

**Nancy M. Ovuka**

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**From:** [REDACTED]  
**Sent:** Monday, March 10, 2003 3:35 PM  
**To:** Nancy M. Ovuka  
**Cc:** [REDACTED]  
**Subject:** HSN Question

Further to your voicemail, here is description of the structure of this transaction:

Following the merger of Merger Sub into Target, all of the equity securities of Target will be owned by Acquisition Company. Acquisition Company is, in turn, owned by certain preferred stockholders (21%) and [REDACTED] (which holds all of the Acquisition Company common and 79% of the company on a fully-diluted basis). [REDACTED] will be owned by several stockholders that are party to a stockholders agreement. Pursuant to the terms of that agreement, a certain minority stockholder will be entitled to one seat on the Board of [REDACTED] and the remaining seats on the Board of [REDACTED] will be elected by the stockholders in the Group that hold a majority of the stock held by the Group. Currently, the Group is comprised of five separate stockholders and collectively holds more than 50% of the stock of [REDACTED]. This voting provision in the stockholder agreement is not subject, though, to the Group maintaining that ownership level (i.e., >50%).

One member of the Group ("stockholder x") will hold more than 50% of the total Group shareholding in [REDACTED] but not 50% or more of the total shares in [REDACTED].

One entity currently serves as the managing member or general partner of stockholders within the Group that hold a majority of the stock held by the Group as a whole.

It would seem that stockholder x does not have the contractual right to designate 50% or more of the directors; rather, that ability arises solely from its shareholding relative to the rest of the Group. If and when x's shareholding drops to less than 50% of the Group's total holdings, it will no longer have this ability. Given this, is stockholder x the UPE of [REDACTED].

I would appreciate hearing your thoughts as soon as possible.

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[REDACTED]

3/11  
 Advised writer that  
 Shareholder x will control Holdco  
 due to the power to elect a  
 majority of the board.  
 NMO  
 MB, MV, KB CONCUR