

# VALUEVISION MEDIA INC

## FORM 8-K (Unscheduled Material Events)

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

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) April 15, 1999

## VALUEVISION INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation)

0-20243  
(Commission File Number)

41-1673770  
(IRS Employer Identification No.)

6740 SHADY OAK ROAD, MINNEAPOLIS, MN  
(Address of principal executive offices)

55344-3433  
(Zip Code)

Registrant's telephone number, including area code (612) 947-5200

NOT APPLICABLE

(Former name or former address, if changed since last report)

## ITEM 5. OTHER EVENTS.

ValueVision International, Inc. closes on the first stage of the NBC/GE Equity Strategic Alliance

On April 15, 1999, ValueVision International, Inc. (the "Company") closed (the "Closing") the first stage of its strategic alliance with GE Capital Equity Investments, Inc. ("GE Capital") and National Broadcasting Company, Inc. ("NBC"). The Company issued to GE Capital 3,739,500 shares of its Series A Redeemable Convertible Preferred Stock (the "Preferred Stock") and a warrant (the "Investment Warrant") to purchase up to that number of shares of the Company's common stock, \$.01 par value (the "Common Stock") that results in GE Capital (and its affiliates) beneficially owning 39.9% of the Company's outstanding Common Stock. The Investment Warrant cannot be exercised unless the issuance of the shares of Common Stock thereunder is approved by shareholders of the Company at a shareholder meeting scheduled for June 1999 (the "Shareholder Meeting"). GE Capital paid the Company approximately \$31 million for the shares of Preferred Stock and the Investment Warrant. At the Closing, the Company also issued to NBC a warrant (the "Distributor Warrant") to acquire 1,450,000 shares of the Common Stock, with an exercise price of \$8.288 per share and which vests 200,000 shares upon issuance, and 125,000 shares per year for ten years on each anniversary date of the issuance. The Company and NBC are now proceeding with the distribution and marketing agreement, pursuant to which NBC will be responsible for all of the Company's cable and affiliate relations. At the Shareholder Meeting, the Company's shareholders will be asked to approve, among other things, the sale to GE Capital of an additional 1,600,000 shares of the Preferred Stock for approximately \$13 million. The second closing of this transaction for the additional 1,600,000 shares of the Preferred Stock is anticipated to take place shortly after the Shareholder Meeting.

(Note: The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this Form 8-K contains statements that are forward-looking, such as statements relating to the Company's success in implementing its alliance with NBC and GE Capital and shareholder approval of certain aspects of the NBC and GE alliance. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including the possibility that shareholders will not approve certain aspects of the NBC and GE alliance or that implementation of the NBC and GE alliance will not be successful. For more information on the potential factors that could affect the Company's financial results, investors should refer to the Company's recent filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.)

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**ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.**

(c) Exhibits

- 3 Certificate of Designation of Series A Redeemable Convertible Preferred Stock.
- 10.1 Shareholder Agreement dated April 15, 1999 between ValueVision, GE Capital and NBC.
- 10.2 ValueVision Common Stock Purchase Warrant dated April 15, 1999 issued to GE Capital.
- 10.3 Registration Rights Agreement dated April 15, 1999 between ValueVision, GE Capital and NBC.
- 10.4 First Amendment and Agreement dated as of April 15, 1999 to the Investment Agreement, dated as of March 8, 1999, by and between ValueVision and GE Capital.
- 10.5 ValueVision Common Stock Purchase Warrant dated as of April 15, 1999 issued to NBC.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on this 29th day of April, 1999.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ David T. Quinby

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David T. Quinby  
Vice President, General  
Counsel and Secretary

**VALUEVISION INTERNATIONAL, INC.**

**CERTIFICATE OF DESIGNATION  
OF  
SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK**

Pursuant to Section 302A.401 of the Minnesota Business Corporation Act, ValueVision International, Inc., a Minnesota corporation (the "Corporation"), hereby certifies that the following resolutions were duly adopted by its Board of Directors on March 8, 1999 to set forth the powers, designations, preferences and relative, participating, optional or other rights of its Redeemable Convertible Preferred Stock:

RESOLVED, that, pursuant to the authority granted to the Board of Directors in the Articles of Incorporation, there is hereby created, and the Corporation is hereby authorized to issue, a series of Preferred Stock (as defined in the Articles of Incorporation) having the following powers, designations, preferences and rights:

I. Designation of Series and Number of Shares. This series of the Preferred Stock shall be designated the "Series A Redeemable Convertible Preferred Stock" (the "Convertible Preferred Stock") and shall consist of 5,339,500 shares, par value \$.01 per share. The stated value of the Convertible Preferred Stock shall be \$8.288 per share (the "Stated Value"). The number of shares of Convertible Preferred Stock may be decreased from time to time, as such shares are converted or redeemed as provided herein, by a resolution of the Board of Directors filed with the Secretary of State of the State of Minnesota.

II. Rank. (a) All shares of Convertible Preferred Stock shall rank prior, both as to payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, to all of the Corporation's now or hereafter issued Common Stock, par value \$0.01 per share ("Common Stock"), and to all of the Corporation's now existing or hereafter issued capital stock which by its terms ranks junior to the Convertible Preferred Stock both as to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, when and if issued (the Common Stock and any such other capital stock being herein referred to as "Junior Stock").

(b) No payment on account of the purchase, redemption, retirement or other acquisition of shares of Junior Stock or any class or series of the Corporation's capital stock which by its terms ranks junior to the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (the Junior Stock and any such other class or series of the Corporation's capital stock being herein referred to as "Junior Liquidation Stock"), shall be made directly or indirectly by the Corporation unless and until all the Convertible Preferred Stock shall have been converted into Common Stock or redeemed as provided for herein or otherwise reacquired by the Corporation.

III. Dividends. (a) In the event that the Corporation declares and pays any dividend on the Common Stock while any shares of Convertible Preferred Stock are outstanding, dividends shall be paid on the outstanding shares of Convertible Preferred Stock on the same basis as if such Convertible Preferred Stock had been converted to Common Stock pursuant to Section VI hereof prior to the date fixed for determination of the holders of Common Stock entitled to such dividend. Holders of Convertible Preferred Stock will not be entitled to any dividends, whether payable in cash, property or stock, in excess of the dividends provided for herein. Such dividends shall be payable to holders of record at the close of business on the date specified by the Board of Directors (or, to the extent permitted by applicable law, a duly authorized committee thereof) at the time such dividend is declared (the "Dividend Payment Date")(with such record date and Dividend Payment Date being the same as the record date and dividend payment date, respectively, of the Common Stock), in preference to dividends on the Junior Stock and any other capital stock of the Corporation which by its terms ranks junior as to dividends to the Convertible Preferred Stock (the Junior Stock and any such other class or series of the Corporation's capital stock being herein referred to as "Junior Dividend Stock"). All

dividends paid with respect to shares of Convertible Preferred Stock pursuant to this Section III shall be paid pro rata to the holders entitled thereto.

(b) No dividend or other distribution, other than dividends payable solely in shares of Junior Stock, shall be declared, paid or set apart for payment on shares of Junior Dividend Stock, unless and until all accrued and unpaid dividends on the Convertible Preferred Stock shall have been paid or declared and set apart for payment and, to the extent required by paragraph III(a), the related dividend is declared and paid on the Convertible Preferred Stock.

(c) No dividends shall be declared, paid or set apart for payment on shares of any class or series of the Corporation's capital stock whether now existing or hereafter issued which by its terms ranks, as to dividends, on a parity with the Convertible Preferred Stock (any such class or series of the Corporation's capital stock being herein referred to as "Parity Dividend Stock") for any period unless dividends have been, or contemporaneously are, paid or declared and set apart for payment on the Convertible Preferred Stock. No dividends shall be paid on Parity Dividend Stock except on dates on which dividends are paid on the Convertible Preferred Stock. All dividends paid or declared and set apart for payment on the Convertible Preferred Stock and any Parity Dividend Stock shall be paid or declared and set apart for payment pro rata so that the amount of dividend paid or declared and set apart for payment per share on the Convertible Preferred Stock and the Parity Dividend Stock on any date shall in all cases bear to each other the same ratio that accrued and unpaid dividends on the Convertible Preferred Stock and the Parity Dividend Stock bear to each other.

IV. Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the then outstanding shares of Convertible Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders an amount in cash equal to the Stated Value for each share outstanding, plus an amount equal to the dividends accrued and unpaid, if any, on such shares on the date of final distribution to such holders without interest before any payment shall be made or any assets distributed to the holders of shares of Junior Liquidation Stock. The entire assets of the Corporation available for distribution to holders of Convertible Preferred Stock and any class or series of the Corporation's capital stock which by its terms ranks on a parity with the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (any such class or series of the Corporation's capital stock being herein referred to as "Parity Liquidation Stock") shall be distributed ratably among the holders of the Convertible Preferred Stock and any Parity Liquidation Stock in proportion to the respective preferential amounts (including accrued and unpaid dividends, if any) to which each is entitled (but only to the extent of such preferential amounts). After payment in full of the liquidation preferences of the shares of the Convertible Preferred Stock, the holders of such shares shall not be entitled to any further participation in any distribution of assets by the Corporation.

#### **V. Redemption.**

(a) Mandatory Redemption. On the tenth anniversary of the date of issuance of the Convertible Preferred Stock (the "Issue Date"), the Corporation shall redeem for cash, out of any source of funds legally available therefor, all of the outstanding shares of Convertible Preferred Stock, at a redemption price equal to 100% of the Stated Value per share, plus an amount in cash equal to all declared and unpaid dividends, if any, thereon outstanding to the redemption date.

(b) Redemption Upon Change in Control. Upon the occurrence of a Change in Control, the Convertible Preferred Stock shall be redeemable at the option of the holders thereof, in whole or in part, at a redemption price per share equal to 100% of the Stated Value plus declared and unpaid dividends, if any, thereon outstanding to the redemption date. The Corporation shall redeem the number of shares specified in the holders' notices of election to redeem pursuant to

Section V(c)(ii) hereof on the date fixed for redemption. A "Change of Control" shall mean (i) the consummation by the Corporation of a merger, consolidation or other business combination in a transaction or series of transactions as a result of which the holders of the Common Stock immediately prior to such transaction or series of transactions will hold less than 50% of the voting power of all outstanding voting securities of the surviving entity, (ii) the consummation of a sale or other

disposition in one or more transactions by the Corporation or its subsidiaries of all or substantially all of the Corporation's consolidated assets other than among the Corporation and its subsidiaries, (iii) the acquisition by any person or entity, together with its affiliates (as defined in Rule 12b-2 under the Exchange Act of 1934, as amended (the "Exchange Act")), or any other group (as defined in Section 13(d) of the Exchange Act), including through the formation of any such group or the affiliation of any such persons or entities other than any Restricted Party (as defined in the Shareholder Agreement) or an Affiliate thereof or any 13D Group (as defined in the Shareholder Agreement) of which any of them is a member, of beneficial ownership of a majority of the voting power of all the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors or (iv) Continuing Directors no longer constitute a majority of the Board of Directors of the Corporation. For purposes of this paragraph (b), "Continuing Directors" shall mean (i) each director who is a member of the Board of Directors of the Corporation on the date hereof and (ii) each other director whose initial nomination as a director was approved by a majority of the Continuing Directors as of the time of such nomination (including, without limitation, director designees of the Restricted Parties pursuant to the Shareholder Agreement).

(c) Procedure for Mandatory Redemption. In the event that the Corporation shall redeem shares of Convertible Preferred Stock pursuant to Section V(a) hereof, notice of such redemption shall be mailed by first-class mail, postage prepaid, and mailed not less than 30 days nor more than 90 days prior to the redemption date to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Corporation; provided, however, that failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Corporation has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the redemption date; (B) the number of shares of Convertible Preferred Stock to be redeemed; (C) the redemption price; (D) the place or places where certificates for such shares are to be surrendered for payment of the redemption price (which place shall be the principal place of business of the Corporation); and (E) that the holder's right to convert such shares into shares of Common Stock shall terminate on the close of business on the tenth business day preceding such redemption date.

(d) Procedure for Change in Control Redemption. (i) If a Change in Control should occur, then, in any one or more of such events the Corporation shall give written notice by first-class mail, postage prepaid, to each holder of Convertible Preferred Stock at its address as it appears in the records of the Corporation, which notice shall describe such Change in Control and shall state the date on which the Change in Control is expected to take place, and shall be mailed within 10 business days following the occurrence of the Change in Control. Such notice shall also set forth (in addition to the information required by the next succeeding paragraph): (A) each holder's right to require the Corporation to redeem shares of Convertible Preferred Stock held by such holder as a result of such Change in Control; (B) the redemption price; (C) the optional redemption date (which date shall be no earlier than 30 days and no later than 90 days from the date of such Change in Control); (D) the procedures to be followed by such holder in exercising its right of redemption, including the place or places where certificates for such shares are to be surrendered for payment of the redemption price (which place shall be the principal place of business of the Corporation); and (E) that the holder's right to convert such shares into shares of Common Stock shall terminate on the close of business on the tenth business day preceding such redemption date with respect to any shares of Convertible Preferred Stock with respect to which the holder thereof has exercised its right to require the Corporation to redeem pursuant to Section V(d). In the event a holder of shares of Convertible Preferred Stock shall elect to require the Corporation to redeem any or all of such shares of Convertible Preferred Stock, such holder shall deliver, within 20 days of the mailing to it of the Corporation's notice described in this Section V(c)(ii), a written notice stating such holder's election and specifying the number of shares to be redeemed pursuant to Section V(b) hereof.

(ii) In the case of any redemption pursuant to Section V(b) hereof, the notice by the Corporation shall describe the Change in Control, including a description of the Surviving Person and, if applicable, the effect of the Change in Control on the Common Stock. The notice shall be accompanied by (A) the consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal year of the



Corporation for which such information is available and the related consolidated statements of operations and cash flows for such fiscal year, in each case setting forth the comparative figures for the preceding fiscal year, accompanied by an opinion of independent public accountants of nationally recognized standing selected by the Corporation as to the fair presentation in accordance with generally accepted accounting principles of such financial statements, and (B) a consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal quarter of the Corporation for which such information is available and the related consolidated statements of operations and cash flows for such quarter and for the portion of the Corporation's fiscal year ended at the end of such fiscal quarter, in each case setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of the Corporation's preceding fiscal year. For so long as the Corporation is subject to the periodic reporting requirements of the Exchange Act and makes timely filings thereunder, the delivery requirements of the preceding sentence shall be satisfied by the Corporation's most current report, schedule, registration statement, definitive proxy statement or other document on file with the United States Securities and Exchange Commission.

(e) Notice by the Corporation having been mailed as provided in Section V(c) hereof, or notice of election having been mailed by the holders as provided in Section V(d) hereof, and provided that on or before the applicable redemption date funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for or entitled to redemption, so as to be and to continue to be available therefor, then, from and after the redemption date (unless the Corporation defaults in the payment of the redemption price, in which case such rights shall continue until the redemption price is paid), such shares shall no longer be deemed to be outstanding and shall not have the status of shares of Convertible Preferred Stock, and all rights of the holders thereof as shareholders of the Corporation (except the right to receive the applicable redemption price and any accrued and unpaid dividends, if any, from the Corporation and the right to convert such shares into shares of Common Stock, which shall continue until the close of business on the tenth business day preceding the date of redemption in accordance with Section VI hereof) shall cease. Upon surrender of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and a notice by the Corporation shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price as aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof.

## VI. Conversion.

(a) Conversion. Subject to adjustments as provided herein, each full share of Convertible Preferred Stock shall be convertible at the option of the holder thereof, at any time (including upon a Change of Control) from the Issue Date until the close of business on the tenth business day prior to any date fixed for redemption of such share as herein provided, into a number of fully paid and nonassessable shares of Common Stock equal to the Stated Value of each full share of the Convertible Preferred Stock to be converted divided by a conversion price (the "Conversion Price"), which initially shall be \$8.288.

(b) Conversion Procedures. (i) Any holder of shares of Convertible Preferred Stock desiring to convert any or all of such shares into Common Stock shall surrender the certificate or certificates evidencing such shares of Convertible Preferred Stock at the principal office of the Corporation, as transfer agent (in such capacity, the "Transfer Agent") for the Convertible Preferred Stock which certificate or certificates, if the Corporation shall so require, shall be duly endorsed to the Corporation or in blank, or accompanied by proper instruments of transfer to the Corporation or in blank, accompanied by irrevocable written notice to the Corporation that the holder elects, as of the date of surrender of such Convertible Preferred Stock, to convert such shares of Convertible Preferred Stock and specifying the name or names (with address or addresses) in which a certificate or certificates evidencing shares of Common Stock are to be issued. Any transfer taxes shall be paid in accordance with Section XI hereof.

(ii) The Corporation shall, as soon as practicable after such surrender of certificates evidencing shares of Convertible Preferred Stock accompanied by the written notice and compliance with any other conditions herein contained, deliver at such office of the Transfer Agent to the holder for whose account such shares of

Convertible Preferred Stock were so surrendered, or to the nominee of such entity, certificates evidencing the number of full shares of Common Stock to which such holder shall be entitled as aforesaid, together with a cash adjustment in respect of any fraction of a share of Common Stock as hereinafter provided. Such conversion shall be deemed to have been made as of the date of the surrender of certificates evidencing shares of Convertible Preferred Stock accompanied by the written notice and compliance with any other conditions herein contained and the entity or entities entitled to receive the Common Stock deliverable upon conversion of such Convertible Preferred Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date (the "Conversion Date"). The holder of record of any share of Convertible Preferred Stock on any record date for the holders entitled to receive any dividend or distribution in respect of the Convertible Preferred Stock will be entitled to receive such dividend or distribution on the date specified for payment thereof notwithstanding that such share of Convertible Preferred Stock may be converted prior to such payment's date but after such record date.

(c) Adjustment of Conversion Price. The Conversion Price at which a share of Convertible Preferred Stock is convertible into Common Stock shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall, after the Issue Date, pay a dividend or make a distribution on its Common Stock or on any other class or series of capital stock of the Corporation which dividend or distribution includes or is convertible (without the payment of any consideration other than surrender of such convertible security) into Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for determination of the holders of Common Stock or capital stock entitled to such payment or distribution (the "Record Date") shall be reduced by multiplying such Conversion Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date and (B) the denominator shall be the sum of such number of shares and the total number of shares constituting or included in such dividend or other distribution (or in the case of a dividend consisting of securities convertible into Common Stock, the number of shares of Common Stock into which such securities are convertible), such reduction to become effective immediately after the opening of business on the day following the Record Date ; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Conversion Price shall, as of the date when it is determined that such dividend or distribution price will be rescinded, revert back to the Conversion Price in effect prior to the adjustment made pursuant to this paragraph.

(ii) In case the Corporation shall issue or sell (a) Common Stock, (b) rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Common Stock or (c) any security convertible into Common Stock, in each case at a price, or having an exercise or conversion price, per share less than the then-current Market Price per share of Common Stock on (x) the date of such issuance or sale or (y) in the case of a dividend or distribution of such rights, warrants, options or convertible securities to the holders of Common Stock, the date fixed for determination of the holders of such Common Stock entitled to such dividend or distribution (the date specified in clause (x) or (y) being the "Relevant Date") (excluding any issuance for which an appropriate and full adjustment has been made pursuant to the preceding subparagraph (i)), the Conversion Price shall be reduced by multiplying the then-current Conversion Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the open of business on the Relevant Date plus the number of shares of Common Stock which the aggregate consideration received or receivable (I) for the total number of shares of Common Stock, rights, warrants or options or convertible securities so issued or sold, and (II) upon the exercise or conversion of all such rights, warrants, options or securities, would purchase at the then-current Market Price per share of Common Stock and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the Relevant Date plus (without duplication) the number of shares of Common Stock subject to all such rights, warrants, options and convertible securities, such reduction of the Conversion Price to be effective at the opening of business on the day following the Relevant Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Conversion Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Conversion Price in effect prior to the adjustment made pursuant to this paragraph. The issuance of any shares of Common

Stock or other rights, warrants, options or convertible securities pursuant to (a) any restricted stock or stock option plan or program of the Corporation involving the grant of options or rights solely to officers, directors, employees and/or consultants of the Corporation or its Subsidiaries at below the then-current Market Price per share of Common Stock (provided, that any such options or rights were initially granted with an exercise or conversion price of not less than 85% of the then-current Market Price per share of Common Stock), (b) any option, warrant, right, or convertible security outstanding as of the date hereof, (c) the terms of a firmly committed bona fide underwritten public offering, or (d) any merger, acquisition, consolidation, or similar transaction, shall not be deemed to constitute an issuance or sale to which this clause (ii) applies. Upon the expiration unexercised of any rights, warrants, options or rights to convert any convertible securities for which an adjustment has been made pursuant to this clause (ii), the adjustments shall forthwith be reversed to effect such rate of conversion as would have been in effect at the time of such expiration or termination had such rights, warrants, options or rights to convertible securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(iii) In case the Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the holder of any shares of Convertible Preferred Stock thereafter surrendered for conversion into shares of Common Stock shall be entitled to receive the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of such events had such shares of Convertible Preferred Stock been surrendered for conversion immediately prior to such event. Such adjustment shall become effective at the close of business on the day upon which such subdivision or combination becomes effective.

(iv) Subject to the last sentence of this subparagraph (iv), in case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any shares of Common Stock, rights, warrants, options or convertible securities for which an appropriate and full adjustment has been made pursuant to subparagraph (i) or (ii) above), the Conversion Price in effect on the day immediately preceding the date fixed for the payment of such distribution (the date fixed for payment being referred to as the "Reference Date") shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the current Market Price per share of the Common Stock on the Reference Date less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be mailed to the holders of the Convertible Preferred Stock) on the Reference Date of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock, and the denominator shall be such current Market Price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date; provided, however, that if such dividend or distribution is rescinded and not paid, then the Conversion Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Conversion Price in effect prior to the adjustment made pursuant to this paragraph. If the Board of Directors determines the fair market value of any distribution for purposes of this subparagraph (iv) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider, to the extent possible, the prices in such market over the same period used in computing the current Market Price per share of Common Stock pursuant to this Section VI(c). Notwithstanding the foregoing, if the holders of a majority of the outstanding Convertible Preferred Stock shall dispute the fair market determination of the Board of Directors, an investment banking firm (an "Independent Expert") mutually agreeable to the Corporation and such majority holders shall be selected to determine the fair market value of the Common Stock as of the Reference Date, and such Independent Expert's determination shall be final, binding and conclusive. All costs and expenses of such Independent Expert shall be borne by the holders of the then outstanding Convertible Preferred Stock unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Corporation. For purposes of this subparagraph (iv), any dividend or

distribution that also includes shares of Common Stock or rights, warrants or options to subscribe for or purchase shares of Common Stock shall be deemed to be (1) a dividend or distribution of the evidences of indebtedness, cash, assets or shares of capital stock other than such shares of Common Stock or rights, warrants, options or convertible securities (making any Conversion Price reduction required by this subparagraph (iv)) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights, warrants, options or convertible securities (making any further Conversion Price reduction required by subparagraph (i) or (ii) of this Section VI(c)), except (A) the Reference Date of such dividend or distribution as defined in this subparagraph (iv) shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution" and the "Relevant Date" within the meaning of subparagraphs (i) and (ii) of this Section VI(c) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (i) of this Section VI(c)).

(v) No adjustment in the Conversion Price shall be required if (A) the holders of the outstanding Convertible Preferred Stock receive the dividend or distribution otherwise giving rise to such adjustment or (B) such adjustment would require an increase or decrease of less than 1% in the Conversion Price; provided, however, that any adjustments which by reason of this subparagraph (v)(B) are not required to be made shall be carried forward and taken into account in any subsequent adjustment or in any conversion pursuant to this Section VI.

(vi) Whenever the Conversion Price is adjusted as herein provided:

(1) the Corporation shall compute the adjusted Conversion Price and shall prepare a certificate signed by the Chief Financial Officer of the Corporation setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Transfer Agent for the Convertible Preferred Stock; and

(2) as soon as reasonably practicable after the adjustment, the Corporation shall mail to all record holders of Convertible Preferred Stock at their last address as they shall appear upon the stock transfer books of the Corporation a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price.

(vii) The Corporation from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period, subject to any conditions that the Board of Directors may deem relevant, and the Board of Directors of the Corporation shall have made a determination that such reduction would be in the best interest of the Corporation, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the Convertible Preferred Stock a notice of the reduction at least fifteen days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect. If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to shareholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of shares of Common Stock issuable upon exercise of the right of conversion granted by this paragraph (c) or in the Conversion Price then in effect shall be required by reason of the taking of such record.

(viii) Anything in this Section VI(c) to the contrary notwithstanding, in the event that a record date is established for a dividend or distribution that gives rise to an adjustment to the Conversion Price pursuant to this Section VI(c), if any share of Convertible Preferred Stock is converted into shares of Common Stock between such record date and the date such dividend or distribution is paid then (x) the number of shares of Common Stock issued at the time of such conversion will be determined by reference to the Conversion Price as in effect without taking into account the adjustment resulting from such dividend or distribution and (y) on the date that such dividend or distribution is actually paid there shall be issued in respect of such conversion such number of additional shares of Common Stock as is

necessary to reflect the Conversion Price in effect after taking into account the adjustment resulting from the dividend or distribution.

(d) No Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of Convertible Preferred Stock. If more than one certificate evidencing shares of Convertible Preferred Stock shall be surrendered for conversion at such time by the holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Convertible Preferred Stock so surrendered. Instead of any fractional share of Common Stock that would otherwise be issuable to a holder upon conversion of any shares of Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the fraction of the then-current Market Price per share of Common Stock on the day of conversion or, if the day of conversion is not a Trading Day, on the next preceding Trading Day.

(e) Reclassification, Consolidation, Merger or Sale of Assets. In the event that the Corporation shall be a party to any transaction pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property (including without limitation any capitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any sale or transfer of all or substantially all of the assets of the Corporation or any share exchange), then lawful provisions shall be made as part of the terms of such transaction whereby the holder of each share of Convertible Preferred Stock then outstanding shall have the right thereafter to convert such share only into the kind and amount of securities, cash and other property receivable upon such transaction by a holder of the number of shares of Common Stock into which such share of Convertible Preferred Stock might have been converted immediately prior to such transaction. The Corporation or the entity formed by such consolidation or resulting from such merger or which acquires such shares or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituting document to establish such right. Adjustments for events subsequent to the effective date of such a consolidation, merger, sale or transfer of assets shall be as nearly equivalent as may be reasonably practicable to the adjustments provided for herein. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, conveyance, lease, transfer or otherwise so that the provisions set forth herein for the protection of the rights of the holder of Convertible Preferred Stock shall thereafter continue to be applicable, and any such resulting or surviving corporation shall expressly assume the obligation to pay dividends and deliver, upon conversion, such shares of common stock, other securities, or cash as set forth herein. The above provisions shall similarly apply to successive transactions of the foregoing type.

(f) Reservation of Shares, Etc. The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized and unissued stock, solely for the purpose of effecting the conversion of the Convertible Preferred Stock, such number of shares of its Common Stock as shall from time to time be sufficient to permit the conversion of all shares of Convertible Preferred Stock from time to time outstanding. Without limitation of the foregoing, the Corporation shall from time to time, in accordance with the laws of the State of Minnesota, in good faith and as expeditiously as practicable endeavor to cause the authorized number of shares of Common Stock to be increased if at any time the number of shares of authorized and unissued Common Stock shall not be sufficient to permit the conversion of all the then outstanding shares of Convertible Preferred Stock.

If any shares of Common Stock required to be reserved for purposes of conversion of the Convertible Preferred Stock hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered or approved as the case may be. If the Common Stock is listed on any national securities exchange, the Corporation will, prior to the issuance of shares of Common Stock upon conversion of the Convertible Preferred Stock, if permitted by the rules of such exchange, list and keep listed on such exchange, upon official notice of issuance, all shares of

Common Stock issuable upon conversion of the Convertible Preferred Stock, for so long as the Common Stock continues to be so listed.

(g) Prior Notice of Certain Events. In case:

(i) the Corporation shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash out of its retained earnings other than any special or nonrecurring or other extraordinary dividend or (2) declare or authorize a redemption or repurchase of in excess of 5% of the then outstanding shares of Common Stock;

(ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants;

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation shall be required, or of the sale of all or substantially all of the assets of the Corporation or of any share exchange whereby the Common Stock is converted into other securities, cash or other property;

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation; or

(v) of any other event which would require an adjustment to the Conversion Price under subparagraph VI(c);

then the Corporation shall cause to be filed with the Transfer Agent for the Convertible Preferred Stock, and shall cause to be mailed to the holders of record of the Convertible Preferred Stock, at their last addresses as they shall appear upon the stock transfer books of the Corporation, at least ten days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase, or grant of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, repurchase, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

(h) Definitions. The following definitions shall apply to terms used in this Section VI:

(i) "Closing Price" of any security on any day shall mean the last reported sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way of such security in each case as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of such security are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of such security are listed or admitted to trading or, if the shares of such security are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of such security are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of such security. Notwithstanding the foregoing, if the shares of such security are not publicly held or so listed, quoted or publicly traded, the "Closing Price" means the fair market value of a share of such security, as determined in good faith by the Board of

Directors, provided, however, that if the holders of a majority of outstanding Convertible Preferred Stock shall dispute the fair market value as determined by the Board, such majority holders and the Corporation may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive. All costs and expenses of the Independent Expert shall be borne by the holders of the outstanding Convertible Preferred Stock unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Corporation.

(ii) "Market Price" with respect to a share of Common Stock on any day means, except as set forth below in the case that the shares of Common Stock are not publicly held or listed, the average of the "quoted prices" of the Common Stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question; provided that if during such 30 consecutive Trading Day period (the "valuation period"), there shall occur a record date for determining holders of Common Stock entitled to receive a dividend or distribution on the Common Stock, the "Market Price" shall be reduced by subtracting the amount obtained by multiplying (a) the value of such dividend or distribution per share of Common Stock by (b) a fraction

(i) the numerator of which shall be the number of Trading Days from the beginning of such valuation period to and including the record date for such dividend or distribution and (ii) the denominator of which shall be the number of Trading Days in such valuation period. The term "quoted prices" of the Common Stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Common Stock. Notwithstanding the foregoing, if the shares of Common Stock are not publicly held or so listed, quoted or publicly traded, the "Market Price" means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors provided, however, that if the holders of a majority of outstanding Convertible Preferred Stock shall dispute the fair market value as determined by the Board, such majority holders and the Corporation may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive. All costs and expenses of the Independent Expert shall be borne by the holders of the then outstanding Convertible Preferred Stock unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Corporation.

(iii) "Nasdaq" shall mean the National Association of Securities Dealers Automatic Quotation System.

(iv) "Trading Day" shall mean a day on which securities are traded on the national securities exchange or quotation system or in the over-the-counter market used to determine the Closing Price.

VII. Voting Rights. (a) General. Subject to Section XI(d) and except as set forth below or as otherwise from time to time required by law, the holders of shares of Convertible Preferred Stock shall vote as a class together with the holders of the Common Stock on all matters with respect to which the holders of Common Stock have the right to vote. In connection with any right to vote, each share of Convertible Preferred Stock shall be entitled to a number of votes which is equal to the whole number of shares of Common Stock that could be obtained upon conversion of one share of Convertible Preferred Stock at the Conversion Price applicable on the record date set with respect to such vote. Any shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the

shares entitled to vote for directors shall not have voting rights hereunder and shall not be counted in determining the presence of a quorum.

(b) Voting Rights for Directors.

(i) On the Issue Date, the number of directors constituting the Board of Directors shall, without further action, be increased to seven. For so long as the Restricted Parties (as defined in the Shareholders Agreement (as defined below)) own a majority of the outstanding shares of Convertible Preferred Stock and the Investor (as defined in the Shareholder Agreement) is entitled to designate at least one nominee (a "Designee") for election to the Board of Directors of the Corporation pursuant to Section 2.1 of the Shareholder Agreement, subject to Section XI(d), the holders of the outstanding shares of Convertible Preferred Stock shall have the right, voting separately as a class and to the exclusion of the holders of all other classes of stock of the Corporation, to (A) initially elect two directors (who are reasonably acceptable to the Corporation) and (B) thereafter, as long as the Investor is entitled to designate at least one Designee for election to the Board of Directors pursuant to Section 2.1 of the Shareholder Agreement, elect that number of directors equal to the number of Designees that the Investor is entitled to so designate (with each Designee being reasonably acceptable to the Corporation if such Designee has not previously been a member of the Board of Directors). For as long as the holders of Convertible Preferred Stock voting separately as a class are entitled to elect one or more directors pursuant to this

Section VII(b)(i), holders of the outstanding Convertible Preferred Stock shall not be entitled to vote in the election of any other directors of the Corporation.

(ii) The right to elect directors as described in Section VII(b)(i) hereof may be exercised initially either at a special meeting of the holders of Convertible Preferred Stock, called as hereinafter provided in

Section VII(b)(iii) hereof, at any annual meeting of shareholders held for the purpose of electing directors, or by the written consent of the holders of Convertible Preferred Stock without a meeting pursuant to Section 302A.441 of the Minnesota Business Corporation Act and thereafter at such annual meeting (or by written consent in lieu thereof). For so long as the Restricted Parties own a majority of the outstanding shares of Convertible Preferred Stock and the Investor is entitled to designate at least one Designee for election to the Board of Directors of the Corporation pursuant to Section 2.1 of the Shareholder Agreement and subject to Section XI(d) hereof, such voting right shall continue until such time as all outstanding shares of Convertible Preferred Stock shall have been redeemed or otherwise retired. If the Restricted Parties own less than a majority of the outstanding shares of Convertible Preferred Stock or if the Investor is no longer entitled to designate at least one Designee for election to the Board of Directors pursuant to Section 2.1 of the Shareholder Agreement, the holders of the Convertible Preferred Stock shall, in any election of directors, vote as a single class together with the holders of the Common Stock for the election of directors and each share of Convertible Preferred Stock will be entitled to the number of votes determined pursuant to Section VII(a).

(iii) The Secretary of the Corporation may, and upon the written request of the holders of record of at least 10% of the outstanding shares of Convertible Preferred Stock (addressed to the Secretary of the Corporation at the principal office of the Corporation) shall, call a special meeting of the holders of Convertible Preferred Stock for the election (and, if applicable, removal) of the directors to be elected by them as herein provided. Such call shall be made by notice to each holder by first-class mail, postage prepaid at its address as it appears in the records of the Corporation, and such notice shall be mailed at least 10 days but no more than 20 days before the date of the special meeting, or as required by law. Such meeting shall be held at the earliest practicable date upon the notice required for special meetings of shareholders at the place designated by the Secretary of the Corporation. If such meeting shall not be called by a proper officer of the Corporation within 15 days after receipt of such written request by the Secretary of the Corporation, then the holders of record of at least 10% of the shares of Convertible Preferred Stock then outstanding may call such meeting at the expense of the Corporation, and such meeting may be called by such holders upon the notice required for special meetings of shareholders and shall be held at the place designated in such notice. Any holder of Convertible Preferred Stock that would be entitled to vote at any such meeting shall have access to the stock books of the Corporation for the



purpose of causing a meeting of holders of Convertible Preferred Stock to be called pursuant to the provisions of this Section VII(b)(iii).

(iv) At any meeting held for the purpose of electing directors at which the holders of Convertible Preferred Stock shall have the right to elect directors as a class as provided in this Section VII(b), the presence in person or by proxy of the holders of a majority of the then outstanding shares of Convertible Preferred Stock shall be required and be sufficient to constitute a quorum of such class for the election of directors by such class. At any such meeting or adjournment thereof, (x) the absence of a quorum of the holders of Convertible Preferred Stock shall not prevent the election of directors other than the directors to be elected by the holders of Convertible Preferred Stock as a class, and the absence of a quorum or quorums of the holders of capital stock entitled to elect such other directors shall not prevent the election of the directors to be elected by the holders of Convertible Preferred Stock, and (y) in the absence of a quorum of the holders of Convertible Preferred Stock, a majority of the holders of Convertible Preferred Stock present in person or by proxy shall have the power to adjourn the meeting for the election of directors which such holders are entitled to elect as a class, from time to time, without notice (except as required by law) other than announcement at the meeting, until a quorum shall be present.

(v) Except as provided in Section XI(d) hereof and this paragraph (v), the term of office of any director elected by the holders of Convertible Preferred Stock pursuant to Section VII(b)(i) hereof shall terminate upon the expiration of his term and the election of his successor. Directors elected by the holders of Convertible Preferred Stock pursuant to Section VII(b) may be removed with or without cause by the holders of a majority of the outstanding shares of Convertible Preferred Stock and shall not otherwise be subject to removal other than upon election of their successor or the Convertible Preferred Stock voting separately as a class no longer being entitled to elect directors as provided herein.

(vi) For so long as the holders of Convertible Preferred Stock are entitled, voting separately as a class, to elect at least one member of the Board of Directors and the Restricted Parties own a majority of the outstanding Convertible Preferred Stock, in case of a vacancy occurring in the office of any director so elected pursuant to Section VII(b)(i) hereof, the holders of a majority of the Convertible Preferred Stock then outstanding may, at a special meeting of the holders or by written consent as provided above, elect a successor to hold office for the unexpired term of such director.

(vii) Unless otherwise agreed to by the holders of a majority of the outstanding shares of Convertible Preferred Stock, for so long as the holders of Convertible Preferred Stock are entitled, voting separately as a class, to elect at least one member of the Board of Directors and the Restricted Parties own a majority of the outstanding Convertible Preferred Stock, (A) the number of directors constituting the Board of Directors shall remain at seven, (B) each of the Audit Committee and the Compensation Committee of the Board of Directors shall contain at least one director elected by the holders of Convertible Preferred Stock and (C) with respect to each other committee of the Board of Directors, the percentage of directors on such committee designated by the holders of Convertible Preferred Stock shall, at all times, be at least equal to the percentage of the Board of Directors elected by the holders of Convertible Preferred Stock; provided, that, if under applicable law, such committee can only be comprised of disinterested directors, then the provisions of this clause (C) shall not apply to the holders of the Convertible Preferred Stock unless each director so designated by such holders is a disinterested director for purposes of such committee.

(c) Class Voting. So long as any shares of the Corporation's Convertible Preferred Stock are outstanding the Corporation shall not, without the affirmative vote or consent of the holders of at least a majority of all outstanding shares of the Corporation's Convertible Preferred Stock, voting or consenting separately as a class without regard to series:

(i) create any class of stock that by its terms ranks senior to or on a parity with the Convertible Preferred Stock as to dividends or upon liquidation, dissolution or winding up of the Corporation or increase the authorized number of shares of, or issue any additional shares of or any securities convertible into shares of, or reclassify any Junior Stock into shares of, any such class;

(ii) alter or change any of the provisions of the Corporation's Articles of Incorporation (whether by merger, consolidation or other business combination with another person or by any other means) so as to adversely affect the relative rights and preferences of any outstanding Convertible Preferred Stock of the Corporation; provided, however, that neither (A) the creation, amendment or reclassification of any class of stock that following such creation, amendment or reclassification by its terms ranks junior to shares of Convertible Preferred Stock of the Corporation as to dividends and upon liquidation, dissolution or winding up, nor (B) an increase in the authorized number of shares of any such class, nor (C) any merger, consolidation or other business combination subject to the provisions of paragraph VI(e), shall give rise to any such voting right;

(iii) issue any additional shares of Convertible Preferred Stock.

(d) Additional Class Voting. Unless otherwise agreed to by the holders of a majority of the outstanding shares of Convertible Preferred Stock, for so long as the Restricted Parties own a majority of the outstanding shares of Convertible Preferred Stock, the Corporation shall not, without the express written consent of the holders of a majority of the shares of Preferred Stock, take any action, requiring the approval of the "Investor" pursuant to Sections 3.2, 3.3 or 3.4 of the Shareholder Agreement. The provisions of this paragraph (d) will terminate with respect to such Sections 3.2, 3.3 or 3.4, as applicable, when the obligations of the Corporation under such Sections terminate under the Shareholder Agreement.

VIII. Status of Acquired Shares. For purposes hereof, all shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors shall be deemed not outstanding. Shares of Convertible Preferred Stock redeemed by the Corporation, received upon conversion pursuant to Section VI or otherwise acquired by the Corporation shall be restored to the status of authorized but unissued shares of capital stock, without designation as to series, and, subject to the other provisions hereof, may thereafter be issued, but not as shares of Convertible Preferred Stock.

IX. Modification and Waiver. The Corporation may not, without the consent of each holder affected thereby, (a) change the stated redemption date of the Convertible Preferred Stock, (b) reduce the Stated Value or liquidation preference of, or dividend on, the Convertible Preferred Stock, (c) change the place or currency of payment of the Stated Value or liquidation preference of, or dividend on, the Convertible Preferred Stock or (d) reduce the percentage of outstanding Convertible Preferred Stock necessary to modify or amend the terms thereof or to grant waivers in respect thereto.

X. Severability of Provisions. Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

XI. Miscellaneous. (a) Transfer Taxes. The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Convertible Preferred Stock or shares of Common Stock or other securities issued on account of Convertible Preferred Stock pursuant hereto or certificates or instruments evidencing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Convertible Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Convertible Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any entity with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the entity otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) Failure to Designate Shareholder or Payee. In the event that a holder of shares of Convertible Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Convertible Preferred Stock should be made, or the address to which the certificates or instruments evidencing such shares or such payment should be sent, the Corporation shall be entitled to register such shares and or such payment in the name of the holder of such Convertible Preferred Stock as shown on the records of the Corporation and to send the certificates or instruments evidencing such shares or such payment, to the address of such holder shown on the records of the Corporation.

(c) Registration Rights Agreement. Reference is made to the Registration Rights Agreement, dated on or about April 15, 1999 (as the same may be amended, supplemented or modified from time to time pursuant to the terms thereof, the "Registration Rights Agreement"), among the Corporation, the Investor and National Broadcasting Company, Inc. So long as any shares of Convertible Preferred Stock constitute "Registrable Securities" as defined in the Registration Rights Agreement, each holder shall be entitled to the rights granted by the Corporation thereunder and shall be bound by the restrictions therein.

(d) Shareholder Agreement. Reference is made to the Shareholder Agreement, dated on or about April 15, 1999 (as the same may be amended, supplemented or modified from time to time pursuant to the terms thereof, the "Shareholder Agreement"), among the Corporation, the Investor and National Broadcasting Company, Inc. The Convertible Preferred Stock shall be subject to the terms and conditions set forth in the Shareholder Agreement, including without limitation, the voting, transfer and standstill restrictions set forth therein.

(e) Documents on File. Copies of each of the Registration Rights Agreement and Shareholder Agreement shall be kept on file at the principal place of business of the Corporation at 6740 Shady Oak Road, Eden Prairie, MN 55344-3433.

IN WITNESS WHEREOF, ValueVision International, Inc. has caused this Certificate of Designation to be signed on its behalf by Gene McCaffery, its President, and David T. Quinby, its Secretary, this 15th day of April, 1999.

**VALUEVISION INTERNATIONAL, INC.**

By:            /s/ GENE MCCAFFERY

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Name: Gene McCaffery  
Title: President

ATTEST:

/s/ DAVID T. QUINBY, Secretary  
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## SHAREHOLDER AGREEMENT

SHAREHOLDER AGREEMENT, dated as of April 15, 1999, among ValueVision International, Inc., a Minnesota corporation (together with its successors, the "Company"), and GE Capital Equity Investments, Inc., a Delaware corporation (together with its successors, "GE Capital Equity Investments") and National Broadcasting Company, Inc., a Delaware corporation (together with its successors, "NBC").

### WITNESSETH:

WHEREAS, the Company and GE Capital Equity Investments have entered into an Investment Agreement dated as of March 8, 1999, as amended by the First Amendment and Agreement, dated as the date hereof (as amended, the "Investment Agreement"), pursuant to which the Investor (as defined below) has agreed to purchase shares of Series A Redeemable Convertible Preferred Stock (the "Preferred Stock") and a warrant to purchase Common Stock of the Company (the "Purchase Warrant");

WHEREAS; the Company and NBC, an Affiliate of the Investor as of the date hereof, have entered into the Distribution Agreement (as defined below), pursuant to which the Company has agreed to issue to NBC or its designee (i) warrants to purchase 1,450,000 shares of Common Stock of the Company (the "Initial Distributor Warrants") and (ii) at agreed upon times and subject to the satisfaction of certain conditions contained therein, additional warrants to purchase Common Stock of the Company (the "Bonus Distributor Warrants"); and

WHEREAS, the parties hereto deem it in their best interests and in the best interests of the Company to provide for certain matters with respect to the governance of the Company and desire to enter into this Agreement in order to effectuate that purpose.

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, the parties hereto hereby agree as follows:

### ARTICLE I

#### CERTAIN DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

"Adjusted Outstanding Common Stock" shall mean, at any time, the total number of shares of outstanding Common Stock at such time; provided that for purposes of such calculation (a) all shares of Common Stock issuable upon conversion of the then outstanding Preferred Stock shall be considered outstanding, (b) all shares of Common Stock issuable upon exercise of the outstanding Initial Distributor Warrants (whether such Initial Distributor Warrants are vested or unvested) shall be considered outstanding, (c) to the extent that Bonus Distributor Warrants have been issued and are outstanding (and only to such extent), all shares of Common Stock issuable upon the exercise of such issued and outstanding Bonus Distributor Warrants (whether such Bonus Distributor Warrants are vested or unvested) shall be considered outstanding and (d) if Shareholder Approval has been obtained (and only in such case) the maximum number of shares of Common Stock then issuable upon exercise of the Purchase Warrant shall be considered outstanding.

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. As used in this definition, "control" (including its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Agreement" shall mean this Agreement as in effect on the date hereof and as hereafter from time to time amended, modified or supplemented in accordance with the terms hereof.

"Beneficially Own" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall be deemed to "Beneficially Own" all securities that such Person has a right to acquire, whether such right is exercisable immediately or only after the passage of time (and without any additional condition), provided that a Person shall not be deemed to "Beneficially Own" any shares of Common Stock which are issuable upon exercise of any Bonus Distributor Warrants unless and until such Bonus Distributor Warrants are actually issued and outstanding (at which time such Person shall be deemed to Beneficially Own all shares of Common Stock which are issuable upon exercise of such Bonus Distributor Warrants, whether or not they are vested or unvested)and, provided further, except as expressly provided in this Agreement no Person shall be deemed to "Beneficially Own" any securities issuable upon exercise of the Purchase Warrant unless and until the Shareholder Approval is obtained. In the event that the Shareholder Approval is obtained, when calculating Beneficial Ownership on any particular date after receipt of such Shareholder Approval, the Purchase Warrant will be deemed to represent Beneficial Ownership of the maximum number of shares of Common Stock that could be acquired upon exercise of the Purchase Warrant on such date.

"Board of Directors" shall mean the Board of Directors of the Company as from time to time hereafter constituted.

"Business Day" shall mean any day, other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or obligated by law or executive order to close.

"Certificate of Designation" shall mean the Certificate of Designation of the Preferred Stock, filed with the Secretary of State of the State of Minnesota on or prior to the date hereof.

"Change in Control of the Company" shall mean any of the following:

(i) a merger, consolidation or other business combination or transaction to which the Company is a party if the shareholders of the Company immediately prior to the effective date of such merger, consolidation or other business combination or transaction, as a result of such merger, consolidation or other business combination or transaction, do not have Beneficial Ownership of voting securities representing 50% or more of the Total Current Voting Power of the surviving corporation following such merger, consolidation or other business combination or transaction; (ii) an acquisition by any Person (other than the Restricted Parties and their Affiliates or any 13D Group to which any of them is a member) of Beneficial Ownership of Voting Stock of the Company representing 25% or more of the Total Current Voting Power of the Company, (iii) a sale of all or substantially all the consolidated assets of the Company to any Person or Persons (other than Restricted Parties and their Affiliates or any 13D Group to which any of them is a member); or (iv) a liquidation or dissolution of the Company.

"Common Stock" shall mean the common stock, par value \$0.01 per share, of the Company and any securities of the Company into which such Common Stock may be reclassified, exchanged or converted.

"Company" shall have the meaning set forth in the preamble hereto.

"Designee" shall have the meaning set forth in Section 2.1(d).

"Disinterested Shareholders" shall mean any shareholder of the Company who is not a Restricted Party or an Affiliate of a Restricted Party or a member of a 13D Group in which a Restricted Party or an Affiliate of a Restricted Party is also a member.

"Distribution Agreement" shall mean the Distribution and Marketing Agreement dated March 8, 1999 between the Company and NBC pursuant to which NBC has agreed to distribute certain programing of the Company, as such agreement may be amended from time to time.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"GE Capital" shall mean General Electric Capital Corporation, a New York corporation, together with its successors by operation of law.

"Independent Expert" shall mean an investment banking firm mutually acceptable to the Company and the Investor.

"Investor" shall mean GE Capital Equity Investments, a wholly-owned Subsidiary of GE Capital as of the date hereof and an Affiliate of NBC as of the date hereof, together with its permitted assigns pursuant to Section 5.6.

"Investment Agreement" shall have the meaning set forth in the recitals hereto, as such agreement may be amended from time to time.

"Investor Tender Offer" shall mean a bona fide public tender offer subject to the provisions of Regulation 14d under the Exchange Act, by a Restricted Party (or any 13D Group that includes a Restricted Party) to purchase or exchange for cash or other consideration any Voting Stock and which consists of an offer to acquire 100% of the Total Current Voting Power of the Company then in effect (other than Voting Stock owned by Restricted Parties or any Affiliate of a Restricted Party) and is conditioned (which condition may not be waived) on a majority of the shares of Voting Stock held by Disinterested Shareholders being tendered and not withdrawn with respect to such offer.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, encumbrance, lien (statutory or other) or security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement or any financing lease having substantially the same effect as any of the foregoing).

"Market Capitalization" shall mean the aggregate Market Price of the outstanding capital stock of the Company.

"Market Price" shall mean, with respect to a share of capital stock on any day, except as set forth below in the case that the shares of such capital stock are not publicly held or listed, the average of the "quoted prices" of such capital stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question. The term "quoted prices" of capital stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if shares of such capital stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which shares of such capital stock are listed or admitted to trading or, if shares of such capital stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day shares of such capital stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of such capital stock. Notwithstanding the foregoing, if shares of such capital stock are not publicly held or so listed, quoted or publicly traded, the "Market Price" shall mean the fair market value of a share of such capital stock, as determined in good faith by the Board of Directors; provided, however, that if the Investor shall dispute the fair market value as determined by the Board of Directors, the Investor and the Company shall retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive on the Company and the Investor. All costs and expenses of the Independent Expert shall be borne by the Investor unless the determination of fair market value is more favorable to such Investor by 5% or more, in which case, all such costs and expenses shall be borne by the Company.

"Material Agreement" shall mean any contract, lease, restriction, agreement, instrument or commitment to which the Company or any Subsidiary of the Company is a party or by which its properties are bound (i) which provides a benefit to the Company or any of its Subsidiaries of, or commits the Company or any Subsidiary of the Company to expend, \$500,000 or more (or, in the case of any agreement with any customer of the Company or any Company Subsidiary of the Company, \$50,000 or more), (ii) which if breached by any party thereto would result in liability or loss to the Company and its Subsidiaries of \$500,000 or more (or in the case of any agreement with any customer of the Company or any Subsidiary of the Company, \$50,000 or more) or (iii) which provides for the distribution of programming of the Company to more than 250,000 full-time equivalent homes by any multichannel video programming distributor, including without limitation, by a cable television system, MATV and SMATV systems, MMDS, TVRO and other wireline, wireless or direct broadcast satellite delivery methods.

"Material Subsidiaries" shall mean those Subsidiaries of the Company that constitute "significant subsidiaries" as defined in Rule 1-02 of Regulation S-X under the Securities Act.

"Material Transaction" shall mean (i) the direct or indirect acquisition or purchase of 5% or more of the assets (based on the fair market value thereof) of the Company and its Subsidiaries, taken as a whole, or of 5% or more of any class of equity securities of the Company or any of its Subsidiaries or any tender offer or exchange offer (including by the Company or its Subsidiaries) that if consummated would result in any person beneficially owning 5% or more of any class of equity securities of the Company or any of its Subsidiaries, or (ii) any merger, consolidation, business combination, sale of all or substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries other than the transactions contemplated by the Investment Agreement or this Agreement.

"NBC" shall mean National Broadcasting Company, Inc., a Delaware corporation and Affiliate of the Investor as of the date hereof and a wholly-owned Subsidiary of General Electric Company as of the date hereof, together with its successors by operation of law

"NBC Restricted Person" shall mean each of the Persons listed on Annex A hereto together with their respective Affiliates.

"Options" shall mean stock options to purchase Common Stock.

"Permitted Liens" shall mean (i) mechanics', carriers', repairmen's or other like Liens arising or incurred in the ordinary course of business, (ii) Liens arising under original purchase price conditioned sales contracts and equipment leases with third parties entered into in the ordinary course of business consistent with past practice, (iii) statutory Liens for Taxes not yet due and payable and (iv) other encumbrances or restrictions or imperfections of title which do not materially impair the continued use and operation of the assets to which they relate.

"Person" shall mean an individual, corporation, unincorporated association, partnership, group (as defined in Section 13(d)(3) of the Exchange Act), trust, joint stock company, joint venture, business trust or unincorporated organization, limited liability company, any governmental entity or any other entity of whatever nature.

"Preferred Stock" shall mean the Series A Redeemable Convertible Preferred Stock, par value \$0.01 per share, of the Company.

"Registration Rights Agreement" shall mean the Registration Rights Agreement dated as of the date hereof between the Company and the Investor, as it may be amended from time to time.

"Representatives" shall mean, with respect to any Person, such Person's directors, officers, employees, agents and other representatives acting in such capacity.

"Restricted Parties" shall mean each of (i) NBC, its Ultimate Parent Entity (if any), each Subsidiary of NBC and each Subsidiary of its Ultimate Parent Entity, (ii) GE Capital, its Ultimate Parent Entity (if any), each Subsidiary of GE Capital and each Subsidiary of its Ultimate Parent Entity

and (iii) any Affiliate of any Person that is a Restricted Party if (and only if) such Restricted Party has the right or power (acting alone or solely with other Restricted Parties) to either cause such Affiliate to comply with or prevent such Affiliate from not complying with all of the terms of this Agreement that are applicable to Restricted Parties.

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder Approval" shall mean the approval at the Shareholder Meeting by the Company's shareholders of the Purchase Warrant.

"Shareholders Meeting" shall mean the meeting of shareholders of Company, which meeting the Company shall hold and convene promptly after the date hereof in order to vote on certain matters including, but not limited to, the Purchase Warrant.

"Shareholders Vote" shall mean the vote of the shareholders of the Company taken at the Shareholders Meeting.

"Standstill Limit" means Beneficial Ownership of 39.9% of the Adjusted Outstanding Common Stock.

"Standstill Period" shall mean the period beginning on the date hereof and ending on the occurrence of a Standstill Termination Event, provided that the Standstill Period shall recommence immediately upon the occurrence of a Standstill Reinstatement Event.

"Standstill Reinstatement Event" shall mean the occurrence of any of the following (a) the Standstill Period has terminated pursuant to clause (iii) of the definition of "Standstill Termination Event" and such Third Party Tender Offer is withdrawn or terminated (without having been consummated) at any time during which an Investor Tender Offer is not then pending (unless the party that commenced such Investor Tender Offer determines to terminate such Investor Tender Offer in accordance with Section 4.1(f), in which event a Standstill Reinstatement Event shall occur at the time of such termination), or (b) the Standstill Period has terminated pursuant to clause (iv) of the definition of "Standstill Termination Event" due to a Change of Control identified in clause (ii) of the definition thereof and, within twelve months after the occurrence of such Change in Control, the Person whose Beneficial Ownership of Voting Stock triggered such Change of Control no longer Beneficially Owns 25% or more of the Total Current Voting Power of the Company or (c) the Standstill Period has terminated pursuant to clause (ii) of the definition of "Standstill Termination Event," the relevant agreement that would have otherwise resulted in a Change of Control has been terminated without a Change of Control having occurred and subsequent to the occurrence of such Standstill Termination Event but prior to the termination of such agreement (x) the Restricted Parties have not acquired actual ownership of Voting Stock representing in the aggregate a majority of the Total Current Voting Power of the Company, (y) no Restricted Party has made any proposal or offer to the Company regarding a Takeover Proposal (other than any such proposal or offer that has been withdrawn by the party making such proposal or offer or is no longer being pursued) and (z) no Restricted Party has commenced any tender or exchange offer that is pending when such agreement is terminated and that, if completed, would result in the Restricted Parties having actual ownership of Voting Stock representing in the aggregate a majority of the Total Current Voting Power of the Company. Notwithstanding the foregoing, a Standstill Reinstatement Event will not occur if prior to the occurrence of the event specified in clause (a), (b) or (c) above that would otherwise result in a Standstill Reinstatement Event, another Standstill Termination Event occurs for which there has not been a related Standstill Reinstatement Event.

"Standstill Revised Limit" shall mean the percentage of the Adjusted Outstanding Common Stock Beneficially Owned by the Restricted Parties as of the occurrence of a Standstill Reinstatement Event.



"Standstill Termination Event" shall mean the earliest to occur of the following: (i) the tenth anniversary of the date of this Agreement, (ii) the date the Company enters into an agreement relating to a transaction that if consummated will result in a Change in Control of the Company, (iii) a Third Party Tender Offer, (iv) any Change in Control of the Company occurs, or (v) the six month anniversary of the date on which the Investor is no longer entitled to designate any nominees to the Board of Directors pursuant to Section 2.1; provided, that the Standstill Period will be immediately reinstated upon the occurrence of a Standstill Reinstatement Event; provided further that, upon a Standstill Reinstatement Event, if the Standstill Revised Limit is greater than the Standstill Limit, then the Standstill Revised Limit and not the Standstill Limit shall thereafter be deemed the Standstill Limit for all purposes hereunder.

"Subsidiary" shall mean, as to any Person, a corporation, partnership, limited liability company, joint venture or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly through one or more intermediaries (including, without limitation, other Subsidiaries), or both, by such Person.

"Takeover Transaction" shall mean (A) any of the matters set forth in clause (i) of the definition of Material Transaction but replacing "5%" with "50%" each place "5%" is used in such definition, (B) a sale of all or substantially all of the assets of the Company and its Subsidiaries or (C) a merger or consolidation of the Company.

"Third Party Tender Offer" shall mean a bona fide public offer subject to the provisions of Regulation 14D under the Exchange Act, by a Person (which is not made by and does not include any of the Company, a Restricted Party or any Affiliate of any of them or any 13D Group that includes the Company, a Restricted Party or any Affiliate of them) to purchase or exchange for cash or other consideration any Voting Stock and which consists of an offer to acquire 25% or more of the then Total Current Voting Power of the Company.

"13D Group" means any "group" (within the meaning of Section 13(d) of the Exchange Act) formed for the purpose of acquiring, holding, voting or disposing of Voting Stock.

"Total Current Voting Power" shall mean, with respect to any corporation the total number of votes which may be cast in the election of members of the Board of Directors of the corporation if all securities entitled to vote in the election of such directors (excluding shares of preferred stock that are entitled to elect directors only upon the occurrence of customary events of default) are present and voted (it being understood that the Preferred Stock will be included on an as converted basis in the calculation of Total Current Voting Power of the Company).

"Transfer" shall have the meaning set forth in Section 4.2.

"Ultimate Parent Entity" shall mean, with respect to any Person (the "Subject Person"), the Person (if any) that (i) owns, directly or indirectly through one or more intermediaries, or both, shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of the Subject Person and (ii) is not itself a Subsidiary of any other Person or is a natural person.

"Voting Stock" shall mean shares of the Common Stock and Preferred Stock and any other securities of the Company having the ordinary power to vote in the election of members of the Board of Directors of the Company.

"Warrants" shall mean the Purchase Warrant, the Initial Distributor Warrants and the Bonus Distributor Warrants.

## ARTICLE II

### CORPORATE GOVERNANCE

#### Section 2.1 Board of Directors.

(a) The Company shall immediately expand the size of the Board of Directors to seven directors and, pursuant to the terms of the Certificate of Designation, appoint to the Board of Directors two individuals designated by the Investor as the holder of a majority of the outstanding shares of Preferred Stock. The directors designated by the Investor shall be subject to the reasonable approval of a majority of the members of the Board of Directors and shall continue to serve as directors until the next election of directors.

(b) If the Shareholder Approval is obtained, (i) as long as the Restricted Parties continue to Beneficially Own an aggregate number of shares of Common Stock equal to or greater than 50% of the number of shares of Common Stock which the Restricted Parties Beneficially Own on the date hereof (making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock), the Investor shall be entitled to designate two individuals to be nominated to the Board of Directors or (ii) if the condition in clause (i) of this paragraph (b) is not satisfied, then as long as the Restricted Parties shall continue to Beneficially Own at least 10% of the Adjusted Outstanding Common Stock, the Investor shall be entitled to designate one individual to be nominated to the Board of Directors. For purpose of clause

(i) above, the Preferred Stock and the Purchase Warrant will be treated as outstanding and exercisable as of the date hereof.

(c) If the Shareholder Approval is not obtained, (i) as long as the Restricted Parties continue to Beneficially Own an aggregate number of shares of Common Stock equal to or greater than 75% of the number of shares of Common Stock which the Restricted Parties Beneficially Own on the date hereof (making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock), the Investor shall be entitled to designate two individuals to be nominated to the Board of Directors or (ii) if the condition in clause (i) of this paragraph (c) is not satisfied, then as long as the Restricted Parties shall continue to Beneficially Own an aggregate number of shares of Common Stock equal to or greater than 50% of the number of shares of Common Stock which the Restricted Parties Beneficially Own on the date hereof (making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with the respect to Common Stock), the Investor shall be entitled to designate one individual to be nominated to the Board of Directors. For purposes of this paragraph (c), the Purchase Warrant will not be deemed to be outstanding on the date hereof.

(d) Any individual so designated by the Investor pursuant to paragraphs (b) or (c) of this Section 2.1 (each a "Designee") that has not previously served as a member of the Board of Directors shall be subject to the reasonable approval of a majority of the members of the Board of Directors.

(e) As long as a majority of the outstanding shares of Preferred Stock are owned by the Restricted Parties and the Investor is otherwise entitled to designate nominee(s) for election as director(s) pursuant to Section 2.1, the Designee(s) will be elected to the Board of Directors by the holders of the Preferred Stock voting separately as a class, as provided in the Certificate of Designation. If the Restricted Parties no longer own a majority of the outstanding shares of Preferred Stock (or no shares of Preferred Stock are outstanding) but the Investor is otherwise entitled to designate nominee(s) for election as director(s) pursuant to Section 2.1, the Company shall nominate each such Designee for election as a director as part of the management slate that is included in the proxy statement (or consent solicitation or similar document) of the Company relating to the election of directors, and shall provide the same support for the election of each such Designee as it provides to other persons standing for election as directors of the Company as part of the Company's management slate.

(f) Subject to applicable law, in the event that any Designee on the Board of Directors shall cease to serve as a director for any reason (other than the failure of the shareholders of the Company to elect such person as director), the vacancy resulting therefrom shall be filled by another Designee.

(g) For the avoidance of doubt, nothing in this Section 2.1 or elsewhere in this Agreement is intended to prohibit the Restricted Parties from nominating and electing a majority of the members of the Board of Directors if the Restricted Parties have actual ownership of Voting Stock representing in the aggregate a majority of the Total Current Voting Power and the Standstill Period is no longer in effect.

(h) For as long as the Investor can designate nominee(s) for election as director(s) pursuant to Section 2.1 and the Company has otherwise complied with the terms of this Section 2.1, the Restricted Parties will vote (or execute a written consent in lieu of) in each shareholder vote (or written consent in lieu of) for the election of directors of the Company all of their Voting Stock (other than shares of Preferred Stock that vote for directors as a separate class from the Common Stock and other than the Common Stock issued pursuant to the conversion of the Preferred Stock) (i) if there is no bona fide proxy contest for the election of directors, in favor of the management slate that is included in the proxy statement (or consent solicitation or similar document) of the Company relating to the election of directors or (ii) if there is a bona fide proxy contest for the election of directors, at the election of each Restricted Party either (x) in favor of the management slate that is included in the proxy statement (or consent solicitation or other similar document) of the Company relating to the election of directors or (y) in the same proportion as all votes cast by Disinterested Shareholders. The Restricted Parties' obligations hereunder will terminate on the earlier to occur of (A) the termination of the Standstill Period, or (B) the five year anniversary of the date hereof.

(i) As long as the Investor is entitled to designate two persons for nomination as directors, the then current Investor may assign pursuant to Section 5.6 the right to designate pursuant to the terms and conditions hereof one of such nominees to any other Restricted Party (such that two Restricted Parties each have the right to designate one nominee; it being understood that in such a case for all purposes of this Agreement where rights or obligations of the Investor or the Restricted Parties are determined by the number of nominees the Investor is entitled to designate, the Investor will be deemed to have the right to designate two nominees).

(j) For so long as the Restricted Parties own a majority of outstanding Preferred Stock and the Designees are entitled to be elected to the Board of Directors by the holders of the Preferred Stock voting separately as a class pursuant to Section VII(b) of the Certificate of Designation, any shares of Common Stock owned by the Restricted Parties that were issued pursuant to the conversion of shares of Preferred Stock (but no other shares of Common Stock owned by the Restricted Parties) shall not be voted by the Restricted Parties in any shareholder vote (or written consent in lieu thereof) for the election of directors of the Company.

Section 2.2 Board Committees. As long as the Investor has the right to designate at least one nominee to the Board of Directors, unless otherwise agreed to by the Investor, (a) each of the Audit Committee and the Compensation Committee of the Board of Directors shall contain at least one Designee and (b) each other committee of the Board of Directors shall contain a number of Designees (to the extent available), rounded upward to the nearest whole number, equal to the total number of directors on such committee multiplied by the percentage of the entire Board of Directors who are Designees.

Section 2.3 Reimbursement of Expenses; Attendance at Board Meetings; Indemnification. The Company will reimburse each Designee that serves as a director for all reasonable costs and expenses (including travel expenses) incurred in connection with such director's attendance at meetings of the Board or any committee of the Board upon which such director serves. The Company will not pay such director annual fees and fees for attending Board or committee meetings. The Company shall indemnify each such director to the same extent it indemnifies its other directors pursuant to its organizational documents and applicable law.

Section 2.4 Consultation and Other Rights. As long as the Investor has the right to designate at least one nominee to the Board of Directors, it shall have: (i) the right to examine the books and records of the Company and (ii) the right to have its representative consult with the Company's executive officers regarding business strategies, operating priorities and other major corporate issues.

## ARTICLE III

### CERTAIN AGREEMENTS

Section 3.1 Financial Statements and Other Reports. As long as the Investor has the right to designate at least one person to be nominated for election to the Board of Directors pursuant to Section 2.1, the Company will deliver, or cause to be delivered to the Investor:

- (a) between 30 days prior to and 60 days after the end of each fiscal year, a budget (on a monthly basis) for the Company and its Subsidiaries for the following fiscal year (including consolidating and consolidated statements of operations);
- (b) as soon as available and in any event within 45 days after the end of each month, consolidating and consolidated statements of operations of the Company and its Subsidiaries for such month and for the period from the beginning of the current fiscal year to the end of such month and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such period and setting forth, in each case, in comparative form, figures for the corresponding month and period in the preceding fiscal year and the budget for such month and for the period from the beginning of the current fiscal year to the end of such month, all in reasonable detail and certified by an authorized financial officer of the Company as fairly presenting in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP;
- (c) as soon as practicable and in any event within 45 days after the end of each fiscal quarter of the Company, consolidating and consolidated statements of operations and cash flow of the Company and its Subsidiaries for such quarter and for the period from the beginning of the current fiscal year to the end of such quarter and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, setting forth, in each case, in comparative form, figures for the corresponding quarter in the preceding fiscal year and the budget for such quarter, all in reasonable detail, and certified by an authorized financial officer of the Company as fairly presenting in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP;
- (d) as soon as available and in any event within 120 days after the end of each fiscal year, consolidating and consolidated statements of operations, shareholders' equity and cash flow of the Company and its Subsidiaries for such fiscal year, and the related consolidating and consolidated balance sheets of the Company and its Subsidiaries as at the end of such fiscal year, setting forth, in each case, in comparative form, corresponding consolidated and consolidating figures from the preceding fiscal year, all in reasonable detail and accompanied (i) in the case of such consolidated statements and balance sheet of the Company, by an opinion thereon of independent certified public accountants of recognized national standing (which shall be generally recognized as one of the "Big Five" independent public accounting firms), which opinion shall state that such consolidated financial statements fairly present the consolidated financial condition and results of operations of the Company and its Subsidiaries as at the end of, and for, such fiscal year in accordance with GAAP, and (ii) in the case of such consolidating statements and balance sheets, by a certificate of an authorized financial officer of the Company, which certificate shall state that such consolidating financial statements fairly present, in all material respects, the respective individual unconsolidated financial condition and results of operations of the Company and of each of its Subsidiaries, in each case in accordance with GAAP, consistently applied, as at the end of, and for, such fiscal year;
- (e) promptly upon transmission thereof to the shareholders of the Company generally or to any other security holder of the Company, including, without limitation, any holder of debt, copies of all financial statements, notices, certificates, annual reports and proxy statements so transmitted;
- (f) promptly upon receipt thereof, a copy of each other report submitted to the Company or any of its Subsidiaries by independent accountants in connection with any annual, interim or special audit of the books of the Company or any of its Subsidiaries made by such accountants, or any management letters or similar document submitted to the Company or any of its Subsidiaries by such accountants;

(g) promptly upon any material revision to the budgets referred to in paragraph (a) above, such monthly budgets, as revised;

(h) promptly upon any officer of the Company obtaining knowledge thereof, notice of any event of default under any credit agreement, loan agreement or indenture that the Company is party to; and

(i) with reasonable promptness, such other information and data with respect to the Company or any of its Subsidiaries as the Investor may reasonably request.

**Section 3.2 Certain Transactions with NBC Restricted Persons.** (a) The Company agrees for the benefit of the Restricted Parties that except with the prior written consent of the Investor and except as may be expressly permitted by this Agreement, the Company and its Subsidiaries shall not, directly or indirectly:

(i) issue or sell to any NBC Restricted Person, or authorize or propose the issuance or sale to any NBC Restricted Person of, any capital stock, partnership or limited liability company interests or other equity securities of the Company or any Subsidiary of the Company or any options, warrants or other rights (including, without limitation, any convertible or exchangeable securities) to acquire, any such capital stock, partnership or limited liability interests or other equity securities;

(ii) form, enter into or join any partnership or joint venture with, sell or dispose of any business or any assets (other than inventory and any other assets disposed of in the ordinary course consistent with past practice of such business) to, or make any investment in any NBC Restricted Person;

(iii) enter into any transaction involving the incurrence of indebtedness (other than in the ordinary course of business consistent with past practice) involving any NBC Restricted Person;

(iv) authorize, enter into or approve any Material Transaction with any NBC Restricted Person or enter into any discussions or negotiations relating to any inquiry, proposal or offer relating thereto;

(v) enter into any joint marketing or co-branding arrangement with any NBC Restricted Person, license or otherwise grant to any NBC Restricted Person the right to utilize any trademark, tradename or brand of the Company or any Subsidiary of the Company or grant to any NBC Restricted Person any rights to have a branded presence on any media of the Company or its Subsidiaries or rights to cross-promote home shopping transactions; or

(vi) authorize or commit or agree to take any of the foregoing actions.

(b) The provisions of this Section 3.2 shall terminate and be of no further force or effect at such time as the Investor is no longer entitled to designate at least one person to be nominated for election to the Board of Directors pursuant to Section 2.1. In addition, the provisions of this Section 3.2 shall terminate and be of no further force or effect with respect to those NBC Restricted Persons (and their Affiliates) set forth on Annex B hereto (collectively, the "Annex B Entities") in the event that (i) NBC or any of its Subsidiaries or Affiliates enters into a significant transaction with any Annex B Entity (the "Relevant Entity") that precludes NBC and its Subsidiaries from entering into a significant transaction with any one of the other Annex B Entities and (ii) during the period ending six months after the occurrence of an event specified in clause (i), neither the Company nor any of its Subsidiaries has entered into an agreement providing for a significant transaction with the Relevant Entity or its Affiliate.

**Section 3.3 Certain Other Transactions.**

For as long as the Investor is entitled to designate two persons to be nominated for election to the Board of Directors pursuant to Section 2.1, the Company agrees that except with the prior written consent of the Investor, the Company and its Subsidiaries shall not, directly or indirectly:

(a) issue or sell, or authorize or propose the issuance or sale, of any capital stock of the Company, or any options, warrants or other rights (including, without limitation, any convertible or exchangeable securities) to acquire capital stock of the Company other than (i) pursuant to Options outstanding on the date hereof or issued pursuant to clause (ii) below,

(ii) Options to be issued to officers, directors, employees or consultants of the Company pursuant to any plan or arrangement approved by the

Company's shareholders, (iii) upon conversion of the Preferred Stock outstanding on the date hereof or pursuant to the Warrants, (iv) the issuance of Common Stock and other Voting Stock in an aggregate amount not to exceed (x) during any twelve month period 15% of the Total Voting Power of the Company as of the first day of such twelve month period and (y) during any twenty-four month period 25% of the Total Voting Power of the Company as of the first day of such twenty-four month period, provided that no issuance will be made to any Person pursuant to this clause (iv) who, together with its Affiliates, to the knowledge of the Company after reasonable inquiry, would Beneficially Own securities representing 10% or more of the Total Voting Power of the Company following such issuance and (v) issuances of non-voting capital stock that does not violate the terms of the Preferred Stock;

(b) declare or pay any dividends or distributions to holders of Common Stock in any fiscal quarter exceeding in the aggregate 5% of the Market Capitalization of the Company as of the first day of such fiscal quarter or repurchase or redeem any Common Stock except (i) repurchases and redemption of Common Stock from officers, directors, employees or consultants of the Company and its Subsidiaries and (ii) repurchases and redemptions of Common Stock in any fiscal quarter that, when aggregated with all distributions and dividends on the Common Stock in such fiscal quarter, do not exceed 5% of the Market Capitalization of the Company as of the first day of such fiscal quarter;

(c) enter into or effect any single or related series of acquisitions of businesses or assets or investments therein (including, without limitation, forming, entering into or joining any joint venture), other than money market instruments and trade receivables, pursuant to which the fair market value of the aggregate purchase price paid, or investment made, by the Company and its Subsidiaries will exceed the greater of (x) \$35 million or (y) 10% of the Market Capitalization of the Company at the time the Company or its Subsidiaries enter into an agreement to effect such acquisition or investment;

(d) enter into or effect any single or related series of sales, leases or other dispositions of assets having a Fair Market Value in excess of the greater of (x) \$35 million or (y) 10% of the Market Capitalization of the Company at the time the Company or its Subsidiaries enter into an agreement to effect such sale, lease or other disposition;

(e) incur indebtedness for borrowed money that would cause the Company's consolidated indebtedness to exceed the greater of (x) \$40 million and (y) an amount equal to 30% of the Company's total capitalization; for purposes of this clause (e) "total capitalization" means the sum of consolidated shareholders equity and consolidated indebtedness;

(f) issue any series or class of capital stock having (i) voting rights that are disproportionate relating to its economic interest or (ii) a separate class vote on any Takeover Transaction;

(g) enter into any business, either directly or indirectly, except for those businesses in which the Company and/or its Subsidiaries and/or its Affiliates are engaged in on the date hereof and those businesses which are ancillary, complementary or reasonably related thereto;

(h) amend the Articles of Incorporation so as to adversely affect the Restricted Parties (it being understood that increases in the authorized capital stock of the Company and/or creation of a staggered Board of Directors will not be deemed to adversely affect the Restricted Parties); or

(i) authorize or commit or agree to take any of the foregoing actions.

Section 3.4 Other Covenants. (a) The Company agrees that except with the prior written consent of the Investor and except as otherwise expressly permitted by this Agreement, it and its Subsidiaries shall not, directly or indirectly:

(i) adopt any shareholders rights plan, or amend any of its organizational documents or enter into any Material Agreement with a third party or issue any capital stock or other securities, the provisions of which, upon the acquisition of all of the outstanding Common Stock or any portion thereof by any Restricted Party would be violated or breached, or which would require a consent, approval or notice thereunder, or which would result in a default thereof (or an event which, with notice or lapse of time or both, would constitute a default), or which would result in the termination thereof or accelerate the

performance required thereby, or would result in a right of termination or acceleration thereunder, or result in the creation of any Lien (except Permitted Liens) upon any of the properties or assets of the Company or Material Subsidiaries thereunder or disadvantage the Restricted Parties relative to other shareholders on the basis of the size of their shareholdings or otherwise restrict or impede the ability of the Restricted Parties to acquire additional shares of Voting Stock or dispose of such Voting Stock in any manner permitted by Section 4.2 to any Restricted Party or to any Person that would Beneficially Own (together with such Person's Ultimate Parent Entity, Subsidiaries and Affiliates) less than 10% of the Adjusted Outstanding Common Stock;

(ii) Take any action that would cause any ownership interest in any of the following to be attributable to any Restricted Party for purposes of FCC regulations: (i) a U.S. broadcast radio or television station, (ii) a U.S. cable television system, (iii) a U.S. "daily newspaper" (as such term is defined in Section 73.3555 of the rules and regulations of the Federal Communications Commission, as the same may be amended from time to time),

(iv) any U.S. communications facility operated pursuant to a license granted by the Federal Communications Commission ("FCC") and subject to the provisions of Section 310(b) of the Communications Act of 1934, as amended, or (v) any other business which is subject to FCC regulations under which the ownership of a Person may be subject to limitation or restriction as a result of the interest in such business being attributed to such Person.

(b) The provisions of Section 3.4(a)(i) shall terminate and be of no further force or effect at such time as the Investor is no longer entitled to designate at least one person to be nominated for election to the Board of Directors pursuant to Section 2.1.

Section 3.5 Houston Station. The Company and its Subsidiaries shall use all commercially reasonable efforts to dispose of their interests in KVVV-TV Channel 57 Baytown, Texas as soon as practicable.

Section 3.6 No Reinstatement of Rights. Anything in this Agreement to the contrary notwithstanding, to the extent the Restricted Parties fail to satisfy any ownership threshold set forth herein so that any rights of the Investor under this Agreement and/or obligations of the Company under this Agreement terminate, such terminated rights and/or obligations will not be reinstated if the Restricted Parties thereafter satisfy such ownership threshold.

## **ARTICLE IV**

### **STANDSTILL AGREEMENTS**

Section 4.1 Standstill Agreement.

(a) During the Standstill Period (and during the Standstill Period only), no Restricted Party will, directly or indirectly, nor will it authorize or direct any of its Representatives to (and will take appropriate action against such Representatives to discourage), in each case unless specifically requested to do so in writing in advance by the Board of Directors:

(i) acquire or agree, offer, seek or propose to acquire, or cause to be acquired, ownership of any assets or businesses of the Company or any of its Subsidiaries having a fair market value in excess of 10% of the fair market value of all of the Company's and its Subsidiaries' assets, or any rights or options to acquire any such ownership (including from a third party);

(ii) acquire or agree, offer, seek or propose to acquire, or cause to be acquired, Beneficial Ownership of any Common Stock of the Company or any of its Subsidiaries, or any options, warrants or other rights (including, without limitation, any convertible or exchangeable securities) to acquire any such Voting Stock, in any case other than the Preferred Stock, the Warrants and any Voting Stock issuable upon conversion or exercise of the Preferred Stock or Warrants; provided, however, that after the Shareholder Meeting (or if earlier August 31, 1999) the Restricted Parties may acquire or agree, offer, seek or propose to acquire, or cause to be acquired, shares of Voting Stock of the Company (or any convertible or exchangeable securities) to acquire any such Voting Stock if such acquisition would not increase the Restricted Parties' aggregate Beneficial Ownership of shares of Common Stock to more than the

Standstill Limit (other than due to the issuance of additional Bonus Distributor Warrants; provided that if the issuance of additional Bonus Distributor Warrants results in the Restricted Parties' aggregate Beneficial Ownership of shares of Common Stock exceeding the Standstill Limit, then at any time during the Standstill Period (and only during the Standstill Period) when the Standstill Limit is so exceeded, the Restricted Parties shall not exercise any Bonus Distributor Warrants unless (A) such exercise occurs during the six months prior to the expiration or termination of such Bonus Distributor Warrants or (B) immediately upon such exercise, the Restricted Parties' aggregate actual ownership of outstanding shares of Common Stock would not exceed 39.9% of the total outstanding shares of Common Stock, treating as outstanding and actually owned for such purpose shares of Common Stock issuable upon conversion of the Preferred Stock or upon the exercise of the Initial Distributor Warrants, but no shares of Common Stock issuable upon exchange or conversion of any other rights, warrants, options or other securities). Notwithstanding the foregoing, during the Standstill Period, the holder of a Warrant will not disclaim Beneficial Ownership of such Warrant and for as long as the Purchase Warrant is outstanding and exercisable, no Restricted Party will acquire actual ownership of any shares of Common Stock other than (x) through exercise of the Warrants or conversion of the Preferred Stock and (y) other acquisitions of shares of Common Stock at a price per share equal to or greater than the applicable price set forth in Section 8(a)(ii) of the Purchase Warrant (during the period prior to the second anniversary of the Issue Date under the Warrant) or Section 8(b)(ii) of the Purchase Warrant (during the period on and after the second anniversary of such Issue Date and prior to the fifth anniversary of such Issue Date).

(iii) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) with respect to the voting of any securities of the Company or any of its Subsidiaries, provided that the limitation contained in this clause (iii) shall not apply to any Takeover Transaction to be voted on by the Company's shareholders that is not instituted or proposed by any Restricted Party or any Affiliate of a Restricted Party or any 13D Group of which any Restricted Party or any Affiliate of a Restricted Party is a member;

(iv) deposit any securities of the Company or any of its Subsidiaries in a voting trust or subject any such securities to any arrangement or agreement with any Person (other than one or more Restricted Parties);

(v) form, join, or in any way become a member of a 13D Group with respect to any voting securities of the Company or any of its Subsidiaries (other than a "group" consisting solely of Restricted Parties);

(vi) arrange any financing for, or provide any financing commitment specifically for, the purchase of any voting securities or securities convertible or exchangeable into or exercisable for any voting securities or assets of the Company or any of its Subsidiaries, except for such assets as are then being offered for sale by the Company or such Subsidiary;

(vii) otherwise act, whether alone or in concert with others, to seek to propose to the Company any tender or exchange offer, merger, business combination, restructuring, liquidation, recapitalization or similar transaction involving the Company or any of its Subsidiaries, or nominate any person as a director of the Company who is not nominated by the then incumbent directors, or propose any matter to be voted upon by the shareholders of the Company; provided that the Restricted Entities may nominate directors in accordance with Section 2.1 and, provided further, the provisions of this clause(vii) will not prohibit or restrict any Restricted Party from entering into any agreement, arrangement or understanding relating to the Transfer of any securities in accordance with Section 4.2 or engaging in an discussion or negotiations relating to any potential Transfer of any securities in accordance with Section 4.2;

(viii) solicit, initiate, encourage or knowingly or intentionally facilitate the taking of any action by any Affiliate of a Restricted Party (that is not itself a Restricted Party) that would be prohibited by this Section 4.1 if that Affiliate were a Restricted Party; or

(ix) publicly announce or disclose any intention, plan or arrangement inconsistent with the foregoing.



(b) In addition, during the Standstill Period (and only during the Standstill Period), no Restricted Party will, nor will they authorize or direct any of their respective Representatives to, take any action that they reasonably believe based on the advice of outside counsel would require the Company to make a public announcement regarding any of the matters set forth in Section 4.1(a) (other than in connection with the transactions contemplated by the Investment Agreement).

(c) If, at any time during the Standstill Period, (i) any Person other than a Restricted Party or any Affiliate thereof or any 13D Group of which any Restricted Party is a member has made any inquiry, proposal or offer relating to a Takeover Transaction or Change in Control of the Company which has not been rejected by the Board of Directors, (ii) the Board of Directors has determined to pursue a Takeover Transaction or other Change in Control of the Company and the Board of Directors has not resolved to stop pursuing such Takeover Transaction or other Change in Control of the Company or (iii) the Board of Directors or the Company has engaged in any discussions or negotiations with, or provided any information to, any Person other than a Restricted Party or any Affiliate thereof or any 13D Group of which any Restricted Party is a member with respect to a potential Takeover Transaction or other Change in Control of the Company or any potential inquiry, proposal or offer relating thereto and the Board of Directors has not resolved to terminate all such discussions, negotiations and provision of information, then, for so long as such condition continues to apply, the limitation on the actions described in clause (a)(vii) above shall not be applicable to the Restricted Parties (but all other provisions of this Agreement will, subject to Section 4.1(d), continue to apply).

(d) Anything in this Section 4.1 to the contrary notwithstanding, this Section 4.1 shall not prohibit or restrict any of the following: (x) actions taken by the Investor's nominees on the Board of Directors in such capacity, (y) the exercise by the Restricted Parties of their voting rights (i.e., their right to vote their shares but not their right to make nominations, to the extent prohibited by this Agreement, or take other related actions otherwise prohibited by this Section 4.1) with respect to any shares of Voting Stock they Beneficially Own and (z) any disclosure pursuant to Section 13(d) of the Exchange Act which a Restricted Party reasonably believes, based on the advice of outside counsel, is required in connection with any action taken by a Restricted Party pursuant to Section 4.1(c).

(e) Following the expiration of the Standstill Period pursuant to clause (i) of the definition of Standstill Termination Event and for two years following the expiration of the Standstill Period pursuant to clause (v) of the definition of Standstill Termination Event, no Restricted Party will purchase or otherwise acquire any shares of Common Stock if such acquisition would increase the Restricted Parties' aggregate Beneficial Ownership of shares of Common Stock to more than 39.9% of the Adjusted Outstanding Common Stock except (x) increases in Beneficial Ownership resulting from issuance of the Warrants or the exercise of the Warrants or (y) pursuant to a Purchaser Tender Offer.

(f) If the Standstill Period terminates pursuant to clause (iii) of the definition of "Standstill Termination Event" and the subject Third Party Tender Offer is terminated at any time during which an Investor Tender Offer is then pending, unless otherwise agreed by the Company, the Restricted Party that commenced such Investor Tender Offer (the "Tendering Restricted Party") will not complete such Investor Tender Offer until at least the sixth business day after the termination of such Third Party Tender Offer. If, within two business days after termination of the subject Third Party Tender Offer, the Company requests in writing that the Tendering Restricted Party terminate its Investor Tender Offer and by the end of the second business day after the receipt of such request the Tendering Restricted Party has not terminated its Investor Tender Offer, then the provisions of Section 3.4(a)(i) shall no longer prohibit the Company from amending its then existing shareholders rights plan or adopting a shareholders rights plan that could be triggered by the Restricted Parties if (and, only if) they subsequently acquired Beneficial Ownership of additional Voting Securities that would increase the Restricted Parties' aggregate Beneficial Ownership of shares of Common Stock to more than the Standstill Limit (determined for these purposes as if a Standstill Reinstatement Event had occurred on such date) other than as a result of the acquisition of Beneficial Ownership of additional shares of Common Stock upon the issuance or exercise of additional Bonus Distributer Warrants.

## Section 4.2 Transfer Restrictions.

(a) Unless the Restricted Parties Beneficially Own in the aggregate less than 5% of the Adjusted Outstanding Common Stock or until the Restricted Parties Beneficially Own in the aggregate at least 90% of the Adjusted Outstanding Common Stock, the Restricted Parties shall not, directly or indirectly, sell, transfer or otherwise dispose of (collectively, "Transfer") any of the Preferred Stock, Warrants or shares of Common Stock Beneficially Owned by such Persons, except for Transfers: (i) to Restricted Parties or to Affiliates who agree to be Restricted Parties bound by the provisions of this Agreement, (ii) which have been consented to by the Company, (iii) pursuant to a Third Party Tender Offer, provided that the Restricted Parties may not Transfer pursuant to this clause (iii) any shares of Common Stock acquired upon exercise of the Purchase Warrant on or after the date of commencement of such Third Party Tender Offer or the public announcement by the offeror thereof or that such offeror intends to commence such Third Party Tender Offer, (iv) pursuant to a merger, consolidation or reorganization to which the Company is a party, (v) in a bona fide public distribution or bona fide underwritten public offering, (vi) pursuant to Rule 144 of the Securities Act or (vii) in a private sale or pursuant to Rule 144A of the Securities Act; provided that, in the case of any Transfer pursuant to clause (v) or (vii), such Transfer does not result in, to the knowledge of the Restricted Parties after reasonable inquiry, any other Person acquiring, after giving effect to such Transfer, Beneficial Ownership, individually or in the aggregate with such Person's Ultimate Parent Entity, Subsidiaries and Affiliates, of more than 10% of the Adjusted Outstanding Common Stock.

(b) Subject to the provisions of Section 4.2(a), if any Restricted Party decides to dispose of any of the Preferred Stock (or the Common Stock issuable upon conversion of the Preferred Stock) or the Warrants (or the Common Stock issuable upon exercise of the Warrants), each Restricted Party understands and agrees that it may do so only pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration under the Securities Act. Each Restricted Party agrees to the imprinting, so long as appropriate, of substantially the following legends on certificates representing any of the securities referenced in the preceding sentence:

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THE SECURITIES REPRESENTED HEREBY HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SHAREHOLDER AGREEMENT, DATED AS OF APRIL 15, 1999, AMONG VALUEVISION INTERNATIONAL, INC., GE CAPITAL EQUITY INVESTMENTS, INC., AND NATIONAL BROADCASTING COMPANY, INC.

THE RESTATED ARTICLES OF INCORPORATION OF THE COMPANY, AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE COMPANY 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 COMPANY, 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 COMPANY. 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 COMPANY 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 COMPANY, THE COMPANY 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 AS 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 LAW OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES. THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS, AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OR SERIES AUTHORIZED TO BE ISSUED, SO FAR AS THEY HAVE BEEN DETERMINED, AND THE AUTHORITY OF THE BOARD TO DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF SUBSEQUENT CLASSES OR SERIES.

The first legend set forth above shall be removed if and when (i) the securities represented by such certificate are disposed of pursuant to an effective registration statement under the Securities Act or (ii) the Investor delivers to the Company an opinion of counsel reasonably acceptable to the Company to the effect that such legends are no longer necessary.

Section 4.3 Certain Permitted Transactions and Communications. Notwithstanding the foregoing, this Agreement shall not prohibit (i) the acquisition or holding of securities or rights in the ordinary course of business by any employee benefit plan whose trustees, investment managers or similar advisors are not Affiliates of any Restricted Party, (ii) the consummation of any transaction expressly provided for in the Investment Agreement or the Operating Agreement including the acquisition and/or exercise of the Warrants or any purchase of shares of Common Stock upon conversion of Preferred Stock or (iii) officers and employees of the Restricted Parties from communicating with officers of the Company or its Affiliates on matters related to or governed by the Distribution Agreement, the Operating Agreement or other operational matters, or the Restricted Parties from communicating with the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the Chief Financial Officer of the Company, so long as such communication is conveyed in confidence, does not require public disclosure by the Restricted Parties or, in the reasonable belief (based on the advice of outside counsel) of the Restricted Party making such communication, by the Company, and is not intended to (A) elicit, and, in the reasonable belief (based on the advice of outside counsel) of the Restricted Party making such communication, does not require the issuance of, a public response by the Company or (B) otherwise circumvent the provisions of Section 4.1.

## ARTICLE V

### MISCELLANEOUS

Section 5.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered personally, by telecopier or sent by overnight courier as follows:

(a) If to the Investor, to:

GE Capital Equity Investments, Inc. 120 Long Ridge Road  
Stamford, CT 06927  
Attention: John Sprole

Fax: (203) 357-3047

with a copy to:

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, New York 10017  
Attention: Richard Capelouto

Fax: (212) 455-2502

(b) If to NBC, to:

National Broadcasting Company, Inc. 30 Rockefeller Plaza  
New York, New York 10112  
Attention: Stuart U. Goldfarb, Executive Vice President and Managing Director, Worldwide Business Development

Fax: (212) 664-7896

With a copy to:

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, New York 10017  
Attention: Richard Capelouto

Fax: (212) 455-2502

(c) If to the Company, to:

ValueVision International, Inc.  
6740 Shady Oak Road  
Eden Prairie, MN 55344-3433  
Attention: General Counsel

Fax: (612) 947-0188

With a copy to:

Latham & Watkins  
633 West Fifth Street  
Suite 4000  
Los Angeles, CA 90071  
Attention: Michael W. Sturrock

Fax: (213) 891-8763

or to such other address or addresses as shall be designated in writing. All notices shall be effective when received.

Section 5.2 Entire Agreement; Amendment. This Agreement sets forth the entire agreement between the parties hereto with respect to the transactions contemplated by this Agreement. Any provision of this Agreement may be amended or modified in whole or in part at any time by an agreement in writing between the parties hereto executed in the same manner as this Agreement. No failure on the part of any party to exercise, and no delay in exercising, any right shall operate as a waiver thereof nor shall any single or partial exercise by any party of any right preclude any other or future exercise thereof or the exercise of any other right.

Section 5.3 Severability. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or

unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

Section 5.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same document.

Section 5.5 Governing Law; Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to contracts executed and performed within such state, and each party hereby submits to the jurisdiction of any state or U.S. federal court sitting within the County of New York, New York or the County of Hennepin, Minnesota. The parties hereto waive all right to trial by jury in any action, suit or proceeding brought to enforce or defend any rights or remedies under this Agreement.

Section 5.6 Successors and Assigns; Third Party Beneficiaries. Subject to applicable law, (i) GE Capital Equity Investments may assign its rights under this Agreement in whole or in part only to a Restricted Party, but no such assignment shall relieve GE Capital Equity Investments of its obligations hereunder unless GE Capital Equity Investments' obligations hereunder are assumed by NBC and/or GE Capital in a written agreement reasonably acceptable to the Company delivered to the Company (in which case GE Capital Equity Investments will be released from its obligations hereunder except for its obligations as a Restricted Party to comply with the terms hereof) and (ii) NBC may assign its rights under this Agreement in whole or in part only to a Restricted Party, but no such assignment shall relieve NBC of its obligations hereunder unless NBC's obligations hereunder are assumed by GE Capital in a written agreement reasonably acceptable to the Company delivered to the Company (in which case NBC will be released from its obligations hereunder except for its obligations as a Restricted Party to comply with the terms hereof). The Company may not assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the Investor. Any purported assignment in violation of this Section shall be void. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any Person other than the Restricted Parties (who shall be third party beneficiaries of this Agreement entitled to the benefit of, and to enforce, its terms) and the Company and their respective successors, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Restricted Parties and the Company and their respective successors, and for the benefit of no other Person. No purchaser of Preferred Stock, Warrants or Common Stock from a Restricted Party (other than another Restricted Party) shall be deemed to be a successor or assignee by reason merely of such purchase.

Section 5.7 Arbitration. Any controversy, dispute or claim arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, shall be determined, at the request of any party, by arbitration in a city mutually agreeable to the parties to such controversy, dispute or claim before and in accordance with the then-existing Rules for Commercial Arbitration of the American Arbitration Association, and any judgment or award rendered by the arbitrator will be final, binding and unappealable and judgment may be entered by any state or Federal court having jurisdiction thereof. The pretrial discovery procedures of the Federal Rules of Civil Procedure shall apply to any arbitration under this Section 5.7. Any controversy concerning whether a dispute is an arbitrable dispute or as to the interpretation or enforceability of this Section 5.7 shall be determined by the arbitrator. The arbitrator shall be a retired or former United States District Judge or other person acceptable to each of the parties, provided such individual has substantial professional experience with regard to corporate or partnership legal matters. The parties intend that this agreement to arbitrate be valid, enforceable and irrevocable.

Section 5.8 Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity.

Section 5.9 Headings, Captions and Table of Contents. The section headings, captions and table of contents contained in this Agreement are for reference purposes only, are not part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Section 5.10 Confidentiality. The provisions of Sections 1, 2 and 8 of the confidentiality agreement dated June 24, 1998 between the Company and the Investor (the "Investor Confidentiality Agreement") shall continue and be in full force and effect and apply to each Restricted Party as if it were the Investor until the later to occur of the termination of the Distribution Agreement and termination of the Investor's rights to designate at least one director for nomination to the Board of Directors of the Company pursuant to Section 2.1. All other provisions of the Investor Confidentiality Agreement and the confidentiality agreement dated January 28, 1999 (as amended on February 28, 1999) between the Company and NBC are hereby terminated.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto or by their respective duly authorized representatives, all as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ GENE MCCAFFERY

-----  
Name: Gene McCaffery  
Title: Chief Executive Officer and  
President

**GE CAPITAL EQUITY INVESTMENTS, INC.**

By: /s/ JAMES BROWN

-----  
Name: James Brown  
Title: Senior Vice President

**NATIONAL BROADCASTING COMPANY, INC.**

By: /s/ STUART GOLDFARB

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Name: Stuart Goldfarb  
Title: Executive Vice President,  
Worldwide Business Development

## INVESTMENT WARRANT

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THE SECURITIES REPRESENTED HEREBY HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SHAREHOLDER AGREEMENT, DATED AS OF THE DATE HEREOF (THE "SHAREHOLDER AGREEMENT"), AMONG VALUEVISION INTERNATIONAL, INC., GE CAPITAL EQUITY INVESTMENTS, INC. AND NATIONAL BROADCASTING COMPANY, INC.

THE RESTATED ARTICLES OF INCORPORATION OF THE COMPANY (AS DEFINED BELOW), AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE COMPANY 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 COMPANY, 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 COMPANY. 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 COMPANY 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 COMPANY, THE COMPANY 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 AS 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 LAW OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES. THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS, AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OR SERIES AUTHORIZED TO BE ISSUED, SO FAR AS THEY HAVE BEEN DETERMINED, AND THE AUTHORITY OF THE BOARD TO DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF SUBSEQUENT CLASSES OR SERIES.

**NO. W-1 COMMON STOCK PURCHASE WARRANT WARRANT**

**EXERCISABLE COMMENCING APRIL 15, 1999**

**VOID AFTER EXPIRATION TIME (AS DEFINED HEREIN)**

ValueVision International, Inc., a Minnesota corporation (the "Company"), hereby certifies that, for value received, GE Capital Equity Investments, Inc., a Delaware corporation (the "Initial Holder"), or registered assigns (in either case, the "Warrantholder"), is the owner of a Warrant (as defined below), which entitles the Warrantholder to purchase from time to time from the Company a number of fully paid, duly authorized and nonassessable shares of Common Stock, par value \$0.01 per share, of the Company (the "Common Stock") up to (i) that number of shares that result in the Restricted Parties (as defined below), at each time this Warrant is exercised, Beneficially Owning (as defined below) 39.9% of the then Adjusted Outstanding Common Stock (as defined below) minus (ii) the aggregate number of shares of Common Stock directly or indirectly sold, transferred or otherwise disposed of by all Restricted Parties (excluding any such sale, transfer or other disposition to any other Restricted Party) prior to and including the date of exercise (making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock). This Warrant may be exercised at any time and from time to time from and after April 15, 1999 (the "Issue Date") and continuing up to the Expiration Time (as defined herein) at a per share exercise price determined according to the terms and subject to the conditions set forth in this certificate (the "Warrant Certificate"). The Warrant evidenced by this Warrant Certificate (the "Warrant") is being issued pursuant to an Investment Agreement, dated as of March 8, 1999 (as it may be amended, supplemented or otherwise modified from time to time, the "Investment Agreement"), by and between the Company and the Initial Holder.

Section 1. Definitions. As used in this Warrant Certificate, the following terms shall have the meanings set forth below:

"Adjusted Outstanding Common Stock" shall mean, at any time this Warrant is exercised for the purchase of shares of Common Stock, the total number of shares of outstanding Common Stock at such time; provided that for purposes of such calculation (a) all shares of Common Stock issuable upon conversion of the then outstanding Preferred Stock shall be considered outstanding, (b) all shares of Common Stock issuable upon exercise of the outstanding Initial Distributor Warrants (whether such Initial Distributor Warrants are vested or unvested) shall be considered outstanding, (c) to the extent that Bonus Distributor Warrants have been issued and are outstanding (and only to such extent), all shares of Common Stock issuable upon the exercise of such issued and outstanding Bonus Distributor Warrants (whether such Bonus Distributor Warrants are vested or unvested) shall be considered outstanding and (d) all shares of Common Stock purchased pursuant to such exercise of this Warrant (but not any shares of Common Stock which may be purchased upon subsequent exercises of this Warrant) shall be considered outstanding.

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. As used in this definition, "control" (including its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Articles of Incorporation" shall mean the Articles of Incorporation of the Company, as amended from time to time.

"Beneficially Own" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall be deemed to "Beneficially Own" all securities that such Person has a right to acquire, whether such right is exercisable immediately or only after the passage of time (and without any additional conditions); provided, however, that a Person shall not be deemed to "Beneficially Own" any shares of Common Stock which are issuable (but have not yet been issued) upon exercise of this Warrant



or which are issuable upon exercise of any Bonus Distributor Warrants unless and until such Bonus Distributor Warrants are actually issued and outstanding, at which time such Person shall be deemed to "Beneficially Own" all shares of Common Stock which are issuable upon exercise of such Bonus Distributor Warrants, whether or not they are vested or unvested.

"Board of Directors" shall mean the board of directors of the Company.

"Bonus Distributor Warrants" shall mean certain warrants issued by the Company to NBC or its designee at agreed upon times, subject to the satisfaction of certain conditions contained therein and in the Distribution Agreement, which warrants may be exercised by the holder thereof to purchase Common Stock in accordance with the terms therein.

"Business Day" shall mean any day, other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or obligated by law or executive order to close.

"Certificate of Designation" shall mean the Certificate of Designation of the Preferred Stock, dated as of April 15, 1999, executed and filed with the Secretary of State of the State of Minnesota.

"Common Stock" shall have the meaning set forth in the preamble hereto.

"Company" shall have the meaning set forth in the preamble hereto.

"Distribution Agreement" shall mean the Distribution and Marketing Agreement dated as of March 8, 1999 between the Company and NBC pursuant to which NBC has agreed to distribute certain programming of the Company, as such agreement may be amended from time to time.

"Election to Exercise" shall have the meaning set forth in Section 4.2(a) hereof.

"Equity Securities" shall mean, with respect to any Person, any and all common stock, preferred stock, any other class of capital stock and partnership or limited liability company interests of such Person or any other similar interests of any Person that is not a corporation, partnership or limited liability company.

"Exercise Price" shall have the meaning set forth in Section 8 hereof.

"Expiration Date" shall mean the fifth anniversary of the Issue Date.

"Expiration Time" shall mean 5:00 P.M., New York City time, on the Expiration Date.

"Fractional Warrant Share" shall mean any fraction of a whole share of Common Stock issued, or issuable upon, exercise of the Warrant.

"Governmental Entity" shall mean any federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign.

"Independent Expert" shall mean an investment banking firm mutually acceptable to the Company and the Warrantholder.

"Initial Distributor Warrants" shall mean certain warrants to purchase 1,450,000 shares of Common Stock issued immediately by the Company to NBC or its designee pursuant to the Distribution Agreement, which warrants may be exercised by the holder thereof in accordance with the terms therein.

"Initial Holder" shall have the meaning set forth in the preamble hereto.

"Investment Agreement" shall have the meaning set forth in the preamble hereto.

"Issue Date" shall have the meaning set forth in the preamble hereto.

"Market Price" shall mean, with respect to a share of Common Stock on any day, except as set forth below in the case that the shares of Common Stock are not publicly held or listed, the average of the "quoted prices" of the Common Stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question. The term "quoted prices" of the Common Stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last

reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Common Stock. Notwithstanding the foregoing, if the shares of Common Stock are not publicly held or so listed, quoted or publicly traded, the "Market Price" means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors; provided, however, that if the Warrantholder shall dispute the fair market value as determined by the Board, the Warrantholder and the Company may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive on the Company and the Warrantholder. All costs and expenses of the Independent Expert shall be borne by the Warrantholder unless the determination of fair market value is more favorable to such Warrantholder by 5% or more, in which case, all such costs and expenses shall be borne by the Company.

"Nasdaq" shall mean The Nasdaq Stock Market's National Market.

"NBC" shall mean National Broadcasting Company, Inc., a Delaware corporation and Affiliate of the Initial Holder.

"Organic Change" shall mean, with respect to any Person, any transaction (including without limitation any recapitalization, capital reorganization or reclassification of any class or series of Equity Securities, any consolidation of such Person with, or merger of such Person into, any other Person, any merger of another Person into such Person (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of capital stock of such Person), and any sale or transfer or lease of all or substantially all of the assets of such Person, but not including any stock split, combination or subdivision) pursuant to which any class or series of Equity Securities of such Person is exchanged for, or converted into, the right to receive other securities, cash or other property.

"Person" shall mean any individual, firm, corporation, company, limited liability company, association, partnership, joint venture, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

"Preferred Stock" shall mean the Series A Redeemable Convertible Preferred Stock, par value \$0.01 per share, of the Company issued pursuant to the Certificate of Designation.

"Regular Dividends" shall mean regular quarterly dividends not in excess of 1% of the aggregate Market Price for the shares of capital stock receiving such dividends as of the Business Day prior to the declaration of such dividends.

"Restricted Party" shall have the meaning set forth in the Shareholder Agreement.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder Agreement" shall mean the Shareholder Agreement, dated as of April 15, 1999 between the Company and the Initial Purchaser, as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Stated Value" shall mean the stated liquidation value of the Preferred Stock as set forth in the Certificate of Designation.

"Trading Day" shall mean any day on which Nasdaq is open for trading, or if the shares of Common Stock are not quoted on Nasdaq, any day on which the principal national securities exchange or national quotation system on which the shares of Common Stock are listed, admitted to trading or quoted is open for trading, or if the shares of Common Stock are not so listed, admitted to trading or quoted, any Business Day.

"Warrant" shall have the meaning set forth in the preamble hereto.

"Warrant Certificate" shall have the meaning set forth in the preamble hereto.

"Warrant Market Price" shall mean (a) in the case of Section 8(a) hereof, the greater of (i) the average of the closing prices of a share of Common Stock for the 45 consecutive Trading Days ending on the Trading Day immediately prior to the day on which the Election to Exercise is delivered and (ii) the average of the closing prices of a share of Common Stock for the 150 consecutive Trading Days ending on the Trading Day immediately prior to the day on which the Election to Exercise is delivered or (b) in the case of Section 8(b) hereof, the average of the closing prices of a share of Common Stock for the 45 consecutive Trading Days ending on the Trading Day immediately prior to the day on which the Election to Exercise is delivered; provided that if during such 45 or 150 consecutive Trading Day period (the "valuation period"), as applicable, there shall occur a record date for determining holders of Common Stock entitled to receive a dividend or distribution on the Common Stock, the amounts determined pursuant to clauses (a)(i), (a)(ii) and/or (a)(iii) above, as applicable, shall be reduced by subtracting the amount obtained by multiplying (a) the value of such dividend or distribution per share of Common Stock by (b) a fraction (i) the numerator of which shall be the number of Trading Days from the beginning of such valuation period to and including the record date for such dividend or distribution (but in no event more than 30 days) and (ii) the denominator of which shall be the number of Trading Days in such valuation period. For purposes of the definition of Warrant Market Price, the "closing price" of a share of Common Stock shall refer to the closing price quoted on Nasdaq or, if shares of Common Stock are not quoted on Nasdaq, the closing price shall be computed in accordance with the procedure set forth for such contingency in the definition of "Market Price."

"Warrant Register" shall have meaning set forth in Section 2.2 hereof.

"Warrant Shares" shall mean the shares of Common Stock issued, or issuable upon, exercise of this Warrant.

"Warrantholder" shall have the meaning set forth in the preamble hereto.

## Section 2. Transferability.

2.1 Registration. This Warrant shall be issued only in registered form. The Company agrees to maintain, at its office or agency, books for the registration and transfer of the Warrant.

2.2 Transfer. This Warrant may not be directly or indirectly sold, transferred or otherwise disposed of at any time except to one or more Restricted Parties. Any such permitted sale or transfer shall be effected on the books of the Company (the "Warrant Register") maintained at its principal executive offices upon surrender of this Warrant Certificate for registration of transfer duly endorsed by the Warrantholder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant Certificate to the Person entitled thereto.

## Section 3. Exchange of Warrant Certificate.

This Warrant Certificate may be exchanged for another certificate of like tenor entitling the Warrantholder to purchase a like aggregate number of Warrant Shares as the certificate surrendered then entitles such Warrantholder to purchase. Any Warrantholder desiring to exchange a Warrant certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the Person entitled thereto a new Warrant Certificate as so requested.

#### Section 4. Term of Warrant; Exercise of Warrant.

4.1 Duration of Warrant. On the terms and subject to the conditions set forth in this Warrant Certificate, the Warrantholder or any Affiliate thereof may exercise this Warrant, in whole or in part, at any time and from time to time after the Issue Date and before the Expiration Time. At the Expiration Time, this Warrant shall become void, and all rights hereunder shall thereupon cease.

#### 4.2 Exercise of Warrant.

(a) On the terms and subject to the conditions set forth in this Warrant Certificate, the Warrantholder or any Affiliate thereof may exercise this Warrant, in whole or in part, by presentation to the Company of the attached Election to Exercise (the "Election to Exercise") duly filled in and signed, and accompanied by payment to the Company of the Exercise Price for the number of Warrant Shares specified in such Election to Exercise. Payment of the aggregate Exercise Price shall be made (i) in cash in an amount equal to the aggregate Exercise Price, (ii) by certified or official bank check in an amount equal to the aggregate Exercise Price or (iii) by any combination of the foregoing.

(b) On the terms and subject to the conditions set forth in this Warrant Certificate, upon such presentation of an Election to Exercise and payment of such aggregate Exercise Price as set forth in paragraph (a) hereof, the Company shall promptly issue and cause to be delivered to the Warrantholder and/or an Affiliate thereof, as applicable, a certificate or certificates (in such name or names of the Warrantholder and/or the Affiliate(s) thereof, as specified in the Election to Exercise) for the specified number of duly authorized, fully paid and non-assessable Warrant Shares issuable upon exercise, and shall deliver to the Warrantholder cash, as provided in Section 10 hereof, with respect to any Fractional Warrant Shares otherwise issuable upon such surrender. Upon each exercise of this Warrant, the Company shall record in its books the number of shares of Common Stock purchased by the Warrantholder and/or such Affiliate(s).

(c) Each Person in whose name any certificate for Warrant Shares is issued shall for all purposes be deemed to have become the holder of record of the Warrant Shares represented thereby on the first date on which an Election to Exercise was presented and payment of the Exercise Price and any applicable taxes was made, irrespective of date of issue or delivery of such certificate.

#### 4.3 Conditions to Exercise. Each exercise of this Warrant shall be subject to the following conditions:

(a) The shareholders of the Company shall have approved this Warrant as provided for in the Investment Agreement; and

(b) After taking into account the number of Warrant Shares issuable upon such exercise, the Restricted Parties in the aggregate shall Beneficially Own no more than (i) 39.9% of the then Adjusted Outstanding Common Stock minus (ii) the aggregate number of shares of Common Stock directly or indirectly sold, transferred or otherwise disposed of by all Restricted Parties (excluding any such sale, transfer or other disposition to any other Restricted Party) prior to and including the date of exercise (making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock).

(c) The purchase of the Warrant Shares issuable upon such exercise shall not be prohibited under applicable law.

#### 4.4 Termination of Warrant. This Warrant shall automatically terminate if:

(a) At the Shareholders Meeting (as defined in the Shareholder Agreement), the shareholders of the Company shall fail to approve this Warrant as provided in Section 4.3(a); or

(b) A Replacement Warrant (as defined in the Investment Agreement) is issued pursuant to Section 2.4 of the Investment Agreement.

#### Section 5. Payment of Taxes.

The Company shall pay any and all documentary, stamp or similar issue or transfer taxes and other governmental charges that may be imposed under the laws of the United States or any political subdivision or

taxing authority thereof or therein in respect of any issue or delivery of Warrant Shares or of other securities or property deliverable upon exercise of this Warrant or certificates representing such shares or securities (other than income or withholding taxes imposed on the Warrantholder); provided, however, that the Company shall not be required to pay any tax or taxes which may be payable with respect to any transfer involving the issue of any Warrant Certificate or any certificates for Warrant Shares in a name other than that of the registered holder thereof, and the Company shall not be required to issue or deliver such Warrant Certificate or certificates for Warrant Shares unless and until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

#### Section 6. Mutilated or Missing Warrant.

If this Warrant Certificate is lost, stolen, mutilated or destroyed, the Company shall issue in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant certificate lost, stolen or destroyed, upon receipt of a proper affidavit or other evidence reasonably satisfactory to the Company (and surrender of any mutilated Warrant Certificate) and indemnity in form and amount reasonably satisfactory to the Company in each instance protecting the Company, a new Warrant Certificate of like tenor and representing an equivalent Warrant as the Warrant Certificate so lost, stolen, mutilated or destroyed. Any such new Warrant certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant Certificate shall be at any time enforceable by anyone. An applicant for such substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe. The Warrant Certificate shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement of lost, stolen, mutilated or destroyed Warrant Certificate, and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement of negotiable instruments or other securities without their surrender.

#### Section 7. Reservation of Shares.

The Company hereby agrees that there shall be reserved for issuance and delivery upon exercise of this Warrant, free from preemptive rights, the number of shares of authorized but unissued shares of Common Stock as shall be required for issuance or delivery upon full exercise of this Warrant. The Company further agrees that it will not, by amendment of its Articles of Incorporation or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by the Company. Without limiting the generality of the foregoing, the Company shall from time to time take all such action that may be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at the Exercise Price.

#### Section 8. Exercise Price.

The price per share (the "Exercise Price") at which Warrant Shares shall be purchasable upon the exercise of this Warrant shall be calculated as follows:

(a) Exercise Prior to Second Anniversary. If the Warrantholder elects to purchase Warrant Shares prior to the second anniversary of the Issue Date, the Exercise Price shall be equal to the greater of (i) the Warrant Market Price and (ii) \$12.00 (as reduced by the excess of the fair market value of the aggregate amount of dividends and other distributions declared per share of Common Stock over the aggregate Regular Dividends declared per share of Common Stock after the date hereof and having a record date prior to the date of exercise), in each case making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock.

(b) Exercise on or after Second Anniversary. If the Warrantholder elects to purchase Warrant Shares on or after the second anniversary of the Issue Date, the Exercise Price shall be equal to the greater of (i) the Warrant Market Price and (ii) \$15.00 (as reduced by the excess of the fair market

value of the aggregate amount of dividends and other distributions declared per share of Common Stock over the aggregate Regular Dividends declared per share of Common Stock after the date hereof and having a record date prior to the date of exercise), in each case making equitable adjustments for any conversions, reclassifications, reorganizations, stock dividends, stock splits, reverse splits and similar events which occur with respect to the Common Stock.

## Section 9. Certain Events.

### 9.1 Notice.

In case:

(i) the Company shall declare any dividend or any distribution of any kind or character (whether in cash, securities or other property) on or in respect of shares of Common Stock or to the shareholders of the Company (in their capacity as such), excluding any regular periodic cash dividend paid out of current or retained earnings (as such terms are used in generally accepted accounting principles); or

(ii) the Company shall authorize the granting to the holders of shares of Common Stock of rights to subscribe for or purchase any shares of capital stock or of any other right; or

(iii) of any reclassification of shares of Common Stock (other than a subdivision or combination of outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be mailed to the Warrantholder, at their last addresses as they shall appear upon the Warrant Register, at least 10 days prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or, if a record is not to be taken, the date as of which the holders of shares of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined or

(y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and, if applicable, the date as of which it is expected that holders of shares of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property (including cash) deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice, or any defect therein, shall not affect the validity of the proceedings referred to in clauses (i), (ii), (iii) and (iv) above.

### 9.2 Section 305.

The Company shall be entitled, but not required, to make such reductions in the Exercise Price as it in its discretion shall determine to be advisable, including, without limitation, in order that any dividend in or distribution of shares of Common Stock or shares of capital stock of any class other than Common Stock, subdivision, reclassification or combination of shares of Common Stock, issuance of rights or warrants, or any other transaction having a similar effect, shall not be treated as a distribution of property by the Company to its shareholders under Section 305 of the Internal Revenue Code of 1986, as amended, or any successor provision and shall not be taxable to them.

### 9.3 Organic Change.

(a) Company Survives. Upon the consummation of an Organic Change (other than a transaction in which the Company is not the surviving entity), lawful provision shall be made as part of the terms of such transaction whereby the terms of the Warrant Certificate shall be modified, without payment of any additional consideration therefor, so as to provide that upon exercise of this Warrant following the consummation of such Organic Change, the Warrantholder shall have the right to purchase for the Exercise Price the kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which this Warrant might have been exercised immediately prior to such Organic Change. Lawful provision also shall be made as part of the terms of the Organic Change so that all other terms

of the Warrant Certificate shall remain in full force and effect following such an Organic Change. The provisions of this Section 9.3(a) shall similarly apply to successive Organic Changes.

(b) **Company Does Not Survive.** The Company shall not enter into an Organic Change that is a transaction in which the Company is not the surviving entity unless lawful provision shall be made as part of the terms of such transaction whereby the surviving entity shall issue new securities to each Warranholder, without payment of any additional consideration therefor, with terms that provide that upon the exercise of this Warrant, the Warranholder shall have the right to purchase the kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which this Warrant might have been exercised immediately prior to such Organic Change.

#### Section 10. Fractional Interests.

The Company shall not be required to issue Fractional Warrant Shares on the exercise of this Warrant. If Fractional Warrant Shares totaling more than one Warrant Share in the aggregate is presented for exercise at the same time by the Warranholder, the number of full Warrant Shares which shall be issuable upon exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares so purchasable upon the exercise of the Warrants so presented. If any Fractional Warrant Share would but for the provisions of this Section 10 be issuable on the exercise of this Warrant (or specified portions thereof), the Company shall pay an amount in cash equal to the fraction of a Warrant Share represented by such Fractional Warrant Share multiplied by the Market Price on the day of such exercise.

#### Section 11. No Rights as Shareholder.

Nothing in this Warrant Certificate shall be construed as conferring upon the Warranholder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder with respect to any meeting of shareholders for the election of directors of the Company or any other matter.

#### Section 12. Cooperation; Validity of Warrant.

The Company shall use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any Governmental Entity having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant. In addition, upon the request of Warranholder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Warranholder, the continuing validity of this Warrant and the obligations of the Company hereunder.

#### Section 13. Listing on Nasdaq or Securities Exchange.

The Company shall use its reasonable best efforts to list any shares of Common Stock issuable upon exercise of this Warrant on Nasdaq or on such other national securities exchange on which shares of Common Stock are then listed. The Company will at its expense cause all shares of Common Stock issued upon the exercise of this Warrant to be listed at the time of such issuance on Nasdaq and/or such other securities exchange shares of Common Stock are then listed on and shall maintain such listing.

#### Section 14. Covenant Regarding Consent.

The Company hereby covenants to use its reasonable best efforts upon the request of the Warranholder to seek any waivers or consents, or to take any other action required, to effectuate the exercise of this Warrant by any Warranholder.

#### Section 15. Limitation on Liability.

No provision hereof, in the absence of action by the Warranholder to receive shares of Common Stock, and no enumeration herein of the rights or privileges of the Warranholder, shall give rise to any liability of the Warranholder for any value subsequently assigned to the Common Stock or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

#### Section 16. Nonwaiver and Expenses.

No course of dealing or any delay or failure to exercise any right hereunder on the part of the Warrantholder or the Company shall operate as a waiver of such right or otherwise prejudice the Warrantholder's or the Company's, as the case may be, rights, powers or remedies.

#### Section 17. Amendment.

This Warrant and any other Warrant issued hereunder may be modified or amended or the provisions hereof waived with the written consent of the Company and Warrantholder's possessing in excess of 50% of the aggregate number of shares of Common Stock then receivable upon full exercise of this Warrant whether or not then exercisable; provided that no such Warrant may be modified or amended in a manner which is materially adverse to the Initial Holder or any of its successors or assigns, so long as such Person is a Warrantholder, without the prior written consent of such Person.

#### Section 18. Successors.

All the covenants and provisions of this Warrant Certificate by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and permitted assigns hereunder.

#### Section 19. Governing Law; Choice of Forum, Etc.

The validity, construction and performance of this Warrant Certificate shall be governed by and interpreted in accordance with, the laws of New York. The parties hereto agree that the appropriate forum for any disputes arising out of this Warrant Certificate solely between or among any or all of the Company, on the one hand, and the Initial Holder and/or any Person who has become a Warrantholder, on the other, shall be any state or U.S. federal court sitting within the County of New York, New York or County of Hennepin, Minnesota, and the parties hereto irrevocably consent to the jurisdiction of such courts, and agree to comply with all requirements necessary to give such courts jurisdiction. The parties hereto further agree that the parties will not bring suit with respect to any disputes, except as expressly set forth below, arising out of this Warrant Certificate for the execution or enforcement of judgment, in any jurisdiction other than the above specified courts. Each of the parties hereto irrevocably consents to the service of process in any action or proceeding hereunder by the mailing of copies thereof by registered or certified airmail, postage prepaid, if to (i) the Company, at ValueVision International, Inc., 6740 Shady Oak Road, Eden Prairie, MN 55344-3433, Attention: General Counsel, Fax: (612) 947-0188, or at such other address specified by the Company in writing to the other parties, with a copy to Latham & Watkins, 633 West Fifth Street, Suite 4000, Los Angeles, CA 90071, Attention: Michael W. Sturrock, Fax: (213) 891-8763 and (ii) any Warrantholder, at the address of such Warrantholder specified in the Warrant Register. The foregoing shall not limit the rights of any party hereto to serve process in an other manner permitted by the law or to obtain execution of judgment in any other jurisdiction. The parties further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of indebtedness. The parties agree to waive any and all rights that they may have to a jury trial with respect to disputes arising out of this Agreement.

#### Section 20. Enforcement.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Warrant and to enforce specifically the terms and provisions of this Warrant.

#### Section 21. Benefits of this Agreement.



Nothing in this Warrant Certificate shall be construed to give to any Person other than the Company and the Warrantholder any legal or equitable right, remedy or claim under this Warrant Certificate, and this Warrant Certificate shall be for the sole and exclusive benefit of the Company and the Warrantholder.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the date first written above.

**VALUEVISION INTERNATIONAL, INC.**

*By: /s/ GENE McCaffery*

-----

*Name: Gene McCaffery*

*Title: Chief Executive Officer and  
President*

**ELECTION TO EXERCISE**  
(TO BE EXECUTED UPON EXERCISE OF WARRANT)

**To ValueVision International, Inc.:**

The undersigned hereby irrevocably elects to exercise the right represented by the within Warrant Certificate for, and to acquire thereunder, Warrant Shares, as provided for therein, and tenders herewith payment of the aggregate \$ Exercise Price in full.

Please issue a certificate or certificates for such Warrant Shares in the name of, and pay any cash for any Fractional Warrant Shares to (please print name, address and social security or other identifying number)\*:

**Name of Warrantholder (or Affiliate):**

**Address:**

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**Soc. Sec. #:**

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**Signature:\*\***

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\* The Warrant Certificate contains restrictions on the sale and other transfer of the Warrant evidenced by such Warrant Certificate.

\*\* The above signature should correspond exactly with the name on the face of this Warrant Certificate or with the name of the assignee appearing in the assignment form below.

**ASSIGNMENT FORM**  
(TO BE SIGNED ONLY UPON ASSIGNMENT OF WARRANT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

---

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(Name and Address of Assignee must be Printed or Typewritten)

A Warrant to purchase Warrant Shares of the Company pursuant to the terms and conditions therein, evidenced by the within Warrant Certificate hereby irrevocably constituting and appointing Attorney to transfer said Warrant on the books of the Company, with full power of substitution in the premises.

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

---

**Signature of Registered Holder\***

---

Signature Guaranteed: Signature of Guarantor

\*The above signature must correspond exactly with the name on the face of this Warrant Certificate.

**Registration Rights Agreement**

between

**GE Capital Equity Investments, Inc.**

and

**ValueVision International, Inc.**

**Dated as of April 15, 1999**

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## REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 15, 1999, by and between ValueVision International, Inc., a Minnesota corporation (together with its successors and assigns, the "Company"), GE Capital Equity Investments, Inc., a Delaware corporation (together with its successors and assigns, the "Purchaser"), National Broadcasting Company, Inc., a Delaware corporation (together with its successors and assigns, "NBC"), and each other person who becomes a Holder hereunder.

### RECITALS

WHEREAS, pursuant to an Investment Agreement dated as of March 8, 1999 (the "Investment Agreement") between the Company and the Purchaser, the Purchaser is purchasing shares of Series A Redeemable Convertible Preferred Stock of the Company, par value \$0.01 per share (including any securities into which such preferred stock may be or has been converted or exchanged in any merger, consolidation or reclassification, the "Preferred Stock"), that are convertible into Common Stock of the Company, par value \$0.01 per share (the "Common Stock"); and

WHEREAS, pursuant to the Investment Agreement the Purchaser is purchasing warrants to purchase shares of Common Stock; and

WHEREAS, pursuant to the Distribution Agreement (as defined below), the Purchaser, NBC or an Affiliate thereof will, under certain terms and conditions specified therein, receive warrants to purchase shares of Common Stock (together with warrants received under the Investment Agreement, the "Warrants"); and

WHEREAS, the Company's shares of Common Stock are registered with the SEC and quoted on the Nasdaq Stock Market; and

WHEREAS, to induce the Purchaser to execute and deliver the Investment Agreement and NBC to execute and deliver the Distribution Agreement, the Company has agreed to provide to the Holders (as defined below) certain registration rights under the Securities Act; and

WHEREAS, the execution and delivery of this agreement by the parties hereto is a condition to the closing of the transactions contemplated by the Investment Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and in the Investment Agreement, and other valuable consideration, the receipt and sufficiency of

## Registration Rights Agreement

which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms have the following meanings:

"Common Stock": The Common Stock of the Company and any securities into which such common stock may be or has been converted or exchanged in any merger, consolidation or reclassification.

"Distribution Agreement": The Distribution and Marketing Agreement dated as of March 8, 1999 between the Company and NBC pursuant to which NBC has agreed to distribute certain programming of the Company, as such agreement may be amended, supplemented or otherwise modified from time to time.

"Holders": Each Restricted Party (as defined in the Shareholder Agreement) that from time to time owns Registrable Securities and each of their permitted transferees pursuant to Section 9(e) who agree to be bound by the provisions of this Agreement in accordance with said section.

"Prospectus": The prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act), 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 such prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

"Registrable Securities": All shares of Common Stock (i) held from time to time by the Holders who are Restricted Parties (the "Restricted Party Common Stock") or (ii) held by Holders who are not Restricted Parties (but only to the extent that such Common Stock previously constituted Restricted Party Common Stock or Common Stock described in clause (iii) below) or (iii) issued or issuable upon the conversion of Preferred Stock into Common Stock or (iv) issued or issuable upon the exercise of Warrants, excluding shares of Common Stock that have been disposed of by a Holder pursuant to a Registration Statement relating to the sale thereof that has become effective under the Securities Act or pursuant to Rule 144 or Rule 145 under the Securities Act. Registrable Securities shall also include any shares of the Common Stock or other securities (or shares of Common Stock underlying such other securities) that may be received by the Holders (x) as a result of a stock dividend on or stock split of Registrable Securities or (y) on account of Registrable Securities in a recapitalization of or other transaction involving the Company.



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"Registration Statement": Any registration statement of the Company under the Securities Act that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the related Prospectus, any preliminary prospectus, all amendments and supplements to such registration statement (including post-effective amendments), all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"SEC": The Securities and Exchange Commission.

"Securities Act": The Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder Agreement": The Shareholder Agreement, dated as of the date hereof, between the Company and the Purchaser, as such agreement may be amended, supplemented or otherwise modified from time to time.

"Underwritten Offering": A distribution, registered pursuant to the Securities Act, in which securities of the Company are sold to the public through one or more underwriters.

### Section 2. Demand Registration.

(a) Requests for Registration by Holders. Subject to the terms and conditions of the Shareholder Agreement, at any time and from time to time, subject to the conditions set forth in this Agreement: (i) one or more Holders will have the right, by written notice delivered to the Company (a "Demand Notice"), to require the Company to register Registrable Securities under and in accordance with the provisions of the Securities Act (a "Demand Registration"), provided that the Holders may not make in the aggregate more than four (4) Demand Registrations under this Agreement; provided, further, that: (i) no such Demand Registration may be required unless the Holders requesting such Demand Registration provide to the Company a certificate (the "Authorizing Certificate"), seeking to include Registrable Securities in such Demand Registration with a market value of at least \$5,000,000 (calculated based on the closing sale price of such securities on the principal securities exchange where such securities are listed on the business day immediately preceding the date of the Demand Notice) as of the date the Demand Notice is given; and (ii) no Demand Notice may be given prior to six (6) months after the effective date of the immediately preceding Demand Registration or, if later, the date on which a registration pursuant to this Section 2 is terminated in its entirety prior to the effective date of the applicable registration statement. The Authorizing Certificate shall set forth (A) the name of each Holder signing such Authorizing Certificate, (B) the number of Registrable Securities held by each such Holder, and, if different, the number of Registrable Securities such Holder has elected to have registered, and (C)

## Registration Rights Agreement

the intended methods of disposition of the Registrable Securities. Notwithstanding the foregoing, a good faith decision by a Holder to withdraw Registrable Securities from registration will not affect the Company's obligations hereunder even if the amount remaining to be registered has a market value of less than \$5,000,000 (calculated as aforesaid), provided that: (1) such continuing registration shall constitute a Demand Registration, (2) the withdrawing Holder reimburses the Company for any registration and filing fees (including any fees payable to the National Association of Securities Dealers, Inc. or any successor organization) it has incurred with respect to the withdrawn Registrable Securities (unless all Registrable Securities are withdrawn, in which case the withdrawing Holder(s) shall reimburse the Company for all costs and expenses incurred by it in connection with the registration of such Registrable Securities) and (3) such Holder (or the other Holders participating in the subject registration) did not include the withdrawn Registrable Securities as a means of circumventing the \$5,000,000 threshold described above. Subject to compliance with clause (2) of the preceding proviso, a registration that is terminated in its entirety prior to the effective date of the applicable registration statement will not constitute a Demand Registration.

(b) Filing and Effectiveness. The Company will file a Registration Statement relating to any Demand Registration as promptly as practicable (but in any event within 90 days) following the date on which the Demand Notice is given and will use all reasonable efforts to cause the same to be declared effective by the SEC as soon as practicable thereafter. If any Demand Registration is requested to be effected as a shelf registration pursuant to Rule 415 under the Securities Act by the Holders demanding such Demand Registration, the Company will keep the Registration Statement filed in respect thereof effective for a period of six (6) months from the date on which the SEC declares such Registration Statement effective (subject to extension pursuant to Section 5) or such shorter period that will terminate when all Registrable Securities covered by such Registration Statement have been sold pursuant to such Registration Statement.

Within ten (10) business days after receipt of such Demand Notice, the Company will serve written notice thereof (the "Notice") to all other Holders and will, subject to the provisions of Section 2(c), include in such registration all Registrable Securities with respect to which the Company receives written requests for inclusion therein within ten (10) business days after receipt of the Notice by the applicable Holder. Subject to the proviso at the end of Section 2(a), the Holder will be permitted to withdraw in good faith all or part of the Registrable Securities from a Demand Registration at any time prior to the effective date of such Demand Registration, in which event the Company will promptly amend or, if applicable, withdraw the related Registration Statement.

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(c) Priority on Demand Registration. If Registrable Securities are to be registered pursuant to a Demand Registration, the Company shall provide written notice to the other Holders and will permit all such Holders who request to be included in the Demand Registration to include any or all Registrable Securities held by such Holders in such Demand Registration. Notwithstanding the foregoing, if the managing underwriter or underwriters of an Underwritten Offering to which such Demand Registration relates advises the Holders that the total amount of Registrable Securities that such Holders intend to include in such Demand Registration is in the aggregate such as to materially and adversely affect the success of such offering, then the number of Registrable Securities to be included in such Demand Registration will, if necessary, be reduced and there will be included in such underwritten offering the number of Registrable Securities that, in the opinion of such managing underwriter or underwriters, can be sold without materially and adversely affecting the success of such Underwritten Offering. The Registrable Securities of the Holder or Holders initiating the Demand Registration shall receive priority in such Underwritten Offering to the full extent of the Registrable Securities such Holder or Holders desire to sell (unless these securities would materially and adversely affect the success of such offering, in which case the number of such Holder's Registrable Securities included in the offering shall be reduced to the extent necessary) and the remaining allocation available for sale, if any, shall be allocated pro rata among the other Holders on the basis of the amount of Registrable Securities requested to be included therein by each such Holder.

(d) Postponement of Demand Registration. The Company will be entitled to postpone the filing period of any Demand Registration for a reasonable period of time not in excess of 90 calendar days if the Company determines, in the good faith exercise of the business judgment of its Board of Directors, that such registration and offering could materially interfere with a bona fide business or financing transaction of the Company or would require disclosure of information, the premature disclosure of which could materially and adversely affect the Company. If the Company postpones the filing of a Registration Statement, it will promptly notify the Holders in writing (i) when the events or circumstances permitting such postponement have ended and (ii) that the decision to postpone was made by the Board of Directors of the Company in accordance with this Section 2(d).

### Section 3. Piggyback Registration.

(a) Right to Piggyback. If at any time the Company proposes to file a Registration Statement, whether or not for sale for the Company's own account, on a form and in a manner that would also permit registration of Registrable Securities, the Company shall give to Holders holding Registrable Securities, written notice of such proposed filing at least thirty (30) days before the anticipated filing. The notice referred to in the

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preceding sentence shall offer Holders the opportunity to register such amount of Registrable Securities as each Holder may request (a "Piggyback Registration"). Subject to Section 3(b), the Company will include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein. Subject to clause (2) of the proviso at the end of Section 2(a), the Holders will be permitted to withdraw all or part of the Registrable Securities from a Piggyback Registration at any time prior to the effective date of such Piggyback Registration.

Notwithstanding the foregoing, the Company will not be obligated to effect any registration of Registrable Securities under this Section 3 as a result of the registration of any of its securities solely in connection with mergers, acquisitions, exchange offers, dividend reinvestment and share purchase plans offered solely to current holders of the Common Stock, rights offerings or option or other employee benefit plans.

(b) Priority on Piggyback Registrations. The Company will cause the managing underwriter or underwriters of a proposed Underwritten Offering to permit Holders holding Registrable Securities requested to be included in the registration for such offering to include therein all such Registrable Securities requested to be so included on the same terms and conditions as any securities of the Company included therein (other than the indemnification by the Holders, which will be limited as set forth in Section 7 hereof). Notwithstanding the foregoing, if the managing underwriter or underwriters of such Underwritten Offering advises the Holders to the effect that the total amount of securities that such Holders and the Company propose to include in such Underwritten Offering is such as to materially and adversely affect the success of such offering, then the Company will include in such registration (i) first, 100% of the Common Stock of the Person who requests such registration, if any, (ii) second, 100% of the Common Stock the Company proposes to sell, and (iii) third, to the extent of the number of Registrable Securities requested to be included in such registration which, with the advice of such managing underwriter, can be sold without having the adverse effect referred to above, the number of Registrable Securities which the Holders have requested to be included in such registration, such amount to be allocated pro rata among all requesting Holders on the basis of the relative number of Registrable Securities then held by each such Holder.

Section 4. Restrictions on Sale by Holders. Each Holder agrees, if such Holder is so requested (pursuant to a timely written notice) by the managing underwriter or underwriters in an Underwritten Offering, not to effect any public sale or distribution of any of the Company's securities of such class or securities convertible or exchangeable into such class (except as part of such underwritten offering), including a sale pursuant to Rule 144 under the Securities Act, during the 15-calendar day

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period prior to, and during the 90-calendar day period beginning on, the closing date of such Underwritten Offering.

Section 5. Registration Procedures. In connection with the Company's registration obligations pursuant to Sections 2 and 3, the Company will effect such registrations to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company will as expeditiously as possible, and in each case to the extent applicable (it being understood that the obligations of the Company in clauses (a), (b), (d), (h), (j), (k), (l), (n) and (q) of this

Section 5 will be subject to the first sentence of Section 3(b) and, except as provided in Section 3(b), the Holders will not have any right to effect an underwritten public offering under Section 3):

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on any appropriate form under the Securities Act available for the sale of the Registrable Securities by the holders thereof in accordance with the intended method or methods of distribution thereof, and cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including documents that would be incorporated or deemed to be incorporated therein by reference) the Company will furnish to the Holders holding Registrable Securities covered by such Registration Statement, not more than one counsel chosen by Holders holding a majority of the Registrable Securities being registered ("Special Counsel") and the managing underwriters, if any, copies of all such documents proposed to be filed, which documents will be subject to the review of such Holders, such Special Counsel and such underwriters, and the Company will not file any such Registration Statement or amendment thereto or any Prospectus or any supplement thereto (excluding such documents that, upon filing, will be incorporated or deemed to be incorporated by reference therein) to which the Holders holding a majority of the Registrable Securities covered by such Registration Statement or the managing underwriter, if any, shall reasonably object.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable periods specified in Section 2; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in

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accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) Notify the selling Holders and the managing underwriters, if any, promptly, and (if requested by any such person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other federal or state governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if at any time the representations and warranties of the Company contained in any agreement contemplated by Section 5(n) (including any underwriting agreement) cease to be true and correct in any material respect, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the occurrence of any event that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in a Registration Statement, Prospectus or any such document so that, in the case of the Registration Statement, it will not contain any 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 and, in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest possible moment.

(e) If requested by the managing underwriters, if any, or Holders holding a majority of the Registrable Securities being registered, (i) promptly incorporate in a

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Prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and such Holders agree should be included therein as may be required by applicable law and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company will not be required to take any actions under this Section 5(e) that are not, in the opinion of counsel for the Company, in compliance with applicable law.

(f) Furnish to each selling Holder and each managing underwriter, if any, without charge, at least one conformed copy of the Registration Statement and any post-effective amendment thereto, including financial statements (but excluding schedules, all documents incorporated or deemed incorporated therein by reference and all exhibits, unless requested in writing by such holder or underwriter).

(g) Deliver to each selling Holder and the underwriters, if any, without charge as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such persons may reasonably request; and, subject to the last paragraph of this Section 5, the Company hereby consents to the use of such Prospectus or each amendment or supplement thereto by each of the selling Holders and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities, to register or qualify or cooperate with the selling Holders, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions within the United States as any seller or underwriter reasonably requests in writing; use all reasonable efforts to keep such registration or qualification (or exemption therefrom) effective during the period the applicable Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in each such jurisdiction of the Registrable Securities covered by the applicable Registration Statement; provided, however, that the Company will not be required to (i) qualify to do business in any jurisdiction where it is not then so qualified or (ii) take any action that would subject it to

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taxation or service of process in any such jurisdiction where it is not then so subject.

(i) Cooperate with the selling Holders and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, shall request at least two business days prior to any sale of Registrable Securities to the underwriters.

(j) Use all reasonable efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities within the United States except as may be required solely as a consequence of the nature of any selling Holder's business, in which case the Company will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals as may be necessary to enable the seller or sellers thereof or the underwriters, if any, to consummate the disposition of such Registrable Securities.

(k) Upon the occurrence of any event contemplated by Section 5(c)(vi) or 5(c)(vii), prepare a supplement or post-effective amendment to each Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) If requested by Holders holding a majority of the Registrable Securities covered by such Registration Statement or the managing underwriters, if any, use its best efforts to cause all Registrable Securities covered by such Registration Statement to be (i) listed on each securities exchange, if any, on which securities issued by the Company of the same class are then listed or, if no such securities issued by the Company are then so listed, on the New York Stock Exchange or another national securities exchange if the securities qualify to be so listed or (ii) authorized to be quoted on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") or the National Market System of Nasdaq, if the securities qualify to be so quoted.

(m) As needed, (i) engage an appropriate transfer agent and provide the transfer agent with printed



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certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the Registrable Securities.

(n) Enter into such customary agreements (including, in the event of an Underwritten Offering, an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other commercially reasonable and customary actions in connection therewith (including those reasonably requested by the Holders holding a majority of the Registrable Securities being sold or, in the event of an Underwritten Offering, those reasonably requested by the managing underwriters) in order to facilitate the disposition of such Registrable Securities and in such connection, but only where an underwriting agreement is entered into in connection with an underwritten registration, (i) make such representations and warranties to the underwriters with respect to the businesses of the Company and its subsidiaries, the Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference therein, if any, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same if and when requested; (ii) obtain opinions of counsel to the Company and updates thereof, which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, addressed to each of the underwriters covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such underwriters; (iii) use reasonable efforts to obtain "comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "comfort" letters in connection with underwritten offerings; and (iv) deliver such documents and certificates as may be reasonably requested by the managing underwriters, if any, to evidence the continued validity of the representations and warranties of the Company and its subsidiaries made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement entered into by the Company. The foregoing actions will be taken in connection with each closing under such underwriting agreement as and to the extent required thereunder.

(o) Make available for reasonable inspection during normal business hours by a representative of the

## Registration Rights Agreement

Holders holding Registrable Securities being sold, any underwriter participating in any disposition of Registrable Securities, and any attorney or accountant retained by such selling Holders or underwriter, all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, and cause the officers, directors and employees of the Company and its subsidiaries to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement; provided, however, that any records, information or documents that are designated by the Company in writing as confidential at the time of delivery of such records, information or documents will be kept confidential by such persons unless (i) such records, information or documents are in the public domain or otherwise publicly available, (ii) disclosure of such records, information or documents is required by court or administrative order or is necessary to respond to inquiries of regulatory authorities, or (iii) disclosure of such records, information or documents, in the reasonable opinion of counsel to such person, is otherwise required by law (including, without limitation, pursuant to the requirements of the Securities Act).

(p) Comply with all applicable rules and regulations of the SEC and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 calendar days after the end of any 12-month period (or 90 calendar days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering, or (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company, after the effective date of a Registration Statement, which statements shall cover such 12-month period.

(q) In connection with any Underwritten Offering, cause appropriate members of management to cooperate and participate on a reasonable basis in the underwriters' "road show" conferences related to such offering.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may, from time to time, reasonably request in writing, and the Company may exclude from such registration the Registrable Securities of any seller who unreasonably fails to furnish such information within a reasonable time after receiving such request.

## Registration Rights Agreement

Each Holder will be deemed to have agreed by virtue of its acquisition of Registrable Securities that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 5(c)(ii), 5(c)(iii), 5(c)(v), 5(c)(vi) or 5(c)(vii) ("Suspension Notice"), such Holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus (a "Black-Out") until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by

Section 5(k), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and such Holder has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus. Except as expressly provided herein, there shall be no limitation with regard to the number of Suspension Notices that the Company is entitled to give hereunder; provided, however, that in no event shall the aggregate number of days the Holders are subject to Black-Out during any period of 12 consecutive months exceed 180 days.

Section 6. Registration Expenses. Subject to clause (2) of the proviso at the end of section 2(a), all fees and expenses incident to the performance of or compliance with this Agreement by the Company will be borne by the Company whether or not any of the Registration Statements become effective. Such fees and expenses will include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses for compliance with securities or "blue sky" laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing a reasonable number of prospectuses if the printing of such prospectuses is requested by the Holders holding a majority of the Registrable Securities included in any Registration Statement), (iii) messenger, telephone and delivery expenses incurred by the Company, (iv) fees and disbursements of counsel for the Company incurred by the Company, (v) fees and disbursements of all independent certified public accountants referred to in Section 5(n)(iii) (including the expenses of any special audit and "comfort" letter required by or incident to such performance) incurred by the Company, (vi) Securities Act liability insurance, if any, and (vii) fees and expenses of Special Counsel retained by the Holders in connection with the registration and sale of their Registrable Securities (which counsel will be selected by the Holders of a majority of the Registrable Securities being sold), provided that any such fees and expenses of Special Counsel in excess of \$20,000 for any offering will not be reimbursed by the Company. In addition, the Company will pay internal expenses (including without limitation all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange on which securities of the same class issued by the

## Registration Rights Agreement

Company are then listed and the fees and expenses of any person, including special experts, retained by the Company. In no event, however, will the Company be responsible for any underwriting discount or selling commission with respect to any sale of Registrable Securities pursuant to this Agreement, and the Holders shall be responsible on a pro rata basis for any taxes of any kind (including, without limitation, transfer taxes) with respect to any disposition, sale or transfer of Registrable Securities and for any legal, accounting and other expenses incurred by them in connection with any Registration Statement.

### Section 7. Indemnification.

(a) Indemnification by the Company. The Company will, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, each Holder holding Registrable Securities registered pursuant to this Agreement, the officers, directors and agents and employees of each of them, each person who controls such a Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of any such controlling person, from and against all losses, claims, damages, liabilities, costs (including without limitation the costs of investigation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or 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, except insofar and to the extent as the same are based upon information furnished in writing to the Company by such Holder for use therein; provided, however, that the Company will not be liable to any Holder to the extent that any such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement, Prospectus or preliminary prospectus if either (A) (i) such Holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale by such Holder of a Registrable Security to the person asserting the claim from which such Losses arise and (ii) the Prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission; or (B) such untrue statement or alleged untrue statement, omission or alleged omission is corrected in an amendment or supplement to the Prospectus previously furnished by or on behalf of the Company with copies of the Prospectus, and such Holder thereafter fails to deliver such Prospectus as so amended or supplemented prior to or concurrently with the sale of a Registrable Security to the person asserting the claim from which such Losses arise.

## Registration Rights Agreement

(b) Indemnification by Holders. In connection with any Registration Statement in which a Holder is participating, such Holder will furnish to the Company in writing such information as the Company reasonably requests for use in connection with any Registration Statement, Prospectus or preliminary prospectus and will indemnify, to the fullest extent permitted by law, the Company, its directors and officers, agents and employees, each person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling persons, from and against all Losses arising out of or based upon any untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or arising out of or based upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company for use in such Registration Statement, Prospectus or preliminary prospectus and was relied upon by the Company in the preparation of such Registration Statement, Prospectus or preliminary prospectus. In no event will the liability of any selling Holder hereunder be greater in amount than the dollar amount of the proceeds (net of payment of all expenses) received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any person shall become entitled to indemnity hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party from which such indemnity is sought (the "indemnifying party") of any claim or of the commencement of any action or proceeding with respect to which such indemnified party seeks indemnification or contribution pursuant hereto; provided, however, that the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation or liability except to the extent that the indemnifying party has been prejudiced materially by such failure. All reasonable fees and expenses (including any reasonable fees and expenses incurred in connection with investigating or preparing to defend such action or proceeding) will be paid to the indemnified party (provided appropriate documentation for such expenses is also submitted with such notice), as incurred, within five calendar days of written notice thereof to the indemnifying party (regardless of whether it is ultimately determined that an indemnified party is not entitled to indemnification hereunder). The indemnifying party will not consent to entry of any judgment or enter into any settlement or otherwise seek to terminate any action or proceeding in which any indemnified party is or could be a party and as to which indemnification or contribution could be sought by such indemnified party under this Section 7, unless such judgment, settlement or other termination includes as an unconditional term thereof the giving by the claimant or

## Registration Rights Agreement

plaintiff to such indemnified party of a release, in form and substance reasonably satisfactory to the indemnified party, from all liability in respect of such claim or litigation for which such indemnified party would be entitled to indemnification hereunder.

(d) Contribution. If the indemnification provided for in this Section 7 is unavailable to an indemnified party under Section 7(a) or 7(b) in respect of any Losses or is insufficient to hold such indemnified party harmless, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, will, severally but not jointly, contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party or indemnifying parties, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party or indemnifying parties, on the one hand, and such indemnified party, on the other hand, will 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 of a material fact, has been taken or made by, or related 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, statement or omission. The amount paid or payable by a party as a result of any Losses will be deemed to include any legal or other fees or expenses incurred by such party in connection with any action or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 7(d), an indemnifying party that is a selling Holder will not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such indemnifying party and distributed to the public were offered to the public exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

The indemnity, contribution and expense reimbursement obligations of the Company hereunder will be in addition to any liability the Company may otherwise have hereunder or otherwise. The provisions of this Section 7 will survive so long as

## Registration Rights Agreement

Registrable Securities remain outstanding, notwithstanding any permitted transfer of the Registrable Securities by any Holder thereof or any termination of this Agreement.

Section 8. Underwritten Registrations. If any of the Registrable Securities included in any Demand Registration are to be sold in an Underwritten Offering, the Holders holding a majority of the Registrable Securities included in the Demand Notice may select an investment banker or investment bankers and manager or managers to manage the Underwritten Offering, provided that such investment banker or bankers is (are) reasonably acceptable to the Company. If any Piggyback Registration is an Underwritten Offering, the Company will have the exclusive right to select the investment banker or investment bankers and managers to administer the offering. The Company agrees that, in connection with any Underwritten Offering hereunder, it shall undertake to offer customary indemnification to the participating underwriters.

Section 9. Miscellaneous.

(a) Remedies. In the event of a breach by a party of its obligations under this Agreement, each other party, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Each party agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any provision of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it will waive the defense that a remedy at law would be adequate.

(b) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented without the prior written consent of the Company, and Holders holding in excess of 50% of the Registrable Securities in respect of which Registrable Securities are issuable.

(c) Notices. Except as set forth below, all notices and other communications provided for or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by telex or telecopier, registered or certified mail (return receipt requested), postage prepaid or courier or overnight delivery service to the Company at the following address and to a Holder at the address set forth on his or her signature page to this Agreement (or at such other address for any party as shall be specified by like notice, provided that notices of a change of address shall be effective only upon receipt thereof):

## Registration Rights Agreement

If to the Company: ValueVision International, Inc.  
6740 Shady Oak Road  
Eden Prairie, MN 55344-3433  
Attention: General Counsel

With a copy to: Telecopy: (612) 947-0188

Latham & Watkins  
633 West Fifth Street  
Suite 4000  
Los Angeles, CA 90071  
Attention: Michael W. Sturrock

Telecopy: (213) 891-8763

If to the Purchaser or NBC: GE Capital Equity Investments, Inc.  
120 Long Ridge Road  
Stamford, CT 06927  
Attention: John Sprole

With copies to: Telecopy: (203) 357-3047

National Broadcasting Company, Inc.  
30 Rockefeller Plaza  
New York, New York 10112  
Attn: Stuart U. Goldfarb, Executive Vice  
President and Managing Director, Worldwide  
Business Development

Telecopy: (212) 664-7896

and

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, NY 10017  
Attention: Richard Capelouto

Telecopy: (212) 455-2502

(d) Merger or Consolidation of the Company. If the Company is a party to any merger or consolidation pursuant to which the Preferred Stock or Registrable Securities are converted into or exchanged for securities or the right to receive securities of any other person ("Conversion Securities"), the issuer of such Conversion Securities shall assume (in a writing delivered to all Holders) all obligations of the Company hereunder. The Company will not effect any merger or consolidation described in the immediately preceding sentence



## Registration Rights Agreement

unless the issuer of the Conversion Securities complies with this Section 9(d).

(e) Successors and Assigns. Subject to the terms and conditions of the Shareholder Agreement, (i) any transferee of all or a portion of the Preferred Stock or Registrable Securities and (ii) any Restricted Party that holds Registrable Securities shall become a Holder hereunder to the extent it agrees in writing to be bound by all of the provisions applicable hereunder to the transferring Holder (such acknowledgment being evidenced by execution of a Counterpart and Acknowledgment substantially in the form of Exhibit A). Subject to the requirements of this Section 9(e), this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

(g) Headings. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning.

(h) Governing Law. This agreement will be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed within the State of New York, without regard to principles of conflict of laws.

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein will remain in full force and effect and will in no way be affected, impaired or invalidated, and the parties hereto will use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be the complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to such subject matter. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

## **Registration Rights Agreement**

[Signature page follows]

**Registration Rights Agreement**

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

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ Gene McCaffery

-----  
Name: Gene McCaffery  
Title: Chief Executive Officer

**GE CAPITAL EQUITY INVESTMENTS, INC.**

By: /s/ James Brown

-----  
Name: James Brown  
Title: Senior Vice President

**NATIONAL BROADCASTING COMPANY, INC.**

By: /s/ Stuart Goldfarb

-----  
Name: Stuart Goldfarb  
Title: Executive Vice President,  
Worldwide Business Development

**Registration Rights Agreement**

**EXHIBIT A**

**REGISTRATION RIGHTS AGREEMENT  
COUNTERPART AND ACKNOWLEDGMENT**

TO: The Company

RE: The Registration Rights Agreement (the "Agreement") dated as of \_\_\_\_\_, 1999, by and among the Company and the Holders (as defined in the Agreement)

The undersigned hereby agrees to be bound by the terms of the Agreement as a party to the Agreement, and shall be entitled to all benefits of the Holders (as defined in the Agreement) and shall be subject to all obligations and restrictions of the Holders pursuant to the Agreement, as fully and effectively as though the undersigned had executed a counterpart of the Agreement together with the other parties to the Agreement. The undersigned hereby acknowledges having received and reviewed a copy of the Agreement.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

By:

Title:

Number of Shares of Registrable Securities:

## FIRST AMENDMENT AND AGREEMENT

FIRST AMENDMENT AND AGREEMENT, dated as of April 15, 1999 (this "Amendment"), to the Investment Agreement, dated as of March 8, 1999 (the "Investment Agreement"), by and between VALUEVISION INTERNATIONAL, INC. (the "Company") and GE CAPITAL EQUITY INVESTMENTS, INC. (the "Purchaser").

### WITNESSETH:

WHEREAS, pursuant to the terms of the Investment Agreement and the Ancillary Documents (as defined in the Investment Agreement), the Company is issuing to the Purchaser and its affiliates certain securities (the "Securities");

WHEREAS, the parties have subsequently determined that shareholder approval of the issuance a portion of the Securities is required by the rules and regulations of the Nasdaq Stock Market (the "Nasdaq Rules"); and

WHEREAS, the Company and the Purchaser have agreed to amend the terms of the Investment Agreement to comply with the Nasdaq Rules.

NOW, THEREFORE, the parties hereto hereby agree as follows:

I. Defined Terms. Terms defined in the Investment Agreement and used herein shall have the meanings given to them in the Investment Agreement.

II. Amendments to Investment Agreement. The Investment Agreement shall be amended as follows:

1. The following definition shall be added in the appropriate alphabetical place in Section 1.1 of the Investment Agreement:

"Additional Preferred Shares" shall have the meaning set forth in Section 2.1(a).

"Second Closing" and "Second Closing Date" shall have the meanings set forth in Section 5.9(a).

"Second Closing Consideration" shall have the meaning set forth in Section 2.1(b).

2. The following sentence shall be added to the end of Section 2.1(a) of the Investment Agreement:

At the Closing, the Purchaser shall Purchase 3,739,500 shares of Preferred Stock. The difference between 5,339,500 shares and the 3,739,500 shares of Preferred Stock purchased at the Closing (i.e. 1,600,000 shares) shall be referred to as the "Additional Preferred Shares".

3. The following sentence shall be added to the end of Section 2.1(b) of the Investment Agreement:

Of this amount, the Purchaser shall pay at the Closing an amount equal to \$31,000,836.69, which is (i) \$44,265,000.00 minus (ii) the product of (A) the number of Additional Preferred Shares multiplied by (B) \$8.288. The difference between \$44,265,000.00 and the \$31,000,836.69 paid by the Purchaser at the Closing (i.e. \$13,264,163.31) shall be referred to as the "Second Closing Consideration".

4. The word "Securities" in Section 2.2 of the Investment Agreement shall be replaced with the words "Securities (other than the Additional Preferred Shares)" each time the word "Securities" appears in Section 2.2.

5. The first sentence of Section 5.1(a) shall be replaced with the following sentence:

As soon as practicable after the execution of this Agreement, the Company shall prepare and cause to be filed with the SEC preliminary proxy materials (the "Proxy Statement") for the solicitation of approval of the shareholders of the Company of (i) the issuance by the Company of shares of Common Stock pursuant to, and purchase of shares of Common Stock by the exercise of, the

Warrants, (ii) the issuance and sale by the Company of the Additional Preferred Shares, (iii) such other transactions contemplated hereby and pursuant to the Ancillary Documents as may reasonably require approval of the Company's shareholders (together with clauses (i) and (ii), the "Shareholder Approval"), (iv) the election of directors and (v) such other matters as the Company and the Purchaser may reasonably agree.

6. The word "Securities" in the last sentence of Section 5.2 of the Investment Agreement shall be replaced with the words "Securities (other than the Additional Preferred Shares)."

7. The following sections shall be added to the end of Article V of the Investment Agreement:

Section 5.9 Agreement to Sell and Purchase Additional Preferred Shares. (a) If Shareholder Approval is obtained with respect to the issuance and sale of the Additional Preferred Shares, the Company agrees to issue and sell, and the Purchaser agrees to purchase, the Additional Preferred Shares for an aggregate purchase price equal to the Second Closing Consideration (the "Second Closing"). Such purchase shall occur at such time as the Purchaser and the Company shall agree (but in no event later than the third Business Day following the receipt of such Shareholder Approval, unless otherwise agreed to by the parties) (the date of such purchase, the "Second Closing Date").

(b) At the Second Closing: (i) the Company shall deliver to the Purchaser, against payment of the Second Closing Consideration, stock certificates for the Additional Preferred Shares to be sold in accordance with the provisions of Section 5.9(a), registered in the name of the Purchaser or its nominee (subject to the provisions herein and in the Ancillary Documents) and in such denominations as the Purchaser shall specify not less than two Business Days prior to the Second Closing Date; and (ii) the Purchaser, in full payment for the Additional Preferred Shares, against delivery of the stock certificates referred to above, shall deliver to the Company on the Second Closing Date immediately available funds, by wire transfer to such account as the Company shall specify at least three Business Days prior to the Second Closing Date, in the amount equal to the Second Closing Consideration.

Section 5.10 Conduct of Business Pending the Second Closing. If Shareholder Approval is obtained with respect to the issuance and sale of the Additional Preferred Shares, the Company shall not, prior to the Second Closing Date, take any action specified in Section 4.1(b) hereof.

8. The first sentence of Section 3.1(e)(ii) shall be replaced with the following sentence:

Upon delivery of and payment for the Shares on the Closing Date or the Second Closing Date, as applicable, as provided herein, such Shares to be purchased on the Closing Date or the Second Closing Date, as applicable, will be duly and validly authorized and issued, fully paid and nonassessable and not subject to preemptive rights, and the Purchaser will acquire good title thereto, free and clear of all Liens (other than any Lien created by the Purchaser).

9. The first sentence of Section 6.1 of the Investment Agreement shall be replaced with the following sentence:

The obligation of the Purchaser to purchase the Securities (other than the Additional Preferred Shares) at the Closing, and to purchase the Additional Preferred Shares at the Second Closing, is subject to the satisfaction or waiver of each of the following conditions precedent at or prior to the Closing or Second Closing, as the case may be:

10. The words "Closing Date" in Section 6.1 of the Investment Agreement shall be replaced with the words "Closing Date or Second Closing Date, as the case may be," each time the word "Closing Date" appears in Section 6.1.

11. The first sentence of Section 6.2 of the Investment Agreement shall be replaced with the following sentence:

The obligation of the Company to sell the Securities (other than the Additional Preferred Shares) at the Closing, and to sell the Additional Preferred Shares at the Second Closing, is subject to the satisfaction or waiver of each of the following conditions precedent at or prior to the Closing or Second Closing, as the case may be:

12. The words "Closing Date" in Section 6.2 of the Investment Agreement shall be replaced with the words "Closing Date or Second Closing Date, as the case may be," each time the word "Closing Date" appears in Section 6.2.

13. Except to the extent amended or modified by this Amendment or as otherwise specified, for the avoidance of doubt, all references in the Investment Agreement to "Preferred Stock" or "Shares" or "Securities" shall include, and all terms and provisions relating thereto shall apply to, the Additional Preferred Shares.

III. Condition to Effectiveness. This Amendment shall become effective on the date on which the Company and the Purchaser shall have executed and delivered this Amendment (the "Amendment Effective Date").

#### IV. General

1. Representation and Warranties of the Company. The Company represents and warrants to the Purchaser as of the date hereof and as of the Second Closing Date as follows:

(a) Authorization; No Conflicts. The Company has full corporate power and authority to enter into this Amendment and to perform its obligations hereunder. The execution, delivery and performance by the Company of this Amendment and the consummation of the Company's obligations hereunder have been duly authorized by all necessary corporate action. This Amendment has been duly and validly executed and delivered by the Company. The Company's Board of Directors has resolved to recommend that its shareholders vote for the Shareholder Approval. This Amendment constitutes a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors generally and by general equitable principles. Except as set forth in Schedule 3.1(c) to the Investment Agreement, the execution, delivery and performance of this Amendment by the Company, the consummation of the transactions by the Company contemplated hereby and the compliance by the Company with the provisions hereof will not conflict with, violate or result in a breach of any provision of, require a consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Lien upon any of the properties or assets of the Company or Material Subsidiaries under, (i) the articles of incorporation, by-laws or other governing instrument of the Company or any Material Subsidiary, (ii) any Contractual Obligation of the Company or any Material Subsidiary or (iii) assuming that the filings, consents and approvals specified in Schedule 3.1(d) to the Investment Agreement have been obtained or made and any waiting period applicable thereto has expired or been terminated, any Requirement of Law applicable to the Company or any Material Subsidiary, except, in the case of clauses (ii) and (iii) above, such conflicts, violations, breaches, consents, approvals, notices, defaults, terminations, accelerations or Liens which would not have a Material Adverse Effect.

(b) Consents. Except as set forth in Schedule 3.1(d) to the Investment Agreement, no consent, approval, order or authorization of, registration, declaration or filing with, or notice to, any Governmental Entity is required on the part of the Company or any of its Subsidiaries in connection with the execution and delivery by the Company of this Amendment, the consummation by the Company of the transactions contemplated hereby or the performance by the Company of its

obligations hereunder, except for (i) the filing of all notices, reports and other documents required by, and the expiration of all waiting periods under, the HSR Act and the rules and regulations promulgated by the FCC, (ii) such filings as may be required under the blue sky laws of the various states, (iii) the filing of the Certificate of Designation with the Secretary of State of the State of Minnesota and (iv) such consents, approvals, orders, authorizations, registrations, declarations, filings or notices of which the failure to make or obtain would not have a Material Adverse Effect.

2. Representation and Warranties of the Purchaser. The Purchaser represents and warrants to the Company as of the date hereof and as of the Second Closing Date as follows:

(a) Authorization; No Conflicts. The execution and delivery of this Amendment and the consummation of the transactions contemplated hereby have been authorized by all necessary corporate action on behalf of the Purchaser. This Amendment has been duly and validly executed and delivered on behalf of the Purchaser, and this Amendment is a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms. The execution, delivery and performance of this Amendment, the consummation by the Purchaser of the transactions contemplated hereby and the compliance by Purchaser with the provisions hereof will not conflict with, violate or result in a breach of any provision of, require a consent, approval or notice under, or constitute a default (or an event, which, with notice or lapse of time or both, would constitute a default) under, (i) any organizational document of the Purchaser or NBC, (ii) any Contractual Obligation of the Purchaser or NBC, or (iii) assuming that the clearances, filings, consents and approvals specified in Schedule 3.2(c) to the Investment Agreement have been obtained or made and any waiting period applicable thereto has expired or been terminated, any Requirement of Law applicable to the Purchaser or NBC, except, in the case of clauses (ii) and (iii) above, such conflicts, violations, breaches, consents, approvals, notices, defaults, terminations, accelerations or Liens which would not have a Material Adverse Effect.

(b) Consents and Approvals. Except as set forth in Schedule 3.2(c) to the Investment Agreement, no consent, approval, order or authorization of, registration, declaration or filing with, or notice to, any Governmental Entity is required on the part of Purchaser in connection with the execution and delivery by Purchaser of this Amendment, the consummation by the Purchaser of the transactions contemplated hereby or the performance by the Purchaser of its obligations hereunder, except for (i) the filing of all notices, reports and other documents required by, and the expiration of all waiting periods under, the HSR Act and the rules and regulations promulgated by the FCC, and (ii) such consents, approvals, orders, authorizations, registrations, declarations, filings or notices of which the failure to make or obtain would not have a Material Adverse Effect. The Purchaser is fully qualified under the FCC's rules, regulations, and policies (including, but not limited to, its television network and its multiple ownership rules) to consummate the transactions contemplated by this Amendment, and such consummation shall not cause the Company to be deemed to be an attributable owner of, or vertically integrated with, any cable system for purposes of any of the provisions of 47 C.F.R. part 76, or to be deemed an "affiliate" of any cable system for purposes of the commercial leased access rules as established in 47 C.F.R. section 76.970(b).

3. Payment of Expenses. Each of the Company and the Purchaser agrees to pay for its own out-of-pocket costs and expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the fees and disbursements of counsel.

4. No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Investment Agreement and the Ancillary Documents are and shall remain in full force and effect. This Amendment shall be part of the Investment Agreement.

5. Governing Law; Counterparts. (a) This Amendment shall be governed and construed in accordance with the laws of the State of New York applicable to contracts executed and performed within such state, and each party hereby submits to the jurisdiction of any state or U.S. federal court sitting within the County of New York or County of Hennepin. The parties hereto waive all right to trial by jury



in any action, suit or proceeding brought to enforce or defend any rights or remedies under this Amendment.

(b) This Amendment may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto or by their respective duly authorized representatives, all as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ GENE MCCAFFERY

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Name: Gene McCaffery

Title: Chief Executive Officer and  
President

**GE CAPITAL EQUITY INVESTMENTS, INC.**

By: /s/ JAMES BROWN

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Name: James Brown

Title: Senior Vice President

## EXHIBIT 10.5

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THE SECURITIES REPRESENTED HEREBY HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SHAREHOLDER AGREEMENT, DATED AS OF THE DATE HEREOF, AMONG VALUEVISION INTERNATIONAL, INC., GE CAPITAL EQUITY INVESTMENTS, INC. AND NATIONAL BROADCASTING COMPANY, INC.

THE RESTATED ARTICLES OF INCORPORATION OF THE COMPANY (AS DEFINED BELOW), AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE COMPANY 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 COMPANY, 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 COMPANY. 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 COMPANY 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 COMPANY, THE COMPANY 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 AS 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 LAW OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES. THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS, AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OR SERIES AUTHORIZED TO BE ISSUED, SO FAR AS THEY HAVE BEEN DETERMINED, AND THE AUTHORITY OF THE BOARD TO DETERMINE THE

## Initial Distributor Warrants

### RELATIVE RIGHTS AND PREFERENCES OF SUBSEQUENT CLASSES OR SERIES.

No. W-2 1,450,000 Warrants

### COMMON STOCK PURCHASE WARRANTS

Exercisable commencing April 22, 1999

Void after Expiration Time (as defined herein)

ValueVision International, Inc., a Minnesota corporation (the "Company"), hereby certifies that, for value received, National Broadcasting Company, Inc., a Delaware corporation (the "Initial Holder" or ANBC), or registered assigns (in either case, the "Warrantholder"), is the owner of one million four hundred and fifty thousand (1,450,000) Warrants (as defined below), each of which entitles the Warrantholder to purchase from the Company one fully paid, duly authorized and nonassessable share of Common Stock, par value \$0.01 per share, of the Company (the "Common Stock") at any time or from time to time subject to the terms set forth herein, commencing on April 22, 1999 (the "Issue Date") and continuing up to the Expiration Time (as defined herein) at a per share exercise price determined according to the terms and subject to the conditions set forth in this certificate (the "Warrant Certificate"). The number of shares of Common Stock issuable upon exercise of each such Warrant and the exercise price per share of Common Stock are subject to adjustment from time to time pursuant to the provisions of Sections 8 and 9 of this Warrant Certificate. The Warrants evidenced by this Warrant Certificate (the "Warrants") are being issued pursuant to a Distribution and Marketing Agreement, dated as of March 8, 1999 (as it may be amended, supplemented or otherwise modified from time to time, the "Distribution Agreement"), by and between the Company and the Initial Holder.

Section 1. Definitions. As used in this Warrant Certificate, the following terms shall have the meanings set forth below:

"Additional Warrants" shall have the meaning set forth in the Distribution Agreement.

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. As used in this definition, "control" (including its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of

## Initial Distributor Warrants

securities or partnership or other ownership interests, by contract or otherwise).

"Articles of Incorporation" shall mean the Articles of Incorporation of the Company, as amended from time to time.

"Beneficially Own" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall be deemed to "Beneficially Own" all securities that such Person has a right to acquire, whether such right is exercisable immediately or only after the passage of time (and without any additional condition), provided that a Person shall not be deemed to "Beneficially Own" any shares of Common Stock which are issuable upon exercise of any Additional Warrants unless and until such Additional Warrants are actually issued and outstanding (at which time such Person shall be deemed to Beneficially Own all shares of Common Stock which are issuable upon exercise of such Additional Warrants, whether or not they are vested or unvested) and, provided further, except as expressly provided in this Agreement no Person shall be deemed to "Beneficially Own" any securities issuable upon exercise of the Purchase Warrant unless and until the Shareholder Approval is obtained. In the event that the Shareholder Approval is obtained, when calculating Beneficial Ownership on any particular date after receipt of such Shareholder Approval, the Purchase Warrant will be deemed to represent Beneficial Ownership of the maximum number of shares of Common Stock that could be acquired upon exercise of the Purchase Warrant on such date.

"Board of Directors" shall mean the board of directors of the Company.

"Business Day" shall mean any day, other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or obligated by law or executive order to close.

"Change in Control" shall mean any of the following: (i) a merger, consolidation or other business combination or transaction to which the Company is a party if the shareholders of the Company immediately prior to the effective date of such merger, consolidation or other business combination or transaction, as a result of such merger, consolidation or other business combination or transaction, do not have Beneficial Ownership of voting securities representing 50% or more of the Total Current Voting Power of the surviving corporation following such merger, consolidation or other business combination or transaction; (ii) an acquisition by any Person (other than the Restricted Parties and their Affiliates or any 13D Group to which any of them is a member) of Beneficial Ownership of

## Initial Distributor Warrants

Voting Stock of the Company representing 25% or more of the Total Current Voting Power of the Company, (iii) a sale of all or substantially all the consolidated assets of the Company to any Person or Persons (other than Restricted Parties and their Affiliates or any 13D Group to which any of them is a member); or (iv) a liquidation or dissolution of the Company.

"Common Stock" shall have the meaning set forth in the preamble hereto.

"Company" shall have the meaning set forth in the preamble hereto.

"Designated Entity" shall mean Home Shopping Network, Inc., QVC, Inc., Shop-At-Home, Inc. or Paxson Communications Corporation.

"Distribution Agreement" shall mean the Distribution and Marketing Agreement dated as of March 8, 1999 between the Company and NBC pursuant to which NBC has agreed to distribute certain programming of the Company, as such agreement may be amended from time to time.

"Distribution Agreement Termination Event" shall mean a termination of the Distribution Agreement by the Company (i) as a result of the failure of NBC to achieve certain performance targets set forth in Sections 8(a), (b) or (c) of the Distribution Agreement or (ii) pursuant to the Company's right to so terminate under Section 10 of the Distribution Agreement.

"Election to Exercise" shall have the meaning set forth in Section 4.2(a) hereof.

"Equity Securities" shall mean, with respect to any Person, any and all common stock, preferred stock, any other class of capital stock and partnership or limited liability company interests of such Person or any other similar interests of any Person that is not a corporation, partnership or limited liability company.

"Exchange Act" shall mean the Securities Exchange act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exercise Price" shall have the meaning set forth in Section 8 hereof.

"Expiration Date" shall mean with respect to any Warrant represented hereunder, the fifth anniversary of the vesting date (as set forth in Schedule A hereto) of such Warrant.

## **Initial Distributor Warrants**

"Expiration Time" shall mean 5:00 P.M., New York City time, on the Expiration Date.

"Expired" shall mean, with respect to a Warrant issued hereunder, that such Warrant has not been exercised prior to the Expiration Date for such Warrant.

"Fractional Warrant Share" shall mean any fraction of a whole share of Common Stock issued, or issuable upon, exercise of the Warrants.

"GE Capital" shall mean GE Capital Equity Investments, Inc., a Delaware corporation, together with its successors by operation of law.

"Governmental Entity" shall mean any federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign.

"Independent Expert" shall mean an investment banking firm mutually acceptable to the Company and the Warranholder.

"Initial Holder" shall have the meaning set forth in the preamble hereto.

"Investment Agreement" shall mean the Investment Agreement, dated as of March 8, 1999 (as it may be amended, supplemented or otherwise modified from time to time), by and between the Company and GE Capital.

"Issue Date" shall have the meaning set forth in the preamble hereto.

"Market Price" shall mean, with respect to a share of Common Stock on any day, except as set forth below in the case that the shares of Common Stock are not publicly held or listed, the average of the "quoted prices" of the Common Stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question. The term "quoted prices" of the Common Stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to

## Initial Distributor Warrants

trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Common Stock. Notwithstanding the foregoing, if the shares of Common Stock are not publicly held or so listed, quoted or publicly traded, the "Market Price" means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors; provided, however, that if the Warrantholder shall dispute the fair market value as determined by the Board, the Warrantholder and the Company may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive on the Company and the Warrantholder. All costs and expenses of the Independent Expert shall be borne by the Warrantholder unless the determination of fair market value is more favorable to such Warrantholder by 5% or more, in which case, all such costs and expenses shall be borne by the Company.

"Nasdaq" shall mean The Nasdaq Stock Market's National Market.

"NBC" shall have the meaning set forth in the preamble hereto.

"Organic Change" shall mean, with respect to any Person, any transaction (including without limitation any recapitalization, capital reorganization or reclassification of any class or series of Equity Securities, any consolidation of such Person with, or merger of such Person into, any other Person, any merger of another Person into such Person (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of capital stock of such Person), and any sale or transfer or lease of all or substantially all of the assets of such Person, but not including any stock split, combination or subdivision which is the subject of Section 9.1 (b)) pursuant to which any class or series of Equity Securities of such Person is exchanged for, or converted into the right to receive other securities, cash or other property.

"Person" shall mean any individual, firm, corporation, company, limited liability company, association, partnership, joint venture, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

## **Initial Distributor Warrants**

"Preferred Stock" shall mean the Series A Redeemable Convertible Preferred Stock, par value \$0.01 per share, of the Company.

"Purchased Shares" shall have the meaning set forth in Section 9.1(e) hereof.

"Purchase Warrant" shall mean the Common Stock Purchase Warrant (No. W-1) (and any replacement(s) thereof) exercisable for up to 39.9% of the Common Stock of the Company issued to GE Capital pursuant to the Investment Agreement.

"Record Date" shall have the meaning set forth in Section 9.1(a) hereof.

"Reference Date" shall have the meaning set forth in Section 9.1(d) hereof.

"Relevant Date" shall have the meaning set forth in Section 9.1(c) hereof.

"Restricted Parties" shall mean each of (i) NBC, its Ultimate Parent Entity (if any), each Subsidiary of NBC and each Subsidiary of its Ultimate Parent Entity, (ii) GE Capital, its Ultimate Parent Entity (if any), each Subsidiary of GE Capital and each Subsidiary of its Ultimate Parent Entity and (iii) any Affiliate of any Person that is a Restricted Party if (and only if) such Restricted Party has the right or power (acting alone or solely with other Restricted Parties) to either cause such Affiliate to comply with or prevent such Affiliate from not complying with all of the terms of this Agreement that are applicable to Restricted Parties.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder Agreement" shall mean the Shareholder Agreement, dated as of the date hereof, among GE Capital, NBC and the Company.

"Shareholder Approval" shall have the meaning ascribed to such term in the Investment Agreement.

"Subsidiary" shall mean, as to any Person, a corporation, partnership, limited liability company, joint venture or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such



## Initial Distributor Warrants

corporation, partnership or other entity are at the time owned, directly or indirectly through one or more intermediaries (including, without limitation, other Subsidiaries), or both, by such Person.

"13D Group" means any "group" (within the meaning of Section 13(d) of the Exchange Act) formed for the purpose of acquiring, holding, voting or disposing of Voting Stock.

"Total Current Voting Power" shall mean, with respect to any corporation the total number of votes which may be cast in the election of members of the Board of Directors of the corporation if all securities entitled to vote in the election of such directors (excluding shares of preferred stock that are entitled to elect directors only upon the occurrence of customary events of default) are present and voted (it being understood that the Preferred Stock will be included on an as converted basis in the calculation of Total Current Voting Power of the Company).

"Trading Day" shall mean any day on which Nasdaq is open for trading, or if the shares of Common Stock are not quoted on Nasdaq, any day on which the principal national securities exchange or national quotation system on which the shares of Common Stock are listed, admitted to trading or quoted is open for trading, or if the shares of Common Stock are not so listed, admitted to trading or quoted, any Business Day.

"Ultimate Parent Entity" shall mean, with respect to any Person (the "Subject Person"), the Person (if any) that (i) owns, directly or indirectly through one or more intermediaries, or both, shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of the Subject Person and (ii) is not itself a Subsidiary of any other Person or is a natural person.

"Voting Stock" shall mean shares of the Common Stock and Preferred Stock and any other securities of the Company having the ordinary power to vote in the election of members of the Board of Directors of the Company.

"Warrant" shall have the meaning set forth in the preamble hereto.

"Warrant Cancellation Event" shall mean that on or prior to August 31, 1999, the Closing (as defined in the Investment Agreement) under the Investment Agreement shall not have occurred or that Shareholder Approval shall not

## **Initial Distributor Warrants**

have been obtained, as set forth in Section 9(a) or 9(b) of the Distribution Agreement.

"Warrant Certificate" shall have the meaning set forth in the preamble hereto.

"Warrant Register" shall have meaning set forth in Section 2.2 hereof.

"Warrant Shares" shall mean the shares of Common Stock issued, or issuable upon, exercise of the Warrants.

"Warrantholder" shall have the meaning set forth in the preamble hereto.

### **Section 2. Transferability.**

2.1 Registration. The Warrants shall be issued only in registered form. The Company agrees to maintain, at its office or agency, books for the registration and transfer of the Warrants.

2.2 Transfer. Subject to the terms and conditions of the Shareholder Agreement, the Warrants evidenced by this Warrant Certificate may be sold or otherwise transferred at any time (except as such sale or transfer may be restricted pursuant to the regulations of the Federal Communications Commission, the Securities Act or any applicable state securities laws) with the prior written consent of the Company, which consent shall not be unreasonably withheld; provided, however, that the consent of the Company shall not be deemed to have been unreasonably withheld if the Company does not approve a transfer of such Warrants to any Designated Entity. Any such sale or transfer shall be effected on the books of the Company (the "Warrant Register") maintained at its principal executive offices upon surrender of this Warrant Certificate for registration of transfer duly endorsed by the Warrantholder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant Certificate or Certificates in appropriate denominations to the Person or Persons entitled thereto.

### **Section 3. Exchange of Warrant Certificate.**

Any Warrant Certificate may be exchanged for another certificate or certificates of like tenor entitling the Warrantholder to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitles such Warrantholder to purchase. Any Warrantholder desiring to exchange a Warrant certificate shall make such

## Initial Distributor Warrants

request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the Person entitled thereto a new Warrant Certificate or Certificates as so requested.

### Section 4. Term of Warrants; Exercise of Warrants.

4.1 Vesting and Duration of Warrants. Subject to the terms and conditions set forth in this Warrant Certificate, the Warrantholder may exercise the Warrants evidenced hereby, in whole or in part, at any time and from time to time after the Issue Date and before the Expiration Time of such Warrants; provided, however, that the number of Warrants which the Warrantholder will be entitled to exercise on any date will be equal to (a) the sum of the Warrants vested on or prior to such date pursuant to the vesting schedule attached as Schedule A hereto minus (b) the sum of (i) the total number of Warrants previously exercised hereunder and (ii) the total number of Warrants which have Expired; provided, further, that (X) upon the occurrence of a Distribution Agreement Termination Event, notwithstanding the vesting schedule set forth in Schedule A hereto, any unvested Warrants hereunder as of such termination date shall cease to vest, but any Warrants which have vested prior to such termination date shall continue to be exercisable, subject to the provisions hereunder, (Y) upon a Change in Control, notwithstanding the vesting schedule set forth in Schedule A, hereto, any unvested Warrants hereunder shall immediately vest and become fully exercisable, subject to the provisions hereunder and (Z) upon the occurrence of a Warrant Cancellation Event, notwithstanding the other provisions of this Warrant Certificate, all of the unexercised Warrants hereunder, whether or not vested, shall terminate and become void, and all rights hereunder with respect to such Warrants shall thereupon cease. Any Warrant not exercised by the Expiration Time applicable to such Warrant shall become void, and all rights hereunder with respect to such Warrant shall thereupon cease.

### 4.2 Exercise of Warrant.

(a) On the terms and subject to the conditions set forth in this Warrant Certificate, the Warrantholder may exercise the Warrants evidenced hereby, in whole or in part, by presentation and surrender to the Company of this Warrant Certificate together with the attached Election to Exercise (the "Election to Exercise") duly filled in and signed, and accompanied by payment to the Company of the Exercise Price for the number of Warrant Shares specified in such Election to Exercise. Payment of the aggregate Exercise Price (including payment made pursuant to a purchase under Section 9.3(a) hereof) shall be made

(i) in cash in an amount equal to the aggregate Exercise Price; (ii) by certified or official bank check in an

## Initial Distributor Warrants

amount equal to the aggregate Exercise Price or (iii) by any combination of the foregoing. In lieu of the above, the Warrantholder may deliver an Election to Exercise that provides for a recapitalization exchange of Warrants for Warrant Shares having an aggregate value equal to the excess of (x) the aggregate value of the Warrant Shares to which the Warrants so exercised relate (based on the determination of the Market Price of the Common Stock as of such date) over (y) the aggregate Exercise Price of such Warrants.

(b) On the terms and subject to the conditions set forth in this Warrant Certificate, upon such presentation of a duly executed Election to Exercise and surrender of this Warrant Certificate and payment of such aggregate Exercise Price as set forth in paragraph (a) hereof, the Company shall promptly issue and cause to be delivered to the Warrantholder, or, subject to Section 2 hereunder, to such Persons as the Warrantholder may designate in writing, a certificate or certificates (in such name or names as the Warrantholder may designate in writing) for the specified number of duly authorized, fully paid and non-assessable Warrant Shares issuable upon exercise, and shall deliver to the Warrantholder cash, as provided in Section 10 hereof, with respect to any Fractional Warrant Shares otherwise issuable upon such surrender. In the event that the Warrants evidenced by this Warrant Certificate are exercised in part prior to the Expiration Time applicable to such Warrants, the Company shall issue and cause to be delivered to the Warrantholder, or, subject to Section 2 hereunder, to such Persons as the Warrantholder may designate in writing, a certificate or certificates (in such name or names as the Warrantholder may designate in writing) evidencing any remaining unexercised and un-Expired Warrants.

(c) Each Person in whose name any certificate for Warrant Shares is issued shall for all purposes be deemed to have become the holder of record of the Warrant Shares represented thereby on the first date on which both the Warrant Certificate evidencing the respective Warrants was surrendered, along with a duly executed Election to Exercise, and payment of the Exercise Price and any applicable taxes was made, irrespective of date of issue or delivery of such certificate.

4.3 Conditions to Exercise. Each exercise of the Warrants shall be subject to the following conditions:

(a) Such exercise shall be consistent with the terms of Section 4.1 hereof; and

(b) The purchase of the Warrant Shares issuable upon such exercise shall not be prohibited under applicable law.

## **Initial Distributor Warrants**

### **Section 5. Payment of Taxes.**

The Company shall pay any and all documentary, stamp or similar issue or transfer taxes and other governmental charges that may be imposed under the laws of the United States or any political subdivision or taxing authority thereof or therein in respect of any issue or delivery of Warrant Shares or of other securities or property deliverable upon exercise of the Warrants evidenced by this Warrant Certificate or certificates representing such shares or securities (other than income or withholding taxes imposed on the Warrantholder); provided, however, that the Company shall not be required to pay any tax or taxes which may be payable with respect to any transfer involving the issue of any Warrant Certificate or any certificates for Warrant Shares in a name other than that of the registered holders thereof, and the Company shall not be required to issue or deliver such Warrant Certificate or certificates for Warrant Shares unless and until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

### **Section 6. Mutilated or Missing Warrant.**

If any Warrant Certificate is lost, stolen, mutilated or destroyed, the Company shall issue in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, upon receipt of a proper affidavit or other evidence reasonably satisfactory to the Company (and surrender of any mutilated Warrant Certificate) and indemnity in form and amount reasonably satisfactory to the Company in each instance protecting the Company, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants as the Warrant Certificate so lost, stolen, mutilated or destroyed. Any such new Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant Certificate shall be at any time enforceable by anyone. An applicant for such substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe. All Warrant Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement of lost, stolen, mutilated or destroyed Warrant Certificates, and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement of negotiable instruments or other securities without their surrender.

## Initial Distributor Warrants

### Section 7. Reservation of Shares.

The Company hereby agrees that, at all times until all of the Warrants issued hereunder (whether vested or unvested) have been exercised, Expired or canceled, there shall be reserved for issuance and delivery upon exercise of this Warrant, free from preemptive rights, the number of shares of authorized but unissued shares of Common Stock as may be required at such time (adjusted from time to time for additional vesting of Warrants as well as for cancellation of exercised or Expired Warrants) for issuance or delivery upon exercise of the Warrants evidenced by this Warrant Certificate. The Company further agrees that it will not, by amendment of its Articles of Incorporation or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by the Company. Without limiting the generality of the foregoing, the Company shall from time to time take all such action that may be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at the Exercise Price as so adjusted.

### Section 8. Exercise Price.

The price per share (the "Exercise Price") at which Warrant Shares shall be purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate shall be \$8.288, subject to adjustment pursuant to Section 9 hereof.

### Section 9. Adjustment of Exercise Price and Number of Shares.

The number and kind of securities purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate and the Exercise Price thereof shall be subject to adjustment from time to time after the date hereof upon the happening of certain events, as follows:

9.1 Adjustments to Exercise Price. The Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends. In case the Company shall, after the Issue Date, pay a dividend or make a distribution on its Common Stock or on any other class or series of capital stock of the Company which dividend or distribution includes or is convertible (without the payment of any consideration other than surrender of such convertible security) into Common Stock, the Exercise Price in effect at the opening of business on the day following the date fixed for determination of the holders of Common Stock or capital

## Initial Distributor Warrants

stock entitled to such payment or distribution (the "Record Date") shall be reduced by multiplying such Exercise Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date and (B) the denominator shall be the sum of such number of shares and the total number of shares constituting or included in such dividend or other distribution (or in the case of a dividend consisting of securities convertible into Common Stock, the number of shares of Common Stock into which such securities are convertible), such reduction to become effective immediately after the opening of business on the day following the Record Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution price will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph.

(b) Stock Splits and Reverse Splits. In case the Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the holder of any Warrants thereafter surrendered for purchase of shares of Common Stock shall be entitled to receive the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of such events had such Warrants been surrendered for exercise immediately prior to such event. Such adjustment shall become effective at the close of business on the day upon which such subdivision or combination becomes effective.

(c) Issuances Below Market. In case the Company shall issue or sell (a) Common Stock, (b) rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Common Stock or (c) any security convertible into Common Stock, in each case at a price, or having an exercise or conversion price, per share less than the then-current Market Price per share of Common Stock on (x) the date of such issuance or sale or (y) in the case of a dividend or distribution of such rights, warrants, options or convertible securities to the holders of Common Stock, the date fixed for determination of the holders of such Common Stock entitled to such dividend or distribution (the date specified in clause (x) or (y) being the "Relevant Date") (excluding any issuance for which an appropriate and full adjustment has been made pursuant to Section 9.1(a)), the Exercise Price shall be reduced by multiplying the Exercise Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at

## Initial Distributor Warrants

the open of business on the Relevant Date plus the number of shares of Common Stock which the aggregate consideration received or receivable

(I) for the total number of shares of Common Stock, rights, warrants or options or convertible securities so issued or sold, and (II) upon the exercise or conversion of all such rights, warrants, options or securities, would purchase at the then-current Market Price per share of Common Stock and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the Relevant Date plus (without duplication) the number of shares of Common Stock subject to all such rights, warrants, options and convertible securities, such reduction of the Exercise Price to be effective at the opening of business on the day following the Relevant Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph. The issuance of any shares of Common Stock or other rights, warrants, options or convertible securities pursuant to (a) any restricted stock or stock option plan or program of the Company involving the grant of options or rights solely to officers, directors, employees and/or consultants of the Company or its Subsidiaries at below the then-current Market Price per share of Common Stock (provided, that any such options or rights were initially granted with an exercise or conversion price of not less than 85% of the then-current Market Price per share of Common Stock), (b) any option, warrant, right, or convertible security outstanding as of the date hereof, (c) the terms of a firmly committed bona fide underwritten public offering, or (d) any merger, acquisition, consolidation, or similar transaction, shall not be deemed to constitute an issuance or sale to which this Section 9.1(c) applies. Upon the expiration unexercised of any rights, warrants, options or rights to convert any convertible securities for which an adjustment has been made pursuant to this Section 9.1(c), the adjustments shall forthwith be reversed to effect such rate of conversion as would have been in effect at the time of such expiration or termination had such rights, warrants, options or rights to convertible securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(d) Special Dividends. Subject to the last sentence of this paragraph (d), in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any shares of Common Stock, rights, warrants, options or convertible securities for



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which an appropriate and full adjustment has been made pursuant to paragraph (a) or (c) above), the Exercise Price in effect on the day immediately preceding the date fixed for the payment of such distribution (the date fixed for payment being referred to as the "Reference Date") shall be reduced by multiplying such Exercise Price by a fraction of which the numerator shall be the current Market Price per share of the Common Stock on the Reference Date less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be mailed to the holders of the Warrants) on the Reference Date of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock, and the denominator shall be such current Market Price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date; provided, however, that if such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph. If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph (d) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider, to the extent possible, the prices in such market over the same period used in computing the current Market Price per share of Common Stock pursuant to this Section 9.1. Notwithstanding the foregoing, if the holders of a majority of the outstanding unexercised and un-Expired Warrants (whether or not vested) shall dispute the fair market determination of the Board of Directors, an Independent Expert shall be selected to determine the fair market value of the Common Stock as of the Reference Date, and such Independent Expert's determination shall be final, binding and conclusive. All costs and expenses of such Independent Expert shall be borne by the holders of the then outstanding unexercised and un-Expired Warrants (whether or not vested) unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Company. For purposes of this paragraph (d), any dividend or distribution that also includes shares of Common Stock or rights, warrants or options to subscribe for or purchase shares of Common Stock shall be deemed to be

(1) a dividend or distribution of the evidences of indebtedness, cash, assets or shares of capital stock other than such shares of Common Stock or rights, warrants, options or convertible securities (making any Exercise Price reduction required by this subparagraph (d)) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights,

## Initial Distributor Warrants

warrants, options or convertible securities (making any further Exercise Price reduction required by subparagraph (a) or (c) of this Section 9.1), except (A) the Reference Date of such dividend or distribution as defined in this subparagraph (d) shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution" and the "Relevant Date" within the meaning of subparagraphs (a) and (c) of this Section 9.1 and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (a) of this Section 9.1).

(e) Minimum Adjustment Requirement. No adjustment shall be required unless such adjustment would result in an increase or decrease of at least 1% in the Exercise Price then subject to adjustment; provided, however, that any adjustments that are not made by reason of this Section 9.1(e) shall be carried forward and taken into account in any subsequent adjustment. In case the Company shall at any time issue shares of Common Stock by way of dividend on any stock of the Company or subdivide or combine the outstanding shares of Common Stock, said 1% specified in the preceding sentence (as theretofore increased or decreased, if said amount shall have been adjusted in accordance with the provisions of this Section 9.1(e)) shall forthwith be proportionately increased in the case of such a combination or decreased in the case of such a subdivision or stock dividend so as appropriately to reflect the same. No adjustment to the Exercise Price shall be required if the holders of the outstanding unexercised and unissued Warrants (whether or not vested) receive the dividend or distribution giving rise to such adjustment in respect of each such Warrant.

(f) Calculations. All calculations under this Section 9.1 shall be made to the nearest \$0.01.

(g) Other Reductions in Exercise Price. The Company from time to time may reduce the Exercise Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period, subject to any conditions that the Board of Directors may deem relevant, and the Board of Directors of the Company shall have made a determination that such reduction would be in the best interest of the Company, which determination shall be conclusive. Whenever the Exercise Price is reduced pursuant to the preceding sentence, the Company shall mail to the Warrantholder a notice of the reduction at least fifteen days prior to the date the reduced Exercise Price takes effect, and such notice shall state the reduced Exercise Price and the period it will be in effect. If the

## Initial Distributor Warrants

Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to shareholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of shares of Common Stock issuable upon exercise granted by this Section 9.1 or in the Exercise Price then in effect shall be required by reason of the taking of such record.

(i) Exercise between Record and Payment Date. Anything in this Section 9.1 to the contrary notwithstanding, in the event that a record date is established for a dividend or distribution that gives rise to an adjustment to the Exercise Price pursuant to this Section 9.1, if any Warrant is exercised to purchase shares of Common Stock between such record date and the date such dividend or distribution is paid then (x) the number of shares of Common Stock issued at the time of such exercise will be determined by reference to the Exercise Price as in effect without taking into account the adjustment resulting from such dividend or distribution and (y) on the date that such dividend or distribution is actually paid there shall be issued in respect of such exercise such number of additional shares of Common Stock as is necessary to reflect the Exercise Price in effect after taking into account the adjustment resulting from the dividend or distribution.

(j) Certificate. Whenever an adjustment in the Exercise Price is made as required or permitted by the provisions of this Section 9.1, the Company shall promptly file a certificate of its chief financial officer setting forth (A) the adjusted Exercise Price as provided in this Section 9.1 and a brief statement of the facts requiring such adjustment and the computation thereof and (B) the number of shares of Common Stock (or portions thereof) purchasable upon exercise of a Warrant after such adjustment in the Exercise Price in accordance with Section 9.2 hereof and the record date therefor, and promptly after such filing shall mail or cause to be mailed a notice of such adjustment to each Warrantholder at his or her last address as the same appears on the Warrant Register. Such certificate, in the absence of manifest error, shall be conclusive and final evidence of the correctness of such adjustment. The Company shall be entitled to rely upon such certificate, and shall be under no duty or responsibility with respect to any such certificate except to exhibit the same to any Warrantholder desiring inspection thereof.

(k) Notice. In case:

(i) the Company shall declare any dividend or any distribution of any kind or character (whether in cash,

## Initial Distributor Warrants

securities or other property) on or in respect of shares of Common Stock or to the shareholders of the Company (in their capacity as such), excluding a dividend payable in shares of Common Stock or any regular periodic cash dividend paid out of current or retained earnings (as such terms are used in generally accepted accounting principles); or

(ii) the Company shall authorize the granting to the holders of shares of Common Stock of rights to subscribe for or purchase any shares of capital stock or of any other right; or

(iii) of any reclassification of shares of Common Stock (other than a subdivision or combination of outstanding shares of Common Stock or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be mailed to the Warrantholder, at their last addresses as they shall appear upon the Warrant Register, at least 10 days prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or, if a record is not to be taken, the date as of which the holders of shares of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and, if applicable, the date as of which it is expected that holders of shares of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property (including cash) deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice, or any defect therein, shall not affect the validity of the proceedings referred to in clauses (i), (ii), (iii) and (iv) above.

(m) Section 305. Anything in this Section 9.1 to the contrary notwithstanding, the Company shall be entitled, but not required, to make such reductions in the Exercise Price, in addition to those required by this Section 9.1, as it in its discretion shall determine to be advisable, including, without limitation, in order that any dividend in or

## Initial Distributor Warrants

distribution of shares of Common Stock or shares of capital stock of any class other than Common Stock, subdivision, reclassification or combination of shares of Common Stock, issuance of rights or warrants, or any other transaction having a similar effect, shall not be treated as a distribution of property by the Company to its shareholders under Section 305 of the Internal Revenue Code of 1986, as amended, or any successor provision and shall not be taxable to them.

### 9.2 Adjustments to Number of Warrant Shares.

Upon each adjustment of the Exercise Price pursuant to Section 9.1 hereof, the number of Warrant Shares purchasable upon exercise of a Warrant outstanding prior to the effectiveness of such adjustment shall be adjusted to the number, calculated to the nearest one-hundredth of a share, obtained by (x) multiplying the number of Warrant Shares purchasable immediately prior to such adjustment upon the exercise of a Warrant by the Exercise Price in effect prior to such adjustment and (y) dividing the product so obtained by the Exercise Price in effect after such adjustment of the Exercise Price.

### 9.3 Organic Change.

(a) **Company Survives.** Upon the consummation of an Organic Change (other than a transaction in which the Company is not the surviving entity), lawful provision shall be made as part of the terms of such transaction whereby the terms of the Warrant Certificates shall be modified, without payment of any additional consideration therefor, so as to provide that upon exercise of Warrants following the consummation of such Organic Change, the Warrantholder shall have the right to purchase for the Exercise Price the kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which such Warrants might have been exercised immediately prior to such Organic Change. Lawful provision also shall be made as part of the terms of the Organic Change so that all other terms of the Warrant Certificates shall remain in full force and effect following such an Organic Change. The provisions of this Section 9.3(a) shall similarly apply to successive Organic Changes.

(b) **Company Does Not Survive.** The Company shall not enter into an Organic Change that is a transaction in which the Company is not the surviving entity unless lawful provision shall be made as part of the terms of such transaction whereby the surviving entity shall issue new securities to each Warrantholder, without payment of any additional consideration therefor, with terms that provide that upon the exercise of the Warrants, the Warrantholder shall have the right to purchase the

## **Initial Distributor Warrants**

kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which such Warrants might have been exercised immediately prior to such Organic Change.

9.4 Statement on Warrants. The form of Warrant Certificate need not be changed because of any adjustment made pursuant to Section 8, Section 9.1 or Section 9.2 hereof, and Warrants issued after such adjustment may state the same Exercise Price and the same number of Warrant Shares as are stated in this Warrant Certificate.

### **Section 10. Fractional Interests.**

The Company shall not be required to issue Fractional Warrant Shares on the exercise of the Warrants evidenced by this Warrant Certificate. If Fractional Warrant Shares totaling more than one Warrant Share in the aggregate is presented for exercise at the same time by the Warrantholder, the number of full Warrant Shares which shall be issuable upon exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares so purchasable upon the exercise of the Warrants so presented. If any Fractional Warrant Share would but for the provisions of this Section 10 be issuable on the exercise of this Warrant (or specified portions thereof), the Company shall pay an amount in cash equal to the fraction of a Warrant Share represented by such Fractional Warrant Share multiplied by the Market Price on the day of such exercise.

### **Section 11. No Rights as Shareholder.**

Nothing in this Warrant Certificate shall be construed as conferring upon the Warrantholder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder with respect to any meeting of shareholders for the election of directors of the Company or any other matter.

### **Section 12. Cooperation; Validity of Warrant.**

The Company shall use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any Governmental Entity having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant. In addition, upon the request of Warrantholder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Warrantholder, the continuing validity of this Warrant and the obligations of the Company hereunder.

## **Initial Distributor Warrants**

### **Section 13. Listing on Nasdaq or Securities Exchange.**

The Company shall use its reasonable best efforts to list any shares of Common Stock issuable upon exercise of the Warrants evidenced by this Warrant Certificate on Nasdaq or on such other national securities exchange on which shares of Common Stock are then listed. The Company will at its expense cause all shares of Common Stock issued upon the exercise of the Warrants evidenced by this Warrant Certificate to be listed at the time of such issuance on Nasdaq and/or such other securities exchange shares of Common Stock are then listed on and shall maintain such listing.

### **Section 14. Covenant Regarding Consent.**

The Company hereby covenants to use its reasonable best efforts upon the request of the Warrantholder to seek any waivers or consents, or to take any other action required, to effectuate the exercise of this Warrant by such Warrantholder.

### **Section 15. Limitation on Liability.**

No provision hereof, in the absence of action by the Warrantholder to receive shares of Common Stock, and no enumeration herein of the rights or privileges of the Warrantholder, shall give rise to any liability of the Warrantholder for any value subsequently assigned to the Common Stock or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

### **Section 16. Nonwaiver and Expenses.**

No course of dealing or any delay or failure to exercise any right hereunder on the part of the Warrantholder or the Company shall operate as a waiver of such right or otherwise prejudice the Warrantholder's, or the Company's, as the case may be, rights, powers or remedies.

### **Section 17. Amendment.**

This Warrant and all other Warrants issued hereunder may be modified or amended or the provisions hereof waived with the written consent of the Company and holders of Warrants exercisable for in excess of 50% of the aggregate number of shares of Common Stock then receivable upon exercise of all Warrants whether or not then exercisable; provided that no such Warrant may be modified or amended in a manner which is materially adverse to the Initial Holder or any of its successors

## Initial Distributor Warrants

or assigns, so long as such Person holds any Warrants or Warrant Shares, without the prior written consent of such Person.

### Section 18. Successors.

All the covenants and provisions of this Warrant Certificate by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and permitted assigns hereunder.

### Section 19. Governing Law; Choice of Forum, Etc.

The validity, construction and performance of this Warrant Certificate shall be governed by and interpreted in accordance with, the laws of New York. The parties hereto agree that the appropriate forum for any disputes arising out of this Warrant Certificate solely between or among any or all of the Company, on the one hand, and the Initial Holder and/or any Person who has become a Warrantholder, on the other, shall be any state or U.S. federal court sitting within the County of New York, New York or County of Hennepin, Minnesota, and the parties hereto irrevocably consent to the jurisdiction of such courts, and agree to comply with all requirements necessary to give such courts jurisdiction. The parties hereto further agree that the parties will not bring suit with respect to any disputes, except as expressly set forth below, arising out of this Warrant Certificate for the execution or enforcement of judgment, in any jurisdiction other than the above specified courts. Each of the parties hereto irrevocably consents to the service of process in any action or proceeding hereunder by the mailing of copies thereof by registered or certified airmail, postage prepaid, if to (i) the Company, at ValueVision International, Inc., 6740 Shady Oak Road, Eden Prairie, MN 55344-3433, Attention: General Counsel, Fax: (612) 947-0188, or at such other address specified by the Company in writing to the other parties, with a copy to Latham & Watkins, 633 West Fifth Street, Suite 4000, Los Angeles, CA 90071, Attention: Michael W. Sturrock, Fax: (213) 891-8763 and (ii) any Warrantholder, at the address of such Warrantholder specified in the Warrant Register. The foregoing shall not limit the rights of any party hereto to serve process in an other manner permitted by the law or to obtain execution of judgment in any other jurisdiction. The parties further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of indebtedness. The parties agree to waive any and all rights that they may have to a jury trial with respect to disputes arising out of this Agreement.



## **Initial Distributor Warrants**

### Section 20. Enforcement.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Warrant and to enforce specifically the terms and provisions of this Warrant.

### Section 21. Benefits of this Agreement.

Nothing in this Warrant Certificate shall be construed to give to any Person other than the Company and the Warrantholder any legal or equitable right, remedy or claim under this Warrant Certificate, and this Warrant Certificate shall be for the sole and exclusive benefit of the Company and the Warrantholder.

**Initial Distributor Warrants**

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the date first written above.

**VALUEVISION INTERNATIONAL, INC.**

*By: /s/ Gene McCaffery*

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*Name: Gene McCaffery*

*Title: Chief Executive Officer*

**ELECTION TO EXERCISE**  
(To be executed upon exercise of Warrants)

**To ValueVision International, Inc.:**

The undersigned hereby irrevocably elects to exercise the right represented by the within Warrant Certificate for, and to acquire thereunder, \_\_\_\_\_ Warrant Shares, as provided for therein, and tenders herewith [payment of] [pursuant to a recapitalization exchange, of securities with a value equal to] the \$\_\_\_\_\_ Exercise Price in full in the form of [COMPLETE

**WHERE APPLICABLE]:**

[ ] cash or a certified or official bank check in the amount of \$\_\_\_\_\_ ; and/or

[ ] exchange of \_\_\_\_\_ Warrants for \_\_\_\_\_ Warrant Shares (such Warrant Shares have an aggregate value equal to the excess of (x) the aggregate value of the \_\_\_\_\_ Warrant Shares to which the Warrants hereby exercised relate (based on the determination of the Market Price pursuant to the Warrant Certificate) over (y) the aggregate Exercise Price of the \_\_\_\_\_ Warrants exercised hereby);

**For a total Exercise Price of \$\_\_\_\_\_.**

If the value of the shares of the Company securities exchanged herewith exceeds the value of the Exercise Price applied to such delivery, then the Company shall reissue certificates representing such securities in the amounts necessary to preserve the value of such securities not applied to the exercise of the Warrants pursuant to this Election to Exercise.

## Initial Distributor Warrants

Please issue a certificate or certificates for such Warrant Shares in the name of, and pay any cash for any Fractional Warrant Shares to (please print name, address and social security or other identifying number)\*:

Name:

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Address:

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**Soc. Sec. #:**

AND, if such number of Warrant Shares shall not be all the shares purchasable under the within Warrant Certificate, a new Warrant Certificate is to be issued in the name of the undersigned for the balance remaining of the Warrant Shares purchasable thereunder rounded up to the next higher whole number of Warrant Shares.

Signature:\*\*

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\* The Warrant Certificate contains restrictions on the sale and other transfer of the Warrants evidenced by such Warrant Certificate.

\*\* The above signature will correspond exactly with the name on the face of this Warrant Certificate or with the name of the assignee appearing in the assignment form below.

**ASSIGNMENT FORM**

(To be signed only upon assignment of Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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(Name and Address of Assignee must be Printed or Typewritten)

Warrants to purchase \_\_\_\_ Warrant Shares of the Company, evidenced by the within Warrant Certificate hereby irrevocably constituting and appointing \_\_\_\_\_ Attorney to transfer said Warrants on the books of the Company, with full power of substitution in the premises.

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

-----  
Signature of Registered Holder\*  
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Signature Guaranteed: Signature of Guarantor

\*The above signature must correspond exactly with the name on the face of this Warrant Certificate.

Schedule A

SCHEDULE OF VESTING

Date	Warrants Vesting on Date
April 22, 1999	200,000
April 22, 2000	125,000
April 22, 2001	125,000
April 22, 2002	125,000
April 22, 2003	125,000
April 22, 2004	125,000
April 22, 2005	125,000
April 22, 2006	125,000
April 22, 2007	125,000
April 22, 2008	125,000
April 22, 2009	125,000

End of Filing



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