of the Company, under the terms and subject to the conditions set forth therein.
- B. Pursuant to the Securities Purchase Agreement, the Company also agreed to issue and sell, and MW agreed to purchase, Existing Warrants (as herein defined) to purchase an aggregate of 25,000,000 shares of the Common Stock of the Company, subject to adjustment, under the terms and subject to the conditions set forth therein. Existing Warrants of Series A and Series B, both inclusive (the "Series A-B Warrants"), have vested, and Existing Warrants of Series C through Series O, all inclusive (the "Series C-O Warrants") have not vested.
- C. Pursuant to the Securities Purchase Agreement, the Company agreed to grant MW certain registration rights with respect to the Shares and the shares issued upon exercise of the Existing Warrants and executed that certain Registration Rights Agreement, dated as of August 8, 1995 (the Original Registration Rights Agreement).
- D. Pursuant to a certain Exchange Agreement, dated as of even date herewith, between the Company and MW (the "Exchange Agreement"), the Company and MW have agreed to exchange the Series C- O Warrants, to amend and restate that certain Operating Agreement and that certain Servicemark License Agreement, and to amend that certain Credit Card Receivables Sale and Purchase Agreement, all dated as of March 13, 1995, and to amend and restate that certain Warrant Agreement, dated August 8, 1995 and this Agreement, all in consideration of the issuance by VVI of new Series P Warrants ( New Warrants ) to purchase an aggregate of 1,484,462 shares of Common Stock.
- E. MWD is a wholly owned subsidiary of MW. Pursuant to an Asset Purchase Agreement, dated as of August 1, 1996, between the Company's subsidiary, ValueVision Direct Marketing Company, Inc., and MWD (the "Asset Purchase Agreement"), ValueVision Direct Marketing Company, Inc. has agreed to deliver to MWD, as

consideration for the sale of all of MWD's assets, New Warrants to purchase an aggregate of 1,484,993 shares of Common Stock ( MWD Warrants ). MWD subsequently transferred all of its right title and interest in and to the MWD Warrants to MW. In addition, MW transferred certain of its Series P Warrants to MPLP. MWD no longer desires to be a party to this Agreement but MPLP desires to be a party to this Agreement.

F. Pursuant to the Exchange Agreement, dated as of September 28, 1996, between the Company and MW (the "Exchange Agreement"), VVI and MW have agreed to exchange all of the Series A-B Warrants for Series P Warrants to purchase 2,200,000 shares of Common Stock (the Exchange Warrants ).

G. In connection with the cancellation of the Series C-O Warrants and the issuance of the New Warrants, the parties agreed to amend and restate the Original Registration Rights Agreement as set forth herein.

H. In connection with the cancellation of the Series A-B Warrants and the issuance of the Replacement Warrants, the parties desire to amend and restate the Amended and Restated Registration Rights Agreement as set forth herein.

## **A G R E E M E N T S**

NOW, THEREFORE, in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, MWD and MW agree that the Original Registration Rights Agreement is amended and restated in its entirety to read as follows:

1. Definition of Terms. As used in this Registration Rights Agreement, the following capitalized terms shall have the following respective meanings:

(a) Asset Purchase Agreement: See Recital E.

(b) Business Day: A day other than a Saturday, Sunday or other day on which banks in the State of Minnesota are authorized by law to remain closed.

(c) Closing Date: August 8, 1995.

(d) Common Stock: Common Stock, \$.01 par value per share, of the Company.

(e) Company: See the Preamble.

(f) Demand Notice: See Section 3(a).

(g) Demand Registration: See Section 3(a).



- (h) Demand Registration Rights: See Section 3(a).
- (i) Exchange Act: The Securities Exchange Act of 1934, as amended.
- (j) Exercise Price: The exercise price of a New Warrant as indicated in, and as may be adjusted by, the Warrant Agreement.
- (k) Expiration Date: 5:00 P.M., Minneapolis, Minnesota time, on August 7, 2003, or if such day is not a Business Day, the next succeeding day which is a Business Day.
- (l) Inspectors: See Section 5(g).
- (m) MW: See the Preamble.
- (n) MWD: See the Preamble.
- (o) NASD: National Association of Securities Dealers, Inc. and NASDAQ: NASD Automated Quotation System.
- (p) New Warrants: Series P warrants issued pursuant to the Amended and Restated Exchange Agreement and the Asset Purchase Agreement.
- (q) Outstanding Registration Rights Agreement: The Representative's Warrant Agreement dated as of November 15, 1993 by and between the Company and Gerard Klauer Mattison & Co., Inc.
- (r) Person: An individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.
- (s) Piggyback Notice: See Section 2(a).
- (t) Piggyback Registration: See Section 2(a).
- (u) Piggyback Registration Rights: See Section 2(a).
- (v) Prospectus: Any prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments and all material incorporated by reference in such Prospectus.
- (w) Public Offering: A public offering of any of the Company's equity or debt securities pursuant to a registration statement under the Securities Act.
- (x) Records: See Section 5(g).

(y) Registration Expenses: Any and all expenses incurred in connection with any registration or action incident to performance of or compliance by the Company with this Agreement, including, without limitation, (i) all SEC, national securities exchange and NASD registration and filing fees; all listing fees and all transfer agent fees; (ii) all fees and expenses of complying with state securities or blue sky laws; (iii) all printing, mailing, messenger and delivery expenses and (iv) all fees and disbursements of counsel for the Company and of its accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, but excluding underwriting discounts and commissions, brokerage fees and transfer taxes, if any, and fees of counsel or accountants retained by MW.

(z) Registration Notice: See Section 2(a).

(aa) Registration Period: The period of time from the second anniversary of the Closing Date to the Expiration Date except as provided in Sections 3(a), 3(b) and 5.

(ab) Registrable Securities: Any Shares or Warrant Shares issued to MW or MPLP, including those which may thereafter be issued by the Company in respect of any such securities by means of any stock splits, stock dividends, recapitalizations, reclassifications or the like, and as adjusted pursuant to the Amended and Restated Warrant Agreement.

(ac) Registration Statement: Any registration statement of the Company filed or to be filed with the SEC which covers any of the Registrable Securities pursuant to the provisions of this Agreement, including all amendments (including post-effective amendments) and supplements thereto, all exhibits thereto and all material incorporated therein by reference.

(ad) SEC: The Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

(ae) Securities Act: The Securities Act of 1933, as amended.

(af) Securities Purchase Agreement: See Recital A.

(ag) Series A-B Warrants: See Recital B.

(ah) Series C-O Warrants: See Recital B.

(ai) Series P Warrants: See Recital B.

(aj) Shares: See Recital A.

(ak) Warrant Agreement: That certain Second Amended and Restated Warrant Agreement, dated as of July 27, 1996, among the Company, MW, MPLP and MWD.

(al) Warrant Shares: All shares of Common Stock issued or issuable upon exercise of any or all of the New Warrants.

## 2. Piggyback Registration.

(a) Right to Include Registrable Securities. If at any time during the Registration Period, the Company proposes to register any of its securities under the Securities Act on any form for the registration of securities under such Act, whether or not for its own account (other than by a registration statement on Form S-4, S-8 or other successor form), it shall as expeditiously as possible give written notice (a "Registration Notice") to the holders of Registrable Securities of its intention to do so. Upon the written request of any such holder (a "Piggyback Notice", which notice shall specify the Registrable Securities intended to be registered) made within 20 days after receipt of a Registration Notice, the Company shall include in the Registration Statement the Registrable Securities (a "Piggyback Registration") which the Company has been so requested by such holder to register, subject to the limitations provided in the Existing Registration Rights Agreements. Such holder's rights to register shares hereunder are referred to hereinafter as "Piggyback Registration Rights."

(b) Withdrawal of Piggyback Registration by Company. If, at any time after giving a Registration Notice but prior to the effective date of the related Registration Statement, the Company shall determine for any reason not to register such securities, the Company shall give written notice of such determination to the holders of the Registrable Securities sought to be registered and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such Piggyback Registration. All best efforts obligations of the Company shall cease if the Company determines to terminate prior to such effective date any registration where Registrable Securities are being registered pursuant to this Section 2.

(c) Piggyback Registration of Underwritten Public Offerings. If a Piggyback Registration involves an offering by or through underwriters, then, (i) the holders of the Registrable Securities sought to be registered must agree to sell their Registrable Securities included in the Company's Registration Statement to the underwriters selected by the Company on the same terms and conditions as apply to other selling shareholders and (ii) such holders may elect in writing, not later than five Business Days prior to the effectiveness of the Registration Statement filed in connection with such registration, not to have their Registrable Securities so included in connection with such registration.

(d) Payment of Registration Expenses for Piggyback Registration. The Company shall pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to a Piggyback Registration Right contained in this Section

### 3. Demand Registration.

(a) Request for Registration. Upon the written request (a "Demand Notice") of a holder of Registrable Securities at any time during the Registration Period, and subject to the limitations provided in the Existing Registration Rights Agreements, the Company shall, as soon as practicable, use its best efforts to file a Registration Statement (a "Demand Registration") with respect to all Registrable Securities that such holder requested be registered in the Demand Notice. Prior to the filing of such Demand Registration, the Company shall give written notice to all other holders of Registrable Securities of the Demand Registration. Upon the written request of any such holder made within 20 days after receipt of such notice, the Company shall include in the Demand Registration the Registrable Securities that such holder requested be registered, subject to the limitations provided in the Existing Registration Rights Agreements. The rights of holders of Registrable Securities to register shares hereunder are referred to hereinafter as "Demand Registration Rights." The holders of Registrable Securities may in the aggregate exercise up to two Demand Registration Rights during the Registration Period. The Company shall use its best efforts to obtain the effectiveness of the Registration Statement and to take all other action necessary under any Federal or state law or regulation to permit such Registered Securities to be sold or otherwise disposed of, and the Company shall maintain such compliance with each such Federal and state law and regulation for the period necessary for the holder of Registrable Securities to effect the proposed sale or other disposition (but in no event for more than 120 days). The Company shall be entitled to have the Demand Registration prepared, filed and caused to become effective pursuant to Form S-3 or any successor form promulgated by the SEC ("Form S-3") pursuant to this Section 3(a), so long as it is eligible to register its securities pursuant to Form S-3 and Form S-3 is available for the distribution contemplated by the holder of Registrable Securities.

(b) Deferment of Demand Registration by Company. The Company shall be entitled to defer a Demand Registration for a period of up to 120 days if and to the extent that its Board of Directors shall determine in good faith that such registration would interfere with a pending material corporate transaction which has been approved by the Board of Directors of the Company. In such event, the Registration Period shall be extended by the amount of such delay and the related Demand Registration Right would be deemed not to be exercised.

(c) Payment of Registration Expenses for Demand Registration. Except as provided below, holders of Registrable Securities sought to be registered shall pay the first \$75,000 or Registration Expenses, plus 50% of all remaining Registration Expenses of a Demand Registration and the Company shall pay the balance of such Registration Expenses; and holders of such Registrable Securities and the Company shall pay the fees and expenses of each of their respective legal counsel. A registration

will not count as a Demand Registration until it has become effective, unless the holders demanding such registration withdraw the Registrable Securities, in which case such demand will count as a Demand Registration unless the holders of such Registrable Securities agree to pay all Registration Expenses.

(d) Registration of Additional Securities. Except to the extent required by the Outstanding Registration Rights Agreements, neither the Company nor any other party may include in any Registration Statement filed pursuant to a Demand Registration any additional shares of Common Stock for registration for sale by the Company or any other holder of securities. The Company shall not grant any rights inconsistent with this Section 3(d).

(e) Priority in Demand Registration. If a Demand Registration involves an offering by or through an underwriter or underwriters, and the managing underwriter or underwriters of such offering advise the Company and the holders of Registrable Securities sought to be registered pursuant to such Demand Registration in writing that in their opinion the size of the offering which such holders and all other persons including the Company intend to make is such that the success of the offering would be materially and adversely affected by the inclusion of the Registrable Securities requested to be included, then the amount of securities to be offered for the account of holders of Registrable Securities shall be reduced pro rata (according to the Registrable Securities proposed for registration) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided that if securities are being offered for the account of other persons or entities as well as the Company, then with respect to the Registrable Securities intended to be offered by holders of Registrable Securities, the proportion by which the amount of such securities is reduced shall not exceed the proportion by which the amount of such class of securities intended to be offered by such other persons or entities is reduced, except to the extent such other persons are entitled to a lesser reduction under the Existing Registration Rights Agreements.

4. Company Buy-out of Piggyback Registration or Demand Registration. In lieu of carrying out its obligations to effect a Piggyback Registration or Demand Registration of any Registrable Securities pursuant to this Agreement, the Company may carry out such obligation by offering to purchase and purchasing such Registrable Securities requested to be registered (a) in the case of outstanding shares of Common Stock, at the last sale price of the Common Stock on the day immediately prior to the day the request for registration is made and (b) in the case of shares not yet purchased under the New Warrants or Series A-B Warrants at an amount in cash equal to the difference between (i) the last sale price of the Common Stock on the day immediately prior to the day the request for registration is made and (b) the Exercise Price in effect on such day.

5. Registration Procedures. Whenever a holder of

Registrable Securities has requested that any Registrable Securities be registered pursuant to either Section 2 or 3 hereof, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request, the Company will as expeditiously as possible:

(a) prepare and file with the Commission a Registration Statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become effective; provided that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, the Company shall furnish to one counsel selected by such holder copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel, and that after the filing of the registration statement, the Company will promptly notify all holders of Registrable Securities of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for a period of not less than 120 days or such shorter period which will terminate when all Registrable Securities covered by such Registration Statement have been sold (but not before the expiration of the requirement of underwriters and dealers to deliver Prospectuses in connection with such distribution) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the selling holders thereof set forth in such Registration Statement;

(c) furnish to each selling holder of Registrable Securities and to each underwriter, prior to filing the Registration Statement or Prospectus or any amendment or supplement thereto, if requested, copies of such Registration Statement as proposed to be filed, and thereafter furnish to each selling holder of Registrable Securities and such underwriter such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the Prospectus included in such Registration Statement (including each Preliminary Prospectus) and such other documents as each selling holder of Registrable Securities or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by each selling holder of Registrable Securities;

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws

of such jurisdictions as any selling holder of Registrable Securities or any managing underwriter reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable any selling holder of Registrable Securities or such managing underwriter to consummate the disposition in such jurisdictions of the Registrable Securities owned by any selling holder of Registrable Securities; provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this clause, (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction;

(e) use its best efforts to cause the Registrable Securities covered by such Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company or its subsidiaries to enable any selling holder of Registrable Securities and any managing underwriters to consummate the disposition of such Registrable Securities;

(f) immediately notify each selling holder of Registrable Securities, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the Prospectus included in such Registration Statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and the Company will promptly prepare a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(g) make available for inspection by each selling holder of Registrable Securities, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by any selling holder of Registrable Securities or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibilities, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such Registration Statement. Records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary in the opinion of the underwriter's counsel, if any, or counsel to selling holders of Registrable Securities to avoid or correct a material misstatement or omission in the Registration Statement, or (ii) the release of such Records is

ordered pursuant to a subpoena or other order from a court of competent jurisdiction or governmental agency, or (iii) the information in such Records has been made generally available to the public. Each selling holder of Registrable Securities agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by a governmental agency, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(h) for purposes of a Demand Registration only, furnish to each selling holder of Registrable Securities and to each underwriter, if any, (x) an opinion or opinions of counsel to the Company and (y) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or by comfort letters, as the case may be, as any selling holder of Registrable Securities or the managing underwriter reasonably requests;

(i) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of twelve months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act and Rule 158 thereunder;

(j) use its best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(k) cooperate with the selling holders of Registrable Securities, the underwriter or underwriters (or broker/dealer involved in the distribution), if any, and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

If any Demand Registration is requested to be in the form of an underwritten offering, the selection of the managing underwriter shall be subject to the Company's consent, which consent shall not be unreasonably withheld. If requested by the underwriters for any underwritten offering, the Company shall enter into an underwriting agreement in customary form with such underwriters for such offering, but subject to the Company's reasonable approval. The selling holders of the Registrable Securities shall be a party to such underwriting agreement. All fees and expenses (other than Registration Expenses otherwise required to be paid) of any managing underwriter, any co-manager or any independent underwriter shall be paid for by such underwriters or by such selling holders.

The Company may require the selling holders of Registrable Securities to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may from



time to time reasonably request and such other information as may be legally required or reasonably requested in connection with such registration.

Each selling holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(f) hereof, such selling holder will forthwith discontinue disposition of such Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(f) hereof, and, if so directed by the Company, such holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the Company shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement (including the period referred to in Section 5(b) hereof) by the number of days during the period from and including the date of the giving of such notice pursuant to Section 5(f) hereof to and including the date when each seller of Registrable Securities covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 5(f) hereof.

Except as otherwise provided in this Agreement, the Company shall have sole control in connection with the preparation, filing, withdrawal, amendment or supplementing of each Registration Statement, the selection of underwriters, and the distribution of any preliminary prospectus included in the Registration Statement, and may include within the coverage thereof additional shares of Common Stock or other securities for its own account or for the account of one or more of its other security holders.

## 6. Indemnification.

(a) Indemnification by Company. In connection with each Registration Statement relating to disposition of Registrable Securities, the Company shall indemnify and hold harmless each selling holder of Registrable Securities and each underwriter of Registrable Securities and each Person, if any, who controls any selling holder of Registrable Securities or underwriter (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) against any and all losses, claims, damages and liabilities, joint or several (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other Federal or state law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or

preliminary prospectus or any amendment thereof or supplement thereto, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of any selling holder of Registrable Securities or underwriter (or any Person controlling any selling holder of Registrable Securities or underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) on account of any losses, claims, damages or liabilities arising from the sale of the Registrable Securities if such untrue statement or omission or alleged untrue statement or omission was made in such Registration Statement, Prospectus or preliminary prospectus, or such amendment or supplement, in reliance upon and in conformity with information furnished in writing to the Company by such selling holder of Registrable Securities or underwriter specifically for use therein. The Company shall also indemnify selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities, if requested. The indemnification obligation imposed on the Company under this Section 6(a) shall be in addition to any liability which the Company may otherwise have.

(b) Indemnification by Holder of Registrable Securities. In connection with each Registration Statement, each selling holder of Registrable Securities shall indemnify, to the same extent as the indemnification provided by the Company in Section 6(a), the Company, its directors and each officer who signs the Registration Statement and each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) but only insofar as such losses, claims, damages and liabilities arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which was made in the Registration Statement, the Prospectus or preliminary prospectus or any amendment thereof or supplement thereto, in reliance upon and in conformity with information furnished in writing by such selling holder of Registrable Securities to the Company specifically for use therein. In no event shall the liability of any selling holder of Registrable Securities hereunder be greater in amount than the dollar amount of the net proceeds received by any selling holder of Registrable Securities from the sale of the Registrable Securities giving rise to such indemnification obligation. The Company shall be entitled to receive indemnities from underwriters participating in the distribution, in the underwriting agreement pursuant to which such sales are made, with respect to information so furnished in writing by such Persons specifically for inclusion in any Prospectus, Registration Statement or preliminary prospectus or any amendment thereof or supplement thereto.

(c) Conduct of Indemnification Procedure. Any party

that proposes to assert the right to be indemnified hereunder will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section, notify each such indemnifying party of the commencement of such action, suit or proceeding, enclosing a copy of all papers served. No indemnification provided for in this Section shall be available to any party who shall fail to give notice as provided in this Section 6 if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was prejudiced by the failure to give such notice but the omission so to notify such indemnifying party of any such action, suit or proceeding shall not relieve it from any liability that it may have to any indemnified party for contribution or otherwise than under this Section. In case any such action, suit or proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and the approval by the indemnifying party to such indemnified party of its election so to assume the defense thereof and the approval by the indemnified party of such counsel, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses, except as provided below and except for the reasonable costs of investigation subsequently incurred by such indemnified party in connection with the defense thereof. The indemnified party shall have the right to employ its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party has been authorized in writing by the indemnifying parties, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying parties and the indemnified party in the conduct of the defense of such action (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying parties shall not have employed counsel to assume the defense of such action within a reasonable time after notice of the commencement thereof, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying parties. An indemnifying party shall not be liable for any settlement of any action, suit, proceeding or claim effected without its written consent, but if settled with its written consent, or if there is a final judgment for the plaintiff in any such action or proceeding, the indemnifying party shall indemnify and hold harmless such indemnified parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional

release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) Contribution. If the indemnification provided for in this Section 6 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6(c), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(d). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Priority of Indemnification. If indemnification is available under this Section 6, the indemnifying parties shall indemnify each indemnified party to the full extent provided in subparagraphs (a) and (b) of this paragraph without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 6.

7. Assignment. The Piggyback Rights, Demand Registration Rights and any other rights of MW and MPLP pursuant to this Agreement shall run in favor of any subsequent holder of Registrable Securities.

8. Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered, or mailed first-class postage prepaid, registered or certified mail,

if to MW, addressed to:

**MONTGOMERY WARD & CO, INCORPORATED**

Montgomery Ward Plaza  
619 West Chicago Avenue  
Chicago, IL 60671  
Attention: General Counsel

if to MPLP, addressed to:

**MERCHANT PARTNERS, LIMITED PARTNERSHIP**

9690 Deereco Road  
Timonium, Maryland 21093  
Attention: Raymond L. Bank

in case of either (i) or (ii), with a copy to:

Alzheimer & Gray  
10 South Wacker Drive  
Suite 4000  
Chicago, Illinois 60606  
Attention: David W. Schoenberg  
Telecopier: (312) 715-4800

if to the Company, addressed to:

**VALUEVISION INTERNATIONAL, INC.**

6740 Shady Oak Road  
Minneapolis, MN 55344-3433  
Attention: Chief Executive Officer

with a copy to:

Maslon, Edelman, Borman & Brand, a  
professional limited liability  
partnership  
3300 Norwest Center  
90 South Seventh Street  
Minneapolis, Minnesota 55402-4140  
Attention: William M. Mower

and such notices and other communications shall for all purposes of this Agreement be treated as being effective or having been given if delivered personally, or, if sent by mail, when received.

9. Headings. The headings of the Sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute part of this Agreement.

10. Choice of Law. It is the intention of the parties that the laws of Minnesota shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

11. Counterparts. This Agreement may be executed concurrently in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future law, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or its severance from this Agreement.

13. Termination of MWD s Interest. Upon execution of the this Agreement by the parties hereto, MWD shall cease to be a party to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ ROBERT L. JOHANDER  
Robert L. Johander  
Its Chief Executive Officer

**MONTGOMERY WARD & CO.,  
INCORPORATED**

By: /s/ JOHN L. WORKMAN  
Executive Vice President

MONTGOMERY WARD DIRECT, L.P.

By: MW Direct General, Inc., the general partner

By: /s/ JOHN L. WORKMAN  
Its: Vice President

MERCHANT PARTNERS, LIMITED  
PARTNERSHIP

By: MERCHANT PARTNERS, LIMITED  
PARTNERSHIP, the general partner  
By: Merchant Development Corp.,  
the general partner

By: /s/ RAYMOND L. BANK

Its: President

**EXERCISABLE ON OR BEFORE, AND VOID AFTER,  
5:00 P.M. MINNEAPOLIS TIME, AUGUST 8, 2003**

**Series P Certificate for 1,642,143 Warrants**

**WARRANTS TO PURCHASE COMMON STOCK OF  
VALUEVISION INTERNATIONAL, INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF MINNESOTA**

THIS CERTIFIES that Montgomery Ward & Co., Incorporated, is the owner of the number of Warrants set forth above, each of which represents the right to purchase from ValueVision International, Inc., a Minnesota corporation (the "Company"), at any time on or before 5:00 Minneapolis time, August 8, 2003, upon compliance with and subject to the conditions set forth herein and in the Amended and Restated Warrant Agreement dated as of July 27, 1996 among the Company, Montgomery Ward & Co., Incorporated and Montgomery Ward Direct, L.P. (the "Warrant Agreement"), one share (subject to adjustments as set forth in the Warrant Agreement) of the Common Stock of the Company (such shares purchasable upon exercise of the Warrants being herein called the "Shares"), by surrendering this Warrant Certificate, with the Purchase Form duly executed, at the principal office of the Company, and by paying in full, in cash or by certified or official bank check payable to the order of the Company, the exercise price of \$.01 per share.

This Warrant Certificate is issued under and is subject to the terms and conditions of the Warrant Agreement and the Warrant Agreement is hereby incorporated by reference into this Warrant Certificate.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED WITHOUT (I) THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER MAY BE LAWFULLY MADE WITHOUT REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 AND ALL APPLICABLE STATE SECURITIES LAWS OR (II) SUCH REGISTRATION.

RESTRICTION ON TRANSFER AND VOTING, REDEMPTION IF TRANSFER RESTRICTIONS VIOLATED. THE RESTATED ARTICLES OF INCORPORATION OF THE CORPORATION, AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE CORPORATION SHALL NOT BE TRANSFERRED TO "ALIENS" UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" WILL NOT EXCEED 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE CORPORATION, AND THE AGGREGATE VOTING POWER OF SUCH SHARES WILL NOT EXCEED 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE

CORPORATION. NOT MORE THAN 20% OF THE AGGREGATE VOTING POWER OF ALL SHARES OUTSTANDING ENTITLED TO VOTE MAY BE VOTED BY OR FOR THE ACCOUNT OF "ALIENS". IF, NOTWITHSTANDING SUCH RESTRICTION ON TRANSFERS TO "ALIENS", THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" EXCEEDS 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE CORPORATION, OR IF THE AGGREGATE VOTING POWER OF SUCH SHARES EXCEEDS 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE CORPORATION, THE CORPORATION HAS THE RIGHT TO REDEEM SHARES OF ALL CLASSES OF CAPITAL STOCK, AT THEIR THEN FAIR MARKET VALUE, ON A PRO RATA BASIS, OWNED BY OR FOR THE ACCOUNT OF ALL "ALIENS" IN ORDER TO REDUCE THE NUMBER OF SHARES AND/OR PERCENTAGE OF VOTING POWER HELD BY OR FOR THE ACCOUNT OF "ALIENS" TO THE MAXIMUM NUMBER OR PERCENTAGE ALLOWED UNDER THE RESTATED ARTICLES OF INCORPORATION, AS AMENDED, OR OTHERWISE REQUIRED BY APPLICABLE FEDERAL LAW. AS USED HEREIN, "ALIENS" MEANS ALIENS AND THEIR REPRESENTATIVES, FOREIGN GOVERNMENTS, AND THEIR REPRESENTATIVES, AND CORPORATIONS ORGANIZED UNDER THE LAWS OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES.

THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS OF AN AMENDED AND RESTATED WARRANT AGREEMENT DATED AS OF JULY 27, 1996, A COPY OF WHICH IS ON FILE AT THE REGISTERED OFFICE OF THE COMPANY.

IN WITNESS WHEREOF, the undersigned has executed this Warrant Certificate on the 24th day of September, 1996.

**VALUEVISION INTERNATIONAL, INC.**

*By: /s/ ROBERT L. JOHANDER*

Its: Chief Executive Officer



TO: ValueVision International, Inc.  
6740 Shady Oak Road  
Minneapolis, MN 55344

**PURCHASE FORM**

(To be Executed in Order to Exercise Warrant Certificates)

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_\* of the Warrants represented by the Series P Warrant Certificate and to purchase for cash the Shares issuable upon the exercise of said Warrants and requests that certificates for such Shares shall be issued in the name of the undersigned.

Dated: \_\_\_\_\_

By:

Its:

\*Insert here the number of Warrants evidenced on the face of this Warrant Certificate (or, in the case of a partial exercise, the portion thereof being exercised), in either case without making any adjustment for additional Common Stock or any other securities or property or cash which, pursuant to the adjustment provisions referred to in this Warrant Certificate, may be deliverable upon exercise.

**EXERCISABLE ON OR BEFORE, AND VOID AFTER,  
5:00 P.M. MINNEAPOLIS TIME, AUGUST 8, 2003**

**Series P Certificate for 2,200,000 Warrants**

**WARRANTS TO PURCHASE COMMON STOCK OF  
VALUEVISION INTERNATIONAL, INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF MINNESOTA**

THIS CERTIFIES that Montgomery Ward & Co., Incorporated, is the owner of the number of Warrants set forth above, each of which represents the right to purchase from ValueVision International, Inc., a Minnesota corporation (the "Company"), at any time on or before 5:00 Minneapolis time, August 8, 2003, upon compliance with and subject to the conditions set forth herein and in the Amended and Restated Warrant Agreement dated as of July 27, 1996 among the Company, Montgomery Ward & Co., Incorporated and Montgomery Ward Direct, L.P. (the "Warrant Agreement"), one share (subject to adjustments as set forth in the Warrant Agreement) of the Common Stock of the Company (such shares purchasable upon exercise of the Warrants being herein called the "Shares"), by surrendering this Warrant Certificate, with the Purchase Form duly executed, at the principal office of the Company, and by paying in full, in cash or by certified or official bank check payable to the order of the Company, the exercise price of \$.01 per share.

This Warrant Certificate is issued under and is subject to the terms and conditions of the Warrant Agreement and the Warrant Agreement is hereby incorporated by reference into this Warrant Certificate.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED WITHOUT (I) THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER MAY BE LAWFULLY MADE WITHOUT REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 AND ALL APPLICABLE STATE SECURITIES LAWS OR (II) SUCH REGISTRATION.

RESTRICTION ON TRANSFER AND VOTING, REDEMPTION IF TRANSFER RESTRICTIONS VIOLATED. THE RESTATED ARTICLES OF INCORPORATION OF THE CORPORATION, AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE CORPORATION SHALL NOT BE TRANSFERRED TO "ALIENS" UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" WILL NOT EXCEED 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE CORPORATION, AND THE AGGREGATE VOTING POWER OF SUCH SHARES WILL NOT EXCEED 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE

CORPORATION. NOT MORE THAN 20% OF THE AGGREGATE VOTING POWER OF ALL SHARES OUTSTANDING ENTITLED TO VOTE MAY BE VOTED BY OR FOR THE ACCOUNT OF "ALIENS". IF, NOTWITHSTANDING SUCH RESTRICTION ON TRANSFERS TO "ALIENS", THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" EXCEEDS 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE CORPORATION, OR IF THE AGGREGATE VOTING POWER OF SUCH SHARES EXCEEDS 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE CORPORATION, THE CORPORATION HAS THE RIGHT TO REDEEM SHARES OF ALL CLASSES OF CAPITAL STOCK, AT THEIR THEN FAIR MARKET VALUE, ON A PRO RATA BASIS, OWNED BY OR FOR THE ACCOUNT OF ALL "ALIENS" IN ORDER TO REDUCE THE NUMBER OF SHARES AND/OR PERCENTAGE OF VOTING POWER HELD BY OR FOR THE ACCOUNT OF "ALIENS" TO THE MAXIMUM NUMBER OR PERCENTAGE ALLOWED UNDER THE RESTATED ARTICLES OF INCORPORATION, AS AMENDED, OR OTHERWISE REQUIRED BY APPLICABLE FEDERAL LAW. AS USED HEREIN, "ALIENS" MEANS ALIENS AND THEIR REPRESENTATIVES, FOREIGN GOVERNMENTS, AND THEIR REPRESENTATIVES, AND CORPORATIONS ORGANIZED UNDER THE LAWS OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES.

THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS OF AN AMENDED AND RESTATED WARRANT AGREEMENT DATED AS OF JULY 27, 1996, A COPY OF WHICH IS ON FILE AT THE REGISTERED OFFICE OF THE COMPANY.

IN WITNESS WHEREOF, the undersigned has executed this Warrant Certificate on the 24th day of September, 1996.

**VALUEVISION INTERNATIONAL, INC.**

*By: /s/ ROBERT L. JOHANDER*

Its: Chief Executive Officer

TO: ValueVision International, Inc.  
6740 Shady Oak Road  
Minneapolis, MN 55344

**PURCHASE FORM**  
(To be Executed in Order to Exercise Warrant Certificates)

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_\* of the Warrants represented by the Series P Warrant Certificate and to purchase for cash the Shares issuable upon the exercise of said Warrants and requests that certificates for such Shares shall be issued in the name of the undersigned.

Dated: \_\_\_\_\_

By:

Its:

\*Insert here the number of Warrants evidenced on the face of this Warrant Certificate (or, in the case of a partial exercise, the portion thereof being exercised), in either case without making any adjustment for additional Common Stock or any other securities or property or cash which, pursuant to the adjustment provisions referred to in this

Warrant Certificate, may be deliverable upon exercise.

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**End of Filing**

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