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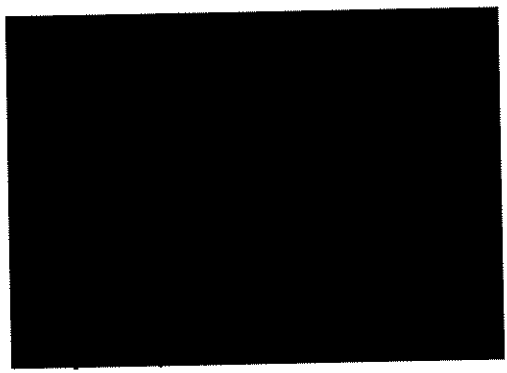
Verne, B. Michael

From: [Redacted]
Sent: Monday, November 27, 2006 3:23 PM
To: Verne, B. Michael
Subject: Restricted Stock

Hi Mike,

I should have added that the restricted stock will be held in escrow.

Per the Agreement, the shareholder has the right to vote the shares and receive dividends, but cannot transfer the shares . The shares vest over the course of two years, with one quarter of the shares held in escrow released every 6 months that the shareholder stays with the company. In the event that the shareholder quits or is terminated for good cause, the Company can buy back the shares for \$.01 per share.



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We are inclined to say that the shareholder takes beneficial ownership of all of the shares that will vest over the two year period at the time of closing on the merger, because he receives the right to vote and risk of loss/benefit of gain in value. The only indicium that doesn't pass is investment discretion/ right to sell. The only thing that is hanging me up a little is the fact that it is possible he will never receive all (or even any) of the common shares. I think we can overlook that by saying that the restricted stock is itself a different class of convertible securities that already have the right to vote for the election of directors prior to conversion. If we take that position, none of the conversions to common stock as the restricted stock vests will be reportable because his percentage held (and number of votes) will not increase.

Bruno
12/27/06

W. OVUKA & M. BRUNO CONCA