VALUEVISION MEDIA INC

FORM 10-Q
(Quarterly Report)

Filed 12/15/1999 For Period Ending 10/31/1999

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

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to *Commission File Number 0-20243*

VALUEVISION INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-1673770
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6740 Shady Oak Road, Minneapolis, MN 55344
(Address of principal executive offices)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

As of December 7, 1999, there were 37,374,234 shares of the Registrant's common stock, $.01 par value, outstanding.

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VALUEVISION INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except share data)

	OCTOBER 31, 1999	JANUARY 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 293,888	$ 44,264
Short-term investments	21,638	2,606
Accounts receivable, net	43,759	19,466
Inventories, net	22,217	21,101
Prepaid expenses and other	5,863	8,576
Income taxes receivable	-	500
Deferred income taxes	1,703	1,807
Total current assets	389,068	98,320
PROPERTY AND EQUIPMENT, NET	13,270	14,069
FEDERAL COMMUNICATIONS COMMISSION LICENSES, NET	125	2,019
CABLE DISTRIBUTION AND MARKETING AGREEMENT, NET	6,567	-
MONTGOMERY WARD OPERATING AGREEMENT AND LICENSES, NET	1,728	1,876
INVESTMENT IN PAXSON COMMUNICATIONS CORPORATION	3,953	9,713
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	2,321	5,962
INVESTMENTS AND OTHER ASSETS, NET	10,815	9,160
DEFERRED INCOME TAXES	-	651
	$ 427,847	$ 141,770
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term obligations	$ -	$ 393
Accounts payable	35,610	20,736
Accrued liabilities	18,010	11,555
Income taxes payable	6,639	-
Total current liabilities	60,259	32,684
LONG-TERM OBLIGATIONS	-	675
DEFERRED INCOME TAXES	655	-
SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK, $.01 PAR VALUE, 5,339,500 SHARES AUTHORIZED; 5,339,500 AND 0 SHARES ISSUED AND OUTSTANDING	41,553	-
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value, 100,000,000 shares authorized; 37,256,184 and 25,865,466 shares issued and outstanding	373	259
Common stock purchase warrants; 1,450,000 and 0 warrants outstanding	6,931	-
Additional paid-in capital	254,539	72,715
Accumulated other comprehensive losses	(313)	(2,841)
Notes receivable from shareholders	-	(1,059)
Retained earnings	63,850	39,337
Total shareholders' equity	325,380	108,411
	$ 427,847	$ 141,770

The accompanying notes are an integral part of these condensed consolidated balance sheets.

VALUEVISION INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except share and per share data)

	FOR THE THREE MONTHS ENDED OCTOBER 31,		FOR THE NINE MONTHS ENDED OCTOBER 31,	
	1999	1998	1998	1999
Net sales	$ 76,575	$ 50,027	$ 187,592	$ 137,785
COST OF SALES	45,965	29,530	111,988	80,504
Gross profit	30,610	20,497	75,604	57,281
Margin %	40.0%	41.0%	40.3%	41.6%
OPERATING EXPENSES:				
Distribution and selling	24,866	18,681	61,258	52,356
General and administrative	3,364	2,874	8,857	8,864
Depreciation and amortization	1,278	1,215	3,733	3,761
Restructuring and impairment of assets	-	2,950	-	2,950
Total operating expenses	29,508	25,720	73,848	67,931
OPERATING INCOME (LOSS)	1,102	(5,223)	1,756	(10,650)
OTHER INCOME (EXPENSE):				
Gain on sale of broadcast stations	23,250	-	33,230	19,750
Gain on sale of property and investments	2,036	-	2,172	3,639
Unrealized loss on trading securities	(94)	-	(888)	-
Write-down of investments	(1,741)	(5,731)	(1,741)	(5,731)
National Media Corporation terminated acquisition costs	-	-	-	(2,350)
Interest income	3,694	726	5,921	2,291
Other, net	(5)	-	(37)	(145)
Total other income (expense)	27,140	(5,005)	38,657	17,454
INCOME (LOSS) BEFORE INCOME TAXES	28,242	(10,228)	40,413	6,804
INCOME TAX PROVISION (BENEFIT)	11,007	(3,887)	15,762	2,587
NET INCOME (LOSS)	17,235	(6,341)	24,651	4,217
ACCRETION OF REDEEMABLE PREFERRED STOCK	(69)	-	(138)	-
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 17,166	$ (6,341)	$ 24,513	$ 4,217
NET INCOME (LOSS) PER COMMON SHARE	$ 0.46	$ (0.25)	$ 0.79	$ 0.16
NET INCOME (LOSS) PER COMMON SHARE ---ASSUMING DILUTION	$ 0.37	$ (0.25)	$ 0.65	$ 0.16
Weighted average number of common shares outstanding:				
Basic	37,044,121	25,467,000	30,903,466	26,075,657
Diluted	46,295,031	25,467,000	37,939,517	26,192,095

The accompanying notes are an integral part of these condensed consolidated financial statements.

VALUEVISION INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED OCTOBER 31, 1999
(Unaudited)

(In thousands, except share data)

	COMMON STOCK			COMMON STOCK PURCHASE WARRANTS	ADDITIONAL PAID-IN CAPITAL
	COMPREHENSIVE INCOME	NUMBER OF SHARES	PAR VALUE		
BALANCE, JANUARY 31, 1999		25,865,466	$ 259	$ -	$ 72,715
Comprehensive income:					
Net income	$ 24,651	-	-	-	-
Other comprehensive income, net of tax:					
Unrealized gains on securities, net of tax of $ 934	1,520				
Gains on securities included in net income, net of tax of $617	1,008				
Other comprehensive income	2,528	-	-	-	-
Comprehensive income	$ 27,179				
Value assigned to common stock purchase warrants		-	-	6,931	-
Proceeds received on officer notes		-	-	-	-
Exercise of stock warrants		10,674,418	107	-	178,263
Exercise of stock options		716,300	7	-	3,561
Accretion of redeemable preferred stock		-	-	-	-
BALANCE, OCTOBER 31, 1999		37,256,184	$ 373	$ 6,931	$ 254,539

	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSSES)	NOTES RECEIVABLE FROM OFFICERS	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
BALANCE, JANUARY 31, 1999	$ (2,841)	$ (1,059)	$ 39,337	$ 108,411
Comprehensive income:				
Net income		-	24,651	24,651
Other comprehensive income, net of tax:				
Unrealized gains on securities, net of tax of $ 934				
Gains on securities included in net income, net of tax of $617				
Other comprehensive income	2,528	-	-	2,528
Comprehensive income				
Value assigned to common stock purchase warrants	-	-	-	6,931
Proceeds received on officer notes	-	1,059	-	1,059
Exercise of stock warrants	-	-	-	178,370
Exercise of stock options	-	-	-	3,568
Accretion of redeemable preferred stock	-	-	(138)	(138)
BALANCE, OCTOBER 31, 1999	$ (313)	$ -	$ 63,850	$ 325,380

The accompanying notes are an integral part of this condensed consolidated financial statement.

VALUEVISION INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands, except share data)

	FOR THE NINE MONTHS ENDED OCTOBER 31,	
	1999	1998
OPERATING ACTIVITIES:		
Net income	$ 24,651	$ 4,217
Adjustments to reconcile net income to net cash provided by (used for) operating activities-		
Depreciation and amortization	3,733	3,761
Deferred taxes	(140)	(4)
Gain on sale of broadcast stations	(33,230)	(19,750)
Gain on sale of property and investments	(2,172)	(3,639)
Unrealized loss on trading securities	888	-
Equity in losses of affiliates	(2)	156
Writedown of investments	1,741	5,731
Restructuring and impairment of assets	-	2,950
National Media Corporation terminated acquisition costs	-	2,350
Changes in operating assets and liabilities:		
Accounts receivable, net	(17,492)	(6,817)
Inventories, net	(5,379)	(4,199)
Prepaid expenses and other	(1,484)	(2,061)
Accounts payable and accrued liabilities	22,125	1,421
Income taxes payable (receivable), net	7,139	(1,290)
Net cash provided by (used for) operating activities	378	(17,174)
INVESTING ACTIVITIES:		
Property and equipment additions, net of retirements	(2,369)	(1,379)
Proceeds from sale of investments and property	12,054	9,427
Proceeds from sale of broadcast stations	38,130	24,483
Loan to National Media Corporation	-	(3,000)
Purchase of short-term investments	(299,609)	(10,339)
Proceeds from sale of short-term investments	279,275	13,197
Payment for investments and other assets	(5,719)	(2,335)
Proceeds from notes receivable	1,436	-
Net cash provided by investing activities	23,198	30,054
FINANCING ACTIVITIES:		
Proceeds from issuance of Series A Preferred Stock	44,265	-
Proceeds from exercise of stock options and warrants	181,938	25
Payment of long-term obligations	(155)	(361)
Payments for repurchases of common stock	-	(5,324)
Net cash provided by (used for) financing activities	226,048	(5,660)
Net increase in cash and cash equivalents	249,624	7,220
BEGINNING CASH AND CASH EQUIVALENTS	44,264	17,198
ENDING CASH AND CASH EQUIVALENTS	$ 293,888	$ 24,418
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 47	$ 90
Income taxes paid	$ 8,447	$ 3,889
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of 1,450,000 warrants in connection with the signing of a Distribution and Marketing Agreement with NBC	$ 6,931	$ -
Accretion on redeemable preferred stock	$ 138	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 1999
(Unaudited)

(1) GENERAL

ValueVision International, Inc. and Subsidiaries ("ValueVision" or the "Company") is an integrated direct marketing company which markets its products directly to consumers through electronic and print media.

The Company's principal electronic media activity is its television home shopping business which uses recognized on-air television home shopping personalities to market brand name merchandise and proprietary and private label consumer products at competitive or discount prices. The Company's live 24-hour per day television home shopping programming is distributed primarily through long-term cable affiliation agreements and the purchase of month-to-month full- and part-time block lease agreements of cable and broadcast television time. In addition, the Company distributes its programming through Company owned low power television ("LPTV") stations and to satellite dish owners. The Company also complements its television home shopping business by the sale of merchandise through its Internet shopping website (www.vvtv.com).

The Company's growing home shopping network and companion Internet shopping website are currently being rebranded as SnapTV and SnapTV.com, respectively, as part of a wide-ranging direct e-commerce strategy the Company is pursuing with NBC Internet ("NBCi"), a wholly-owned subsidiary of the National Broadcasting Company, Inc. ("NBC"). These moves are intended to position SnapTV and NBCi as the leaders in the ongoing convergence of television and the Internet, combining the promotional and selling power of television with the purely digital world of e-commerce. NBCi is a new entity formed as a result of the merger of Snap! LLC, XOOM.com, Inc. and several Internet assets of NBC. Founded in mid-1999, ValueVision Interactive, Inc. is a wholly-owned subsidiary of the Company created to manage and develop the Company's Internet e-commerce initiatives using the SnapTV.com brand, as well as manage the Company's e-commerce investment strategies and portfolio.

The Company, through its wholly-owned subsidiary, ValueVision Direct Marketing Company, Inc. ("VVDM"), is a direct-mail marketer of a broad range of general merchandise which is sold to consumers through direct-mail catalogs and other direct marketing solicitations. Through VVDM's wholly-owned subsidiary, Catalog Ventures, Inc. ("CVI"), the Company sold a variety of fashion jewelry, health and beauty aids, books, audio and video cassettes and other related consumer merchandise through the publication of five consumer specialty catalogs. Effective October 31, 1999, the company sold CVI. The Company also manufactures and markets, via direct-mail, women's foundation undergarments and other women's apparel through VVDM's wholly-owned subsidiary Beautiful Images, Inc. ("BII").

(2) BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its fiscal 1999 Annual Report on Form 10-K. Operating results for the nine-month period ended October 31, 1999, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2000.

(3) NET INCOME PER COMMON SHARE

The Company calculates earnings per share ("EPS") in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). Basic EPS is computed by dividing reported earnings by the weighted average number of common shares outstanding for the reported period. Diluted EPS reflects the

potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock of the Company during reported periods.

A reconciliation of EPS calculations under SFAS No. 128 is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	1999	1998	1999	1998
Net income (loss) available to common shareholders	$ 17,166,000	$ (6,341,000)	$ 24,513,000	$ 4,217,000
Weighted average number of common shares outstanding - Basic	37,044,000	25,467,000	30,903,000	26,076,000
Dilutive effect of convertible preferred stock	5,340,000	-	3,578,000	-
Dilutive effect of stock options and warrants	3,911,000	-	3,459,000	116,000
Weighted average number of common shares outstanding - Diluted	46,295,000	25,467,000	37,940,000	26,192,000
Net income (loss) per common share	$ 0.46	$ (0.25)	$ 0.79	$ 0.16
Net income (loss) per common share - assuming dilution	$ 0.37	$ (0.25)	$ 0.65	$ 0.16

For the quarters ended October 31, 1999 and 1998, respectively, 223,000 and 3,779,000 potentially dilutive common shares have been excluded from the computation of diluted earnings per share as the effect of their inclusion would be antidilutive.

(4) COMPREHENSIVE INCOME

The Company reports comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting in the financial statements all changes in equity during a period, except those resulting from investments by and distributions to owners. For the Company, comprehensive income includes net income and other comprehensive income (loss) which consists of unrealized holding gains and losses from equity investments classified as "available-for-sale". Total comprehensive income (loss) was $18,385,000 and ($4,748,000) for the three months ended October 31, 1999 and 1998, respectively. Total comprehensive income was $27,179,000 and $5,544,000 for the nine months ended October 31, 1999 and 1998, respectively.

(5) SEGMENT DISCLOSURES

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") requires the disclosure of certain information about operating segments in financial statements. The Company's reportable segments are based on the Company's method of internal reporting, which generally segregates the strategic business units into two segments: electronic media, consisting primarily of the Company's television home shopping business, and print media, whereby merchandise is sold to consumers through direct-mail catalogs and other direct marketing solicitations. Segment information included in the accompanying consolidated balance sheets as of October 31 and included in the consolidated statements of operations for the three and nine-month periods then ended is as follows (in thousands):

Three Months Ended October 31, 1999	Electronic Media	Print Media	Corporate	Total
Revenues	$ 67,177	$ 9,398	$ -	$ 76,575
Operating income	957	145	-	1,102
Net income (loss)	17,290	(55)	-	17,235
Identifiable assets	403,289	13,106	11,452 (a)	427,847
Three Months Ended October 31, 1998				
Revenues	36,594	13,433	-	50,027
Operating loss	(1,148)	(4,075)	-	(5,223)
Net loss	(3,588)	(2,753)	-	(6,341)
Nine Months Ended October 31, 1999				
Revenues	163,552	24,040	-	187,592
Operating income	1,748	8	-	1,756
Net income (loss)	25,083	(432)	-	24,651
Identifiable assets	403,289	13,106	11,452 (a)	427,847
Nine Months Ended October 31, 1998				
Revenues	100,454	37,331	-	137,785
Operating loss	(4,864)	(5,786)	-	(10,650)
Net income (loss)	8,458	(4,241)	-	4,217

(a) Corporate assets consists of long-term investment assets not directly assignable to a business segment.

(6) NBC AND GE EQUITY STRATEGIC ALLIANCE

On March 8, 1999, the Company entered into a strategic alliance with NBC and G.E. Capital Equity Investments, Inc. ("GE Equity"). Pursuant to the terms of the transaction, GE Equity acquired 5,339,500 shares of the Company's Series A Redeemable Convertible Preferred Stock (the "Preferred Stock"), and NBC was issued a warrant to acquire 1,450,000 shares of the Company's Common Stock (the "Distribution Warrant") under a Distribution and Marketing Agreement discussed below. The Preferred Stock was sold for aggregate consideration of approximately $44.0 million (or approximately $8.29 per share) and the Company will receive an additional approximately $12.0 million upon exercise of the Distribution Warrant. In addition, the Company agreed to issue to GE Equity a warrant to increase its potential aggregate equity stake (together with its affiliates, including NBC) to 39.9%. NBC also has the exclusive right to negotiate on behalf of the Company for the distribution of its television home shopping service.

INVESTMENT AGREEMENT

Pursuant to the Investment Agreement between the Company and GE Equity dated March 8, 1999 (the "Investment Agreement"), the Company sold to GE Equity 5,339,500 shares of Series A Redeemable Convertible Preferred Stock, $.01 par value (the "Preferred Stock") for an aggregate of $44,265,000. The Preferred Stock is convertible into an equal number of shares of the Company's Common Stock, $.01 par value ("Common Stock"), subject to customary anti-dilution adjustments, has a mandatory redemption on the 10th anniversary of its issuance or upon a "change of control" at its stated value ($8.29 per share), participates in dividends on the same basis as the Common Stock and has a liquidation preference over the Common Stock and any other junior securities. So long as NBC or GE Equity is entitled to designate a nominee to the Board of Directors (the "ValueVision Board") of the Company (see discussion under "Shareholder Agreement" below), the holders of the Preferred Stock are entitled to a separate class vote on the directors subject to nomination by NBC and GE Equity. During such period of time, such holders will not be entitled to vote in the election of any other directors, but will be entitled to vote on all other matters put before shareholders of the Company. Consummation of the sale of 3,739,500 shares of the Preferred Stock was completed on April 15, 1999. Final consummation of the transaction regarding the sale of the remaining 1,600,000 Preferred Stock shares was completed on June 2, 1999. The Preferred Stock was recorded at fair value on the date of issuance less issuance costs of $2,850,000. The excess of the redemption value over the carrying value is being accreted by periodic charges to retained earnings over the ten year redemption period.

The Investment Agreement also provided that the Company issue GE Equity a common stock purchase warrant (the "Investment Warrant") to acquire the number of shares of the Common Stock that would result in the combined beneficial ownership by GE Equity and NBC of 39.9% of the Common Stock outstanding from time to time subject to certain limitations as set forth in the Investment Warrant. On July 6, 1999, GE Equity exercised the Investment Warrant allowing them to acquire an additional 10,674,000 shares of the Company's Common Stock for an aggregate of $178,370,000, or $16.71 per share, representing the 45-day average closing price of the underlying Common Stock ending on the trading day prior to exercise. Following the exercise of the Investment Warrant, the combined ownership of the Company by GE Equity and NBC on a fully diluted basis was approximately 39.9%.

SHAREHOLDER AGREEMENT

Pursuant to the Investment Agreement, the Company and GE Equity entered into a Shareholder Agreement (the "Shareholder Agreement") which provides for certain corporate governance and standstill matters. The Shareholder Agreement (together with the Certificate of Designation of the Preferred Stock) provides that GE Equity and NBC will be entitled to designate nominees for an aggregate of 2 out of 7 board seats so long as their aggregate beneficial ownership is at least equal to 50% of their initial beneficial ownership, and 1 out of 7 board seats so long as their aggregate beneficial ownership is at least 10% of the "adjusted outstanding shares of Common Stock". GE Equity and NBC have also agreed to vote their shares of Common Stock in favor of the Company's nominees to the ValueVision Board in certain circumstances.

All committees of the ValueVision Board will include a proportional number of directors nominated by GE Equity and NBC. The Shareholder Agreement also requires the consent of GE Equity prior to the Company entering into any substantial agreements with certain restricted parties (broadcast networks and internet portals in certain limited circumstances, as defined), as well as taking any of the following actions: (i) issuance of more than 15% of the total voting shares of the Company in any 12-month period (25% in any 24-month period), (ii) payment of quarterly dividends in excess of 5% of the Company's market capitalization (or repurchases and redemption of Common Stock with certain exceptions), (iii) entry by the Company into any business not ancillary, complementary or reasonably related to the Company's current business, (iv) acquisitions (including investments and joint ventures) or dispositions exceeding the greater of $35.0 million or 10% of the Company's total market capitalization, or (v) incurrence of debt exceeding the greater of $40.0 million or 30% of the Company's total capitalization.

Pursuant to the Shareholder Agreement, so long as GE Equity and NBC have the right to name at least one nominee to the ValueVision Board, the Company will provide them with certain monthly, quarterly and annual financial reports and budgets. In addition, the Company has agreed not to take actions which would cause the Company to be in breach of or default under any of its material contracts (or otherwise require a consent thereunder) as a result of acquisitions of the Common Stock by GE Equity or NBC. The Company is also prohibited from taking any action that would cause any ownership interest of certain FCC regulated entities from being attributable to GE Equity, NBC or their affiliates.

The Shareholder Agreement provides that during the Standstill Period (as defined in the Shareholder Agreement), and with certain limited exceptions, GE Equity and NBC shall be prohibited from: (i) any asset/business purchases from the Company in excess of 10% of the total fair market value of the Company's assets, (ii) increasing their beneficial ownership above 39.9% of the Company's shares, (iii) making or in any way participating in any solicitation of proxies,
(iv) depositing any securities of the Company in a voting trust, (v) forming, joining, or in any way becoming a member of a 13D Group with respect to any voting securities of the Company, (vi) arranging any financing for, or providing any financing commitment specifically for, the purchase of any voting securities of the Company, (vii) otherwise acting, 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 nominating any person as a director of the Company who is not nominated by the then incumbent directors, or proposing any matter to be voted upon by the shareholders of the Company. If during the Standstill Period any inquiry has been made regarding a "takeover transaction" or "change in control" which has not been rejected by the ValueVision Board, or the ValueVision Board pursues such a transaction, or engages in negotiations or provides information to a third party and the ValueVision Board has not resolved to terminate such discussions, then GE Equity or NBC may propose to the Company a tender offer or business combination proposal.

In addition, unless GE Equity and NBC beneficially own less than 5% or more than 90% of the adjusted outstanding shares of Common Stock, GE Equity and NBC shall not sell, transfer or otherwise dispose of any securities of the Company except for transfers: (i) to certain affiliates who agree to be bound by the provisions of the Shareholder Agreement, (ii) which have been consented to by the Company, (iii) pursuant to a third party tender offer, provided that no shares of Common Stock may be transferred pursuant to this clause (iv) to the extent such shares were acquired upon exercise of the Investment 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, (v) pursuant to a merger, consolidation or reorganization to which the Company is a party, (vi) in a bona fide public distribution or bona fide underwritten public offering, (vii) pursuant to Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), or (viii) in a private sale or pursuant to Rule 144A of the Securities Act; provided that, in the case of any transfer pursuant to clause (vi) or (viii), such transfer does not result in, to the knowledge of the transferor after reasonable inquiry, any other person acquiring, after giving effect to such transfer, beneficial ownership, individually or in the aggregate with such person's affiliates, of more than 10% of the adjusted outstanding shares of the Common Stock.

The Standstill Period will terminate on the earliest to occur of (i) the 10 year anniversary of the Shareholder Agreement, (ii) the entering into by the Company of an agreement that would result in a "change in control" (subject to reinstatement), (iii) an actual "change in control," (iv) a third party tender offer (subject to reinstatement), and (v) six months after GE Equity and NBC can no longer designate any nominees to the ValueVision Board. Following the expiration of the Standstill Period pursuant to clause (i) or (v) above (indefinitely in the case of clause (i) and two years in the case of clause
(v)), GE Equity and NBC's beneficial ownership position may not exceed 39.9% of the Company on fully-diluted outstanding stock, except pursuant to issuance or exercise of any warrants or pursuant to a 100% tender offer for the Company.

REGISTRATION RIGHTS AGREEMENT

Pursuant to the Investment Agreement, ValueVision and GE Equity entered into a Registration Rights Agreement providing GE Equity, NBC and their affiliates and any transferees and assigns, an aggregate of four demand registrations and unlimited piggyback registration rights.

DISTRIBUTION AND MARKETING AGREEMENT

NBC and the Company have entered into the Distribution and Marketing Agreement dated March 8, 1999 (the "Distribution Agreement") which provides that NBC shall have the exclusive right to negotiate on behalf of the Company for the distribution of its home shopping television programming service. The agreement has a 10-year term and NBC has committed to delivering an additional 10 million full-time equivalent ("FTE") subscribers over the first 42 months of the term. In compensation for such services, the Company will pay NBC an annual fee of $1.5 million (increasing no more than 5% annually) and issue NBC the Distribution Warrant. The exercise price of the Distribution Warrant is approximately $8.29 per share and vests 200,000 shares immediately, with the remainder of the Distribution Warrant vesting 125,000 shares annually over the 10-year term of the Distribution Agreement. The Distribution Warrant is exercisable for five years after vesting. The value assigned to the Distribution

and Marketing Agreement and Distribution Warrant of $6,931,000 was determined pursuant to an independent appraisal and is being amortized on a straight-line basis over the term of the agreement. Assuming certain performance criteria above the 10 million FTE homes are met, NBC will be entitled to additional warrants to acquire Common Stock at the then current market price. The Company has a right to terminate the Distribution Agreement after the twenty-fourth, thirty-sixth and forty-second month anniversary if NBC is unable to meet the performance targets. If terminated by the Company in such circumstance, the unvested portion of the Distribution Warrant will expire. In addition, the Company will be entitled to a $2.5 million payment from NBC if the Company terminates the Distribution Agreement as a result of NBC's failure to meet the 24 month performance target.

NBC may terminate the Distribution Agreement if the Company enters into certain "significant affiliation" agreements or a transaction resulting in a "change of control."

LETTER AGREEMENT

The Company, GE Equity and NBC have also entered into a non-binding letter of intent dated March 8, 1999 providing for certain cooperative business activities which the parties contemplate pursuing, including but not limited to, development of a private label credit card, development of electronic commerce and other internet strategies, development of programming concepts for the Company and cross channel promotion.

(7) SALE OF BROADCAST STATIONS

On April 12, 1999, the Company received a contingent payment of $10 million relating to the sale of its KBGE-TV, Channel 33, television station in Seattle, Washington, and two low-power television stations to Paxson Communications in March 1998. As a result, the Company recognized a $10 million pre-tax gain, net of applicable closing fees, in the quarter ended April 30, 1999. The $10 million contingent payment finalizes the agreement between the two companies.

On September 27, 1999, the Company completed the sale of its KVVV-TV full-power television broadcast station, Channel 33, and K53 FV low power station, serving the Houston, Texas market, for a total of $28 million to Visalia, California-based Pappas Telecasting Companies. KVVV-TV was acquired by the Company in March 1994 for approximately $5.8 million. The pre-tax gain recorded on the sale of the television station was approximately $23.3 million and was recognized in the third quarter ended October 31,1999. Management believes that the sale will not have a significant impact on the operations of the Company.

(8) SNAP.COM, XOOM.COM RE-BRANDING AND ELECTRONIC COMMERCE ALLIANCE

Effective September 13, 1999, the Company entered into a new strategic alliance with Snap! LLC and Xoom.com, Inc. whereby the parties entered into major re-branding and e-commerce agreements, spanning television home shopping, Internet shopping and direct e-commerce initiatives. Under the terms of the agreements, the Company's television home shopping network, currently called ValueVision, will be re-branded as SnapTV ("Snap TV"). The re-branding will be phased in during late 1999 and in the first half of 2000. The network, which will continue to be owned and operated by the Company, will continue to feature its present product line as well as offer new categories of products and brands. The Company, along with Snap.com, NBC's Internet portal services company, will roll-out a new companion Internet shopping service, SnapTV.com featuring online purchasing opportunities that spotlight products offered on-air along with online-only e-commerce opportunities offered by Snap TV and its merchant partners. The new SnapTV.com online store will be owned and operated by the Company and featured prominently within SnapTV.com's shopping area. Xoom.com, a leading direct e-commerce services company, will become the exclusive direct electronic commerce partner for SnapTV, managing all such initiatives, including database management, e-mail marketing and other sales endeavors. Direct online shopping offers will include SnapTV merchandise, as well as Xoom.com products and services. Pursuant to this new strategic alliance, the following agreements were executed:

Trademark License Agreement

Snap!LLC, a Delaware limited liability company ("Snap") and the Company have entered into a ten-year Trademark License Agreement dated as of September 13, 1999 (the "Trademark Agreement"). Pursuant to the agreement, Snap granted the Company an exclusive license to Snap's "SnapTV" trademark (the "SnapTV Mark") for the purpose of operating a television home shopping service and for the purpose of operating an Internet website at "www.snaptv.com" (the "SnapTV Site"). The agreement also

obligates the Company to rebrand its television home shopping service using the SnapTV Mark. In compensation for the license, the Company will pay to Snap a royalty of 2% of revenues received from Internet users in connection with commerce transactions on the SnapTV Site.

Interactive Promotion Agreement

Snap, Xoom.com, Inc., a Delaware corporation, ("Xoom"), and the Company have entered into a ten-year Interactive Promotion Agreement dated as of September 13, 1999 (the "Interactive Promotion Agreement"). Pursuant to the agreement: (a) the Company will pay Snap or Xoom, as applicable, 20% of the gross revenue received from advertising on the Company's television home shopping service where Snap or Xoom referred the advertiser to the Company or materially assisted the Company with respect to the sale of such advertising; (b) the Company will pay Xoom 50% of the gross revenue received from e-mail campaigns conducted by Xoom on behalf of the Company for the Company's products; and (c) the Company will pay Snap 20% of the gross revenue generated from airtime on the Company's television home shopping service which promotes any uniform resource locater ("URL") (excluding up to 15% of such airtime to the extent used to promote URLs which do not include the "www.snaptv.com" URL). Also under the agreement, Snap and Xoom shall have an exclusive right to use the Company's user data for the purpose of conducting e-mail marketing campaigns. Snap or Xoom, as applicable, will pay the Company 50% of the gross revenue generated from such campaigns. Snap will also be granted the exclusive right to use or sell all Internet advertising on the SnapTV Site, and Snap will pay the Company 50% of the gross revenue generated from such use or sales. The agreement also provides that Snap and the Company will provide certain cross promotional activities. Specifically, commencing when the Company's television home shopping program reaches 30 million full-time equivalent subscribers and continuing through the fourth anniversary of the effective date of the agreement, Snap will spend $1 million per quarter promoting the SnapTV Mark on NBC's television network, and the Company will spend $1 million per quarter promoting Snap, Snap's products or "www.snaptv.com" on cable television advertising other than on the Company's television home shopping program.

Warrant Purchase Agreement and Warrants

Effective September 13, 1999, in connection with the transactions contemplated under the Interactive Promotion Agreement, the Company issued a warrant (the "ValueVision Warrant") to Xoom to acquire 404,760 shares of the Company's Common Stock, $.01 par value (the "ValueVision Common Stock"), at an exercise price of $24.706 per share. In consideration, Xoom issued a warrant (the "Xoom Warrant," and collectively with the ValueVision Warrant, the "Warrants") to the Company to acquire 244,004 shares of Xoom's common stock, $.0001 par value ("Xoom Common Stock"), at an exercise price of $40.983 per share. Both Warrants are subject to customary anti-dilution features and have a five-year term. Effective November 24, 1999, Xoom and Snap along with several Internet assets of NBC, were merged into NBCi and, as a result, the Xoom Warrant is deemed converted to the right to purchase shares of Class A Common Stock of NBCi.

Registration Rights Agreement

In connection with the issuance of the ValueVision Warrant to Xoom , the Company agreed to provide Xoom certain customary piggyback registration rights with no demand registration rights. Xoom also provided the Company with similar customary piggyback registration rights with no demand registration with respect to the Xoom Warrant.

(9) SALE OF CATALOG VENTURES INC.

On October 31, 1999, the Company completed the sale of CVI to privately-held Massachusetts based Potpourri Holdings, Inc. for approximately $7,300,000 cash and up to an additional $5,500,000 million contingent upon CVI's performance over the twelve months following the sale. A pre-tax loss of approximately $128,000 was recorded on the initial closing of the sale of CVI and was recognized in the third quarter ended October 31, 1999. CVI is a direct marketing company that publishes five consumer specialty catalogs: Nature's Jewelry, The Pyramid Collection, Serengeti, NorthStyle and Catalog Ventures' Favorites. Management believes that the sale will not have a significant impact on the operations of the Company.

Net sales and operating income for CVI for the three and nine months ended October 31, 1999 and 1998 were as follows (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	1999	1998	1999	1998
Net sales	$ 7,927	$ 8,083	$ 19,260	$ 17,759
Operating income	$ 187	$ 485	$ 329	$ 95

ITEM 2. MANAGEMENT's Discussion and Analysis of Financial Condition and Results of OPERATIONS

INTRODUCTION

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's accompanying unaudited condensed consolidated financial statements and notes included herein and the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1999.

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

	Dollar Amounts as a Percentage of Net Sales For the Three Months Ended October 31,	
	1999	1998
NET SALES	100.0%	100.0%
GROSS MARGIN	40.0%	41.0%
Operating expenses:		
Distribution and selling	32.5%	37.4%
General and administrative	4.4%	5.7%
Depreciation and amortization	1.7%	2.4%
Restructuring and impairment of assets	- %	5.9%
	38.6%	51.4%
Operating income (loss)	1.4%	(10.4%)

	Dollar Amounts as a Percentage of Net Sales For the Nine Months Ended October 31,	
	1999	1998
NET SALES	100.0%	100.0%
GROSS MARGIN	40.3%	41.6%
Operating expenses:		
Distribution and selling	32.7%	38.1%
General and administrative	4.7%	6.4%
Depreciation and amortization	2.0%	2.7%
Restructuring and impairment of assets	- %	2.1%
	39.4%	49.3%
Operating income (loss)	0.9%	(7.7)%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

ValueVision International, Inc. and Subsidiaries ("ValueVision" or the "Company") is an integrated direct marketing company which markets its products directly to consumers through electronic and print media.

The Company's principal electronic media activity is its television home shopping business which uses recognized on-air television home shopping personalities to market brand name and proprietary and private label consumer products at competitive or discount prices. The Company's live 24-hour per day television home shopping programming is distributed primarily through long-term cable affiliation agreements and the purchase of month-to-month full- and part-time block lease agreements of cable and broadcast television time. In addition, the Company distributes its programming through Company owned low power television ("LPTV") stations and to satellite dish owners. The Company also complements its television home shopping business by the sale of merchandise through its Internet shopping website (www.vvtv.com).

The Company's growing home shopping network and companion Internet shopping website are currently being re-branded as SnapTV and SnapTV.com, respectively, as part of a wide-ranging direct e-commerce strategy the Company is pursuing with NBC Internet ("NBCi"), a wholly-owned subsidiary of NBC. These moves are intended to position SnapTV and NBCi as the leaders in the ongoing convergence of television and the Internet, combining the promotional and selling power of television with the purely digital world of e-commerce. NBCi is a new entity formed as a result of the merger of Snap! LLC, XOOM.com, Inc. and several Internet assets of the National Broadcasting Company, Inc. ("NBC"). Founded in mid-1999, ValueVision Interactive, Inc. is a wholly-owned subsidiary of the Company created to manage and develop the Company's Internet e-commerce initiatives using the SnapTV.com brand, as well as manage the Company's e-commerce investment strategies and portfolio.

The Company, through its wholly-owned subsidiary, ValueVision Direct Marketing Company, Inc. ("VVDM"), is a direct-mail marketer of a broad range of general merchandise which is sold to consumers through direct-mail catalogs and other direct marketing solicitations. Through VVDM's wholly-owned subsidiary, Catalog Ventures, Inc. ("CVI"), the Company sold a variety of fashion jewelry and other related consumer merchandise through the publication of five consumer specialty catalogs. Effective October 31, 1999, the Company sold CVI. The Company also manufactures and markets, via direct-mail, women's foundation undergarments and other women's apparel through its wholly-owned subsidiary, Beautiful Images, Inc. ("BII").

NBC AND GE EQUITY STRATEGIC ALLIANCE

On March 8, 1999 the Company entered into a strategic alliance with NBC and G.E. Capital Equity Investments, Inc. ("GE Equity"). Pursuant to the terms of the transaction, GE Equity acquired 5,339,500 shares of the Company's Series A Redeemable Convertible Preferred Stock (the "Preferred Stock"), and NBC was issued a warrant to acquire 1,450,000 shares of the Company's Common Stock (the "Distribution Warrant") under a Distribution and Marketing Agreement. The Preferred Stock was sold for aggregate consideration of approximately $44.0 million and the Company will receive an additional approximately $12.0 million upon exercise of the Distribution Warrant. In addition, the Company issued to GE Equity a warrant to increase its potential aggregate equity stake (together with the Distribution Warrant issued to NBC) to 39.9% (the "Investment Warrant"). NBC has the exclusive right to negotiate on behalf of the Company for the distribution of its television home shopping service. Consummation of the sale of 3,739,500 shares of the Preferred Stock was completed on April 15, 1999. Final consummation of the transaction regarding the sale of the remaining 1,600,000 Preferred Stock shares and the exercisability of the Investment Warrant was completed on June 2, 1999. On July 6, 1999, GE Equity exercised the Investment Warrant allowing them to acquire an additional 10,674,000 shares of the Company's Common Stock for an aggregate of $178,370,000, or $16.71 per share, representing the 45-day average closing price of the underlying Common Stock ending on the trading day prior to exercise. Proceeds received from the issuance of the Preferred Stock and the Investment Warrant (and to be received from the exercise of the Distribution Warrant) are for general corporate purposes. Following the exercise of the Investment Warrant, the combined ownership of the Company by GE Equity and NBC was approximately 39.9%. See Note 6 of Notes to Condensed Consolidated Financial Statements for further discussion of the Company's strategic alliance with NBC and GE Equity.

SNAP.COM, XOOM. COM RE-BRANDING AND ELECTRONIC COMMERCE ALLIANCE

Effective September 13, 1999, the Company entered into a new strategic alliance with Snap! LLC and Xoom.com, Inc. whereby the parties entered into major re-branding and electronic commerce agreements, spanning television home shopping, Internet shopping and direct e-commerce initiatives. Under the terms of the agreements, the Company's television home shopping network, currently called ValueVision, will be re-branded as SnapTV ("Snap TV"). The re-branding will be phased in during late 1999 and in the first half of 2000. The network, which will continue to be owned and operated by ValueVision, will continue to feature its present product line as well as offer new categories of products and brands. The Company along with Snap.com, NBC's Internet portal services company, will roll-out a new companion Internet shopping service, SnapTV.com, featuring online purchasing opportunities that spotlight products offered on-air along with online-only e-commerce opportunities offered by Snap TV and its merchant partners. The new SnapTV.com online store will be owned and operated by the Company and be featured prominently within SnapTV.com's shopping area. Xoom.com, Inc., a leading direct e-commerce services company, will become the exclusive direct e-commerce partner for SnapTV, managing all such initiatives, including database management, e-mail marketing and other sales endeavors. Direct online shopping offers will include SnapTV merchandise, as well as Xoom.com products and services. See Footnote 8 to the Consolidated Financial Statements for further discussion of this strategic alliance and the agreements entered into by the Company, Snap! LLC and Xoom.com, Inc.

RESULTS OF OPERATIONS

NET SALES

Net sales for the three months ended October 31, 1999 (fiscal 2000), were $76,575,000 compared with net sales of $50,027,000 for the three months ended October 31, 1998 (fiscal 1999), a 53% increase. Net sales for the nine months ended October 31, 1999 were $187,592,000 compared with $137,785,000 for the nine months ended October 31, 1998, a 36% increase. The increase in net sales is directly attributable to the continued improvement and increased sales from the Company's television home shopping operations, which have reported greater than 30% sales increases for the past six quarters in a row and once again reported its largest revenue quarter in the Company's history. Sales attributed to the Company's television home shopping business increased 84% to a record $67,177,000 for the quarter ended October 31, 1999 from $36,594,000 for the comparable prior year period on an 82% increase in average full-time equivalent homes able to receive the Company's television home shopping programming. On a year-to-date basis, sales attributed to the Company's television home shopping programming increased 63% to $163,552,000 for the nine months ended October 31, 1999 from $100,454,000 for the comparable prior year period on a 51% increase in average full-time equivalent subscriber homes. The growth in home shopping net sales is primarily attributable to the growth in full-time equivalent homes receiving ValueVision programming. During the 12-month period ended October 31, 1999 the Company added approximately 9.0 million full-time equivalent subscriber homes, a 64% increase. In addition to new full-time equivalent homes, television home shopping sales increased due to the continued addition of new customers from households already receiving the Company's television home shopping programming, as well as an increase in repeat sales to existing customers. The increase in repeat sales to existing customers experienced during the first nine months of fiscal 2000 was due, in part, to a strengthened merchandising effort under the leadership of ValueVision - TV's new general management and the effects of continued testing of certain merchandising and programming strategies. The improvement in television home shopping net sales is also due, in part, to various sales initiatives that emphasized, among other things, the increased use of the Company's ValuePay installment payment program. The Company intends to continue to test and change its merchandising and programming strategies with the intent of improving its television home shopping sales results. However, while the Company is optimistic that results will continue to improve, there can be no assurance that such changes in strategy will achieve the intended results. Sales attributed to direct-mail marketing operations totaled $9,398,000 or 12% of total net sales for the quarter ended October 31, 1999 and totaled $13,433,000 or 27% of total net sales for the quarter ended October 31, 1998. On a year-to-date basis, sales attributed to direct-mail marketing operations totaled $24,040,000 or 13% of total net sales for the nine months ended October 31, 1999 and totaled $37,331,000, or 27% of total net sales for the nine months ended October 31, 1998. The decrease in catalog revenues is a result of the fiscal 1999 divestiture of the Company's unprofitable HomeVisions (formerly known as Montgomery Ward Direct) mail order catalog operations.

GROSS PROFITS

Gross profits for the third quarter ended October 31, 1999 and 1998 were $30,610,000 and $20,497,000, respectively, an increase of $10,113,000 or 49%. Gross margins for the three months ended October 31, 1999 and 1998 were 40.0% and 41.0%, respectively. Gross profits for the nine months ended October 31, 1999 and 1998 were $75,604,000 and $57,281,000, respectively, an increase of $18,323,000 or 32%. Gross margins for the nine months ended October 31, 1999 were 40.3% compared to 41.6% for the same period last year. The principal reason for the increase in gross profits was the increased sales volume from the Company's television home shopping business offset by a decrease in direct mail-order gross profits resulting from the fiscal 1999 divestiture of the HomeVisions catalog operations. Television gross margins for the three and nine months ended October 31, 1999 were 37.1% and 37.6%, respectively. Gross margins for the Company's direct mail-order operations were 60.6% and 58.4% for the same respective periods. Television gross margins for the three and nine months ended October 31, 1998 was 36.8% and 37.7%, respectively. Gross margins for the Company's direct mail-order operations were 52.2% and 52.1% for the same respective periods. Television home shopping gross margin percentages increased slightly for the quarter as a result of a decrease in the overall level of merchandise liquidated in the current year versus last year. This increase was partially offset by a decrease in merchandise margins resulting from changes in the Company's merchandise mix, specifically, an increase in the sales volume of lower margin electronics merchandise over prior year. Overall, year-to-date television gross margins remained relatively flat; however, television home shopping merchandise gross margins between comparable periods decreased slightly from prior year primarily as a result of decreased gross margin percentages in the electronic and jewelry product categories offset by an increase in the year-to-date mix of jewelry merchandise. Also, and as a result of the mix change, additional inventory reserves were established during the second quarter of fiscal 2000, which put further pressure on television home shopping margins. During the first nine months of fiscal 2000, the Company has attempted to balance its merchandise mix between jewelry and non-jewelry items as compared to the same period last year in order to increase television home shopping sales while at the same time maintaining margins and increasing inventory turns. Jewelry products accounted for approximately 78% of airtime during the first nine months of fiscal 2000 compared with 68% for the same period last year. Gross margins for the Company's direct mail-order operations increased primarily as a result of the decrease in HomeVisions sales due to the fiscal 1999 divestiture of the Company's unprofitable HomeVisions catalog operations.

OPERATING EXPENSES

Total operating expenses for the three and nine months ended October 31, 1999 were $29,508,000 and $73,848,000, respectively, versus $25,720,000 and $67,931,000 for the comparable prior year periods. Distribution and selling expense increased $6,185,000 or 32% to $24,866,000 or 33% of net sales during the third quarter of fiscal 2000 compared to $18,681,000 or 37% for the comparable prior-year period. Distribution and selling expense increased $8,902,000 or 17% to $61,258,000 or 33% of net sales for the nine months ended October 31, 1999 compared to $52,356,000 or 38% for the comparable prior-year period. Distribution and selling costs increased primarily as a result of increases in net cable access fees due to a 51% year-to-date increase in the number of average FTEs over prior year, an increase in the rate per full-time equivalent cable home, increased marketing and advertising fees, and increased costs associated with credit card processing, telemarketing and the Company's ValuePay program, offset by decreases in distribution and selling expenses associated with the divestiture of the HomeVisions catalog operations. Distribution and selling expenses decreased as a percentage of net sales over prior year primarily due to the Company's focus on cost efficiencies and the increase in television home shopping net sales over prior year.

General and administrative expenses for the three months ended October 31, 1999 increased $490,000 or 17% to $3,364,000 compared to $2,874,000 for the three months ended October 31, 1998. For the nine months ended October 31, 1999 general and administrative expenses remained relatively flat at $8,857,000 compared to $8,864,000 for the comparable prior year period. General and administrative expenses as a percentage of net sales was 4% versus 6% for the three months ended and 5% versus 6% for the nine months ended October 31, 1999 and 1998, respectively. General and administrative costs slightly increased during the quarter from prior year primarily as a result of increases in information systems costs, including increased headcount and increased consulting fees. General and administrative fees decreased as a percentage of net sales as a result of the increase in net sales from period to period.

Depreciation and amortization costs for the three months ended October 31, 1999 were $1,278,000 versus $1,215,000, representing a increase of $63,000 or 5% from the comparable prior-year period. Depreciation and amortization expense for the nine months ended October 31, 1999 was $3,733,000 versus $3,761,000, representing a decrease of $28,000 or 1% from the comparable prior-year period. Depreciation and amortization costs as a percentage of net sales were 2% for the three and nine months ended October 31, 1999 versus 2% and 3%, repectively, for the comparable prior-year periods. The year-to-date dollar decrease is primarily

due to a reduction in depreciation expense in connection with the divestiture of the Company's HomeVisions catalog operations and reduced amortization with respect to cable launch fees and FCC licenses offset by increased amortization associated with the Company's NBC cable distribution and marketing agreement.

OPERATING INCOME (LOSS)

For the three months ended October 31, 1999, the Company reported operating income of $1,102,000 compared to an operating loss of $5,223,000 for the three months ended October 31, 1998, an improvement of $6,325,000. For the nine months ended October 31, 1999, the Company reported operating income of $1,756,000 compared to an operating loss of $10,650,000 for the nine months ended October 31, 1998, an improvement of $12,406,000. The improvement in quarterly and year-to-date operating income over prior year is directly attributed to the overall operating improvements of the Company's television home shopping business which improved by approximately $2,154,000 and $6,743,000 for the three and nine months ended October 31, 1999, respectively, while the prior year periods included significant catalog operating losses. The Company also experienced a modest improvement in operating income over prior year from its catalog operations primarily resulting from the fiscal 1999 divestiture of its unprofitable HomeVisions catalog operations. The fiscal 1999 operating loss in catalog operations included a $2,950,000 restructuring charge taken in connection with this divestiture. Overall, operating income increased as a result of increased sales volumes and gross profits, a decrease in year-to-date general and administrative costs as a result of the downsizing of the Company's catalog business segment and a reduction in year-to-date depreciation and amortization expense over prior year. This was offset by increases in distributing and selling costs, increased general and administrative costs associated with the Company's e-commerce initiatives and increased amortization associated with the Company's NBC cable distribution and marketing agreement.

NET INCOME

For the three months ended October 31, 1999, the Company reported net income available to common shareholders of $17,166,000 or $.37 per share on 46,295,000 diluted weighted average common shares outstanding ($.46 per share on 37,044,000 basic shares) compared with a net loss of $6,341,000 or $.25 per basic and diluted share on 25,467,000 weighted average common shares outstanding for the quarter ended October 31, 1998. Net income available to common shareholders for the quarter ended October 31, 1999 includes a pre-tax gain of $23,250,000 from the sale of two television stations serving the Houston, Texas market, a pre-tax loss of $128,000 related to the first closing of the Company's sale of its Catalog Ventures, Inc catalog subsidiary, a $1,741,000 pre-tax loss related to an investment made in 1997 and a net pre-tax gain of approximately $2,100,000 relating to the sale and holdings of the Company's security investments. Results for the quarter ended October 31, 1998 included a one-time pre-tax charge of $5,731,000 made in connection with the write-down of an investment made in 1997 and a $2,950,000 one-time restructuring charge related to the divestiture of the Company's HomeVisions catalog operations.

Excluding the net gains/losses on the sale and holdings of property, investments and other one-time charges, net income available to common shareholders for the quarter ended October 31, 1999 totaled $2,854,000, or $.06 per diluted share ($.08 per basic share), compared with a net loss of $959,000, or a $.04 loss per basic and diluted share for the comparable prior year quarter.

For the nine months ended October 31, 1999, the Company reported net income available to common shareholders of $24,513,000 or $.65 per share on 37,940,000 diluted weighted average common shares outstanding ($.79 per share on 30,903,000 basic shares) compared with net income of $4,217,000 or $.16 per share on 26,192,000 diluted weighted average common shares outstanding ($.16 per share on 26,076,000 basic shares) for the nine months ended October 31, 1998. Net income for the nine-month period ended October 31, 1999 includes a pre-tax gain of $23,250,000 relating to the sale of two television stations serving the Houston, Texas market, a pre-tax gain of $9,980,000 relating to the receipt of a contingent payment in connection with the sale of television stations in March 1998, a net pre-tax gain $1,284,000 recorded on the sale and holdings of the Company's security investments and a pre-tax loss of $1,741,000 related to an investment made in 1997. Net income for the nine months ended October 31, 1998 included a pre-tax gain of $19,750,000 relating to the sale of its television broadcast station, KBGE-TV and two low-power television stations, a pre-tax gain of $3,639,000 relating to the sale of property, an investment write-off of $5,731,000 , a $2,350,000 write-off related to terminated acquisition costs and a $2,950,000 restructuring and asset impairment charge.

Excluding the net gains/losses recorded on the sale and holdings of property and investments and other one-time charges, the Company achieved net income available to common shareholders of $4,522,000, or $.12 per diluted share ($.15 per basic share) for the nine months ended October 31, 1999, compared to a net loss of $3,443,000, or $.13 per basic and diluted share for the nine months

ended October 31, 1998, an improvement of approximately $7,965,000 over fiscal 1999. For the three and nine months ended October 31, 1999, net income reflects an income tax provision at an effective tax rate of 39%.

PROGRAM DISTRIBUTION

The Company's television home-shopping programming was available to approximately 31.0 million homes as of October 31, 1999, as compared to 21.8 million homes as of January 31, 1999 and to 21.1 million homes as of October 31, 1998. The Company's programming is currently available through affiliation and time-block purchase agreements with approximately 340 cable systems. In addition, the Company's programming is broadcast full-time over eleven owned low power television stations in major markets, and is available unscrambled to homes equipped with satellite dishes. As of October 31, 1999 and 1998, the Company's programming was available to approximately 23.0 million and 13.9 million full-time equivalent ("FTE") households, respectively. As of January 31, 1999, the Company's programming was available to 14.9 million FTE households. Approximately 15.8 million and 10.4 million households at October 31, 1999 and 1998, respectively, received the Company's programming on a full-time basis. Homes that receive the Company's television home shopping programming 24 hours per day are counted as one FTE each and homes that receive the Company's programming for any period less than 24 hours are counted based upon an analysis of time of day and day of week.

CIRCULATION

With respect to the Company's direct-mail marketing operations, approximately 13.0 million CVI catalogs were mailed in the third quarter of fiscal 2000. At October 31, 1999, CVI had approximately 570,000 "active" customers (defined as individuals that have purchased from the Company within the preceding 12 months) and combined customer and prospect files that totaled approximately 4.1 million names. During the third quarter of fiscal 2000, BII had approximately 192.3 million space advertisements or "impressions" circulated in national and regional newspapers and magazines and at October 31, 1999, BII had approximately 200,000 active customers and approximately 700,000 customer names in its customer list database.

YEAR 2000 CONSIDERATIONS

The Year 2000 issue is the result of computer programs using only the last two digits to indicate the calendar year. If uncorrected, such computer programs may be unable to interpret dates correctly beyond the year 1999, which in turn, may cause computer system failure or other computer errors disrupting operations. The Company has reviewed the implications of its Year 2000 compliance issues and has formed a Year 2000 Compliance Project team to establish and take steps to ensure that the Company's information systems and software applications will manage dates beyond 1999. The scope of the Company's Year 2000 readiness effort includes the review of and taking remedial action as necessary, regarding (i) information technology ("IT") such as software and hardware; (ii) non-IT systems or embedded technology; and (iii) readiness of key third parties, including significant vendors and service providers and the electronic data interchange (EDI) with third parties.

With respect to information systems, management presently believes that a combination of software modification, upgrades and replacements will be necessary to mitigate the Company's Year 2000 issues. However, if such modifications are not made, or not completed on a timely basis, the Year 2000 issue could have a materially adverse effect on the Company's business, financial condition and results of operations. The Company expects to implement successfully the systems and programming changes necessary to be Year 2000 compliant in a timely manner. The target month for final remediation of its information systems is December 1999. The Company does not expect the cost of addressing its Year 2000 issues to have a material effect on the Company's results of operations, financial position or liquidity and is funding such costs with operating cash flows. Total costs are expected to be less than $500,000.

In addition to internal Year 2000 remediation activities, the Company has also implemented a plan to communicate to its key suppliers, vendors and service providers the expectation that they attain Year 2000 compliance in a timely manner. While the Company expects its internal IT and non-IT systems to be Year 2000 compliant by the date specified, the Company is working on a contingency plan specifying what the Company will do if it or important third parties are not Year 2000 compliant by the required dates. The Company expects to have such a contingency plan finalized in 1999.

The Company believes that it has allocated adequate resources to address and achieve Year 2000 compliance in a timely manner, however, no assurances can be given that these efforts or the efforts of key third parties will be successful.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 1999, cash and cash equivalents and short-term investments were $315,526,000, compared to $46,870,000 as of January 31, 1999, a $268,656,000 increase. For the nine months ended October 31, 1999, working capital increased $263,173,000 to $328,809,000. The current ratio was 6.5 at October 31, 1999 compared to 3.0 at January 31, 1999. At October 31, 1999, all short-term investments and cash equivalents classified as trading securities were invested in commercial paper with original maturity dates of less than two hundred and seventy (270) days and investment grade corporate bonds with maturity dates ranging from two months to two years.

Total assets at October 31, 1999 were $427,847,000, compared to $141,770,000 at January 31, 1999. Shareholders' equity was $325,380,000 at October 31, 1999, compared to $108,411,000 at January 31, 1999, a $216,969,000 increase. The increase in shareholders' equity for the nine month period ended October 31, 1999 resulted primarily from the issuance of approximately 10,674,000 shares of common stock at $16.71 per share, or $178,370,000, to GE Equity upon the exercise of their Investment Warrant, net income of $24,651,000 for the nine-month period, the issuance of 1,450,000 common stock purchase warrants valued at $6,931,000 in connection with the NBC and GE Equity strategic alliance, other comprehensive income on investments available-for-sale of $2,528,000, proceeds received of $3,568,000 related to the exercise of stock options and proceeds received of $1,059,000 related to the pay off of notes receivable from shareholders.

For the nine-month period ended October 31, 1999, net cash provided by operating activities totaled $378,000 compared to net cash used for operating activities of $17,174,000 for the nine-month period ended October 31, 1998. Cash flows from operations before consideration of changes in working capital items and investing and financing activities was a positive $5,489,000 for the nine months ended October 31 1999, compared to a negative $6,889,000 for the same prior-year period. Net cash provided by operating activities for the nine months ended October 31, 1999 reflects net income, as adjusted for depreciation and amortization, equity in losses of affiliates, unrealized losses on trading securities, gains on the sale of property and investments, gains on the sale of broadcast television stations and the writedown of an investment. In addition, net cash provided by operating activities for the nine months ended October 31, 1999 reflects increases in accounts receivable and inventories, offset by increases in accounts payable and accrued liabilities. Accounts receivable increased primarily due to increased receivables due from customers for merchandise sales made pursuant to the "ValuePay" installment program, the timing of credit card receivable payments, increased interest receivable resulting from higher cash balances and the $7 million receivable collected in the fourth quarter of fiscal 2000 in connection with the sale of CVI. Inventories increased from year end to support increased sales volume and seasonal preparation offset by decreases resulting from the divestiture of the HomeVisions catalog operations. The increase in accounts payable and accrued liabilities is a direct result of the increase in inventory levels and the timing of vendor payments.

Net cash provided by investing activities totaled $23,198,000 for the nine months ended October 31, 1999 compared to $30,054,000 for the same period of fiscal 1999. For the nine months ended October 31, 1999 and 1998, expenditures for property and equipment were $2,369,000 and $1,379,000, respectively. Expenditures for property and equipment during the periods ended October 31, 1999 and 1998 include (i) the upgrade of computer software, related computer equipment and other office equipment and (ii) expenditures on leasehold improvements for the Company's corporate offices. Principal future capital expenditures will be for upgrading television production and transmission equipment and the upgrade of computer software and related technical equipment associated with the expansion of the Company's home shopping business and its e-commerce initiative. In the third quarter of fiscal 2000, the Company received $28,130,000 in proceeds from the sale of its full-power television station KVVV-TV and K53 FV low-power station to Pappas Telecasting Companies. In the first quarter of fiscal 2000, the Company received a contingent payment of $10,000,000 relating to the sale of its KBGE-TV, Channel 33, television station in Seattle, Washington, and two low-power television stations to Paxson Communications in March 1998. In addition, for the nine months ended October 31, 1999, the Company invested $299,609,000 in various short-term investments, received proceeds of $279,275,000 from the sale of short-term investments, received $1,436,000 in connection with the repayment of outstanding notes receivable and made disbursements of $5,719,000 for certain investments and other long-term assets and received proceeds of $12,054,000 from the sale of property and other investments. For the nine months ended October 31, 1998, the Company received $24,483,000 in proceeds from the sale of its broadcast television station KBGE-TV and received $9,427,000 of proceeds from the sale of property and other investments. In addition, during the nine months ended October 31,1998, the Company invested $10,339,000 in various short-term investments, received proceeds of $13,197,000 from the sale of short-term investments, disbursed $2,335,000 relating to certain strategic investments and other long-term assets and granted a $3,000,000 million working capital loan to National Media Corporation.

Net cash provided by financing activities totaled $226,048,000 for the nine months ended October 31, 1999 and primarily related to $178,370,000 of proceeds received from GE Equity on the issuance of 10,674,000 shares of Common Stock in conjunction with the exercise of their Investment Warrant and $44,265,000 of proceeds received from the issuance of Series A Redeemable Convertible Preferred Stock in conjunction with the Company's new strategic alliance with GE Equity. In addition, the Company also received proceeds of $3,568,000 from the exercise of stock options and made payments of $155,000 in connection with its capital lease obligations. Net cash used for financing activities totaled $5,660,000 for the nine months ended October 31, 1998 and primarily related to repurchases of the Company's Common Stock under its stock repurchase program and capital lease obligation payments.

Management believes that funds currently held by the Company will be sufficient to fund the Company's operations, anticipated capital expenditures or strategic acquisitions and cable launch fees through fiscal 2000.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Information contained in this Form 10-Q and in other materials filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company) contain various "forward looking statements" within the meaning of federal securities laws which represent management's expectations or beliefs concerning future events. Such "forward looking statements" include, but are not limited to, improved and growing television home shopping operations, general expansion and profitability of the Company, new initiatives and the continuing success in developing new strategic alliances (including the GE Equity and NBC alliance), the Company's success in developing its e-commerce business, the launching of the Company's Internet initiative, SnapTV.com, the timing of the SnapTV rebranding, the expected target date of the completion and the materiality of total costs associated with the Company's Year 2000 readiness effort, capital spending requirements, potential future acquisitions and the effects of regulation and competition. These, and other forward looking statements made by the Company, must be evaluated in the context of a number of important factors that may affect the Company's financial position, results of operations and the ability to remain profitable, including: the ability of the Company to continue improvements in its home shopping operations, the ability to increase revenues maintain gross profit margins and increase subscriber home distribution, the ability to develop new initiatives or enter new strategic relationships, the rate at which customers accept solicitations for club membership, the ability of the Company to develop a successful e-commerce business, the ability of the Company to successfully rebrand as SnapTV, consumer spending and debt levels, interest rate fluctuations, seasonal variations in consumer purchasing activities, increases in postal, paper and outbound shipping costs, competition in the retail and direct marketing industries, continuity of relationships with or purchases from major vendors, product mix, competitive pressure on sales and pricing, the ability of the Company to manage growth and expansion, changes in the regulatory framework affecting the Company, increases in cable access fees and other costs which cannot be recovered through improved pricing and the identification and availability of potential acquisition targets at prices favorable to the Company. Investors are cautioned that all forward looking statements involve risk and uncertainty.

In addition to any specific risks and uncertainties discussed in this Form 10-Q, the risks and uncertainties discussed in detail in the Company's Form 10-K for the fiscal year ended January 31, 1999, specifically under the caption entitled "Risk Factors", provide information which should be considered in evaluating any of the Company's forward looking statements. In addition, the facts and circumstances which exist when any forward looking statements are made and on which those forward looking statements are based, may significantly change in the future, thereby rendering obsolete the forward looking statements on which such facts and circumstances were based.

PART II OTHER INFORMATION

ITEM 6 . EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Employment Agreement between the Registrant and Richard D.Barnes dated October 19, 1999. (A) *

10.2 Stock Purchase Agreement, by and among the Registrant, ValueVision Direct Marketing Company, Inc., a Minnesota corporation, and Potpourri Holdings, Inc. , a Delaware corporation, dated October 8, 1999. (B)

27 Financial Data Schedule (electronic filing only).

(A) Filed herewith

(B) Incorporated by reference from the Company's Form 8-K filed on October 12, 1999.

* Management compensatory plan / arrangement.

(b) Reports on Form 8-K

i. The Company filed a Form 8-K on October 12, 1999 reporting under Item 5, the Company's sale of its wholly-owned subsidiary, Catalog Ventures, Inc.

SIGNATURES

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.

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

/s/ Gene McCaffery

Gene McCaffery
Chief Executive Officer
(Principal Executive Officer)

/s/ Richard D. Barnes

Richard D. Barnes
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

December 14, 1999

EXHIBIT INDEX

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27 Financial Data Schedule (electronic filing only).

(A) Filed herewith

(B) Incorporated by reference from the Company's Form 8-K filed on October 12, 1999.

* Management compensatory plan / arrangement.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 19th day of October, 1999, by and between ValueVision International, Inc., a Minnesota corporation (hereinafter referred to as "Employer"), and Richard Barnes (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, Employer desires to obtain the services of Employee and Employee desires to be employed by Employer as an employee on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and mutual promises contained in this Agreement, the parties hereto agree as follows:

1. Employment. Employer agrees to employ Employee and Employee agrees to be employed by Employer on the terms and conditions set forth in this Agreement.

2. Term. The term of Employee's employment hereunder shall commence on the date hereof and shall continue on a full-time basis until the third anniversary of the date hereof (the "Term"). The "Employment Period" for purposes of this Agreement shall be the period beginning on the date hereof and ending at the time Employee shall cease to act as an employee of Employer.

3. Duties. Employee shall serve as Senior Vice President Chief Financial Officer of Employer reporting to Employer's Chief Executive Officer and shall perform the duties as assigned by Employer, from time to time, and shall faithfully, and to the best of his ability, perform such reasonable duties and services of an active, executive, administrative and managerial nature as shall be specified and designated, from time to time, by Employer. Employee agrees to devote his full time and skills to such employment while he is so employed, subject to a vacation allowance of not less than four (4) weeks during each year of the Term, or such additional vacation allowance as may be granted in the sole discretion of Employer.

4. Compensation. Employee's compensation for the services performed under this Agreement shall be as follows:

1. Base Salary. Employee shall receive a base salary of at least Two Hundred Forty Thousand and No/100 Dollars ($240,000.00) per year for the Term of this Agreement ("Base Salary"). A performance review will be conducted annually.

2. Bonus Salary. Employee shall receive bonus salary ("Bonus Salary") within 90 days after each of Employers's fiscal years during the Term of this Agreement of up to $200,000 based on the following calculation: $50,000 if ValueVision obtains an operating profit equal to at least 1% of net sales, an additional $50,000 if ValueVision obtains a net

operating profit of at least 2% of net sales, an additional $50,000 if ValueVision obtains a net operating profit of at least 3% of net sales, and an additional $50,000 if ValueVision obtains a net operating profit of at least 4% of net sales unless prior to such date, Employee's employment shall be terminated pursuant to Sections 6.c. or 6.d. hereof. The first $50,000 of the Bonus Salary shall be guaranteed for each year during the Term. Notwithstanding the foregoing, for Employer's fiscal year ending January 31, 2000, no Bonus Salary shall be payable. In addition, Employee shall be entitled to a signing bonus of $50,000 once he has commenced working for Employer (the "Signing Bonus").

c. Automobile Allowance. Employer shall pay Employee a monthly automobile allowance of $500.00 per month ("Auto Allowance").

d. Moving Expenses. Employer shall pay for the normal household moving expenses associated with Employee's move to Minneapolis ("Moving Expenses") in accordance with Employer's relocation expense policy previously provided to Employee.

5. Other Benefits During the Employment Period.

1. Employee shall receive all other benefits made available to executive officers of Employer, from time to time, at its discretion ("Benefits"). It is understood and agreed that Employer may terminate such Benefits or change any benefit programs at its sole discretion, as they are not contractual for the term hereof.

2. Employer shall reimburse Employee for all reasonable and necessary out-of-pocket business expenses incurred during the regular performance of services for Employer, including, but not limited to, entertainment and related expenses so long as Employer has received proper documentation of such expenses from Employee.

3. Employer shall furnish Employee with such working facilities and other services as are suitable to Employee's position with Employer and adequate to the performance of his duties under this Agreement.

6. Termination of Employment.

1. Death. In the event of Employee's death, this Agreement shall terminate and Employee shall cease to receive Base Salary, Bonus Salary, Auto Allowance, and Benefits as of the date on which his death occurs, except that, Employee shall receive Bonus Salary prorated for the number of months to date of death.

2. Disability. If Employee becomes disabled such that Employee cannot perform the essential functions of his job, and the disability shall have continued for a period of more than one hundred twenty (120) consecutive days, then Employer may, in its sole discretion, terminate this Agreement and Employee shall then cease to receive Base Salary, Bonus Salary, Auto Allowance, and all other Benefits, on the date this Agreement is so terminated

except that, Employee shall receive Bonus Salary prorated for the number of months to date of disability; provided however, Employee shall then be entitled to such disability, medical, life insurance, and other benefits as may be provided generally for disabled employees of Employer when payments and benefits hereunder ceases.

3. Voluntary Termination. In the event that Employee voluntarily terminates his employment, he shall cease to receive Base Salary, Bonus Salary, Auto Allowance, and all other Benefits as of the date of such termination. In addition, Employee voluntarily terminates his employment during the first six months of the Term (the "Signing Bonus Term"), Employee shall repay Employer on a pro-rata basis (calculated based on the remaining months in the Signing Bonus Term), the Signing Bonus.

4. Termination With Cause. Employer shall be entitled to terminate this Agreement and Employee's employment hereunder for Cause (as herein defined), and in the event that Employer elects to do so, Employee shall cease to receive Base Salary, Bonus Salary, Auto Allowance, and Benefits as of the date of such termination specified by Employer. In addition, Employee shall repay Employer on a pro-rata basis (calculated based on the remaining months in the Term), the Moving Expenses. For purposes of this Agreement, "Cause" shall mean:
(i) a material act or act of fraud which results in or is intended to result in Employee's personal enrichment at the direct expense of Employer, including without limitation, theft or embezzlement from Employer; (ii) public conduct by Employee substantially detrimental to the reputation of Employer, (iii) material violation by Employee of any Employer policy, regulation or practice; (iv) conviction of a felony; or (v) habitual intoxication, drug use or chemical substance use by any intoxicating or chemical substance. Notwithstanding the forgoing, Employee shall not be deemed to have been terminated for Cause unless and until Employee has received thirty (30) days' prior written notice (a "Dismissal Notice") of such termination. In the event Employee does not dispute such determination within thirty (30) days after receipt of the Dismissal Notice, Employee shall not have the remedies provided pursuant to Section 6.g. of this Agreement. In addition, Employee shall repay Employer on a pro-rata basis (calculated based on the remaining months in the Term), the Moving Expenses.

e. By Employee for Employer Cause. Employee may terminate this Agreement upon thirty (30) days written notice to Employer (the "Employee Notice") upon the occurrences without Employee's express written consent, of any one or more of the following events, provided, however, that Employee shall not have the right to terminate this Agreement if Employer is able to cure such event within thirty (30) days (ten (10) days with regard to Subsection (ii) hereof) following delivery of such notice:

(i) Employer substantially diminishes Employee's duties such that they are no longer of an executive nature as contemplated by Section 3 hereof or

(ii) Employer materially breaches its obligations to pay Employee as provided for herein and such failure to pay is not a result of a good faith dispute between Employer and Employee.

f. Other. If Employer terminates this Agreement for any reason other than as set forth in Sections 6.a, 6.b., 6.c or 6.d. above, or if Employee terminates this Agreement pursuant to Section 6.e. above, Employer shall immediately pay Employee in a lump sum payment, an amount equal to Base Salary, Bonus Salary and Auto Allowance which would otherwise be payable until the end of the Term (collectively, the "Severance Payment"). In addition, Employer shall continue to provide Employee with Benefits until the end of the Term. For purposes of calculating Bonus Salary payable pursuant to this Section 6.f., Employee shall receive Bonus Salary equal to the last Bonus Salary actually paid the Employee, prorated for the number of months to be covered by the Severance Payment.

g. Arbitration. In the event that Employee disputes a determination that Cause exists for terminating his employment pursuant to Section 6.d. of this Agreement, or Employer disputes the determination that cause exists for Employee's termination of his employment pursuant to Section 6.e of this Agreement, either such disputing party may, in accordance with the Rules of the American Arbitration Association ("AAA"), and within 30 days of receiving a Dismissal Notice or Employee Notice, as applicable, file a petition with the AAA for arbitration of the dispute, the costs thereof (including legal fees and expenses) to be shared equally by the Employer and Employee unless an order of the AAA provides otherwise. Such proceeding shall also determine all other items then in dispute between the parties relating to this Agreement, and the parties covenant and agree that the decision of the AAA shall be final and binding and hereby waive their rights to appeal thereof.

7. Confidential Information. Employee acknowledges that the confidential information and data obtained by him during the course of his performance under this Agreement concerning the business or affairs of Employer, or any entity related thereto, are the property of Employer and will be confidential to Employer. Such confidential information may include, but is not limited to, specifications, designs, and processes, product formulae, manufacturing, distributing, marketing or selling processes, systems, procedures, plans, know-how, services or material, trade secrets, devices (whether or not patented or patentable), customer or supplier lists, price lists, financial information including, without limitation, costs of materials, manufacturing processes and distribution costs, business plans, prospects or opportunities, and software and development or research work, but does not include Employee's general business or direct marketing knowledge (the "Confidential Information"). All the Confidential Information shall remain the property of Employer and Employee agrees that he will not disclose to any unauthorized persons or use for his own account or for the benefit of any third party any of the Confidential Information without Employer's written consent. Employee agrees to deliver to Employer at the termination of this employment, all memoranda, notes, plans, records, reports, video and audio tapes and any and all other documentation (and copies thereof) relating to the business of Employer, or any entity related thereto, which he may then possess or have under his direct or indirect control. Notwithstanding any provision herein to the contrary, the Confidential Information shall specifically exclude information which is publicly available to Employee and others by proper means, readily ascertainable from public sources known to Employee at the time the information was disclosed or which is rightfully obtained from a third party, information required to be disclosed by law provided

Employee provides notice to Employer to seek a protective order, or information disclosed by Employee to his attorney regarding litigation with Employer.

8. Inventions and Patents. Employee agrees that all inventions, innovations or improvements in the method of conducting Employer's business or otherwise related to Employer's business (including new contributions, improvements, ideas and discoveries, whether patentable or not) conceived or made by him during the Employment Period belong to Employer. Employee will promptly disclose such inventions, innovations and improvements to Employer and perform all actions reasonably requested by Employer to establish and confirm such ownership.

9. Noncompete and Related Agreements.

1. Employee agrees that during the Noncompetition Period (as herein defined), he will not: (i) directly or indirectly own, manage, control, participate in, lend his name to, act as consultant or advisor to or render services alone or in association with any other person, firm, corporation or other business organization for any other person or entity engaged in the television home shopping and infomercial business, any mail order or internet business that directly competes with Employer or any of its affiliates by selling merchandise primarily of the type offered in and using a similar theme as any of Employer's or its affiliates' catalogs or internet sites during the Term of this Agreement or any business which Employer (upon authorization of its board of directors) has invested significant research and development funds or resources and contemplates entering into during the next twelve (12) months (the "Restricted Business"), anywhere that Employer or any of its affiliates operates during the Term of this Agreement within the continental United States (the "Restricted Area"); (ii) have any interest directly or indirectly in any business engaged in the Restricted Business in the Restricted Area other than Employer (provided that nothing herein will prevent Employee from owning in the aggregate not more than one percent (1%) of the outstanding stock of any class of a corporation engaged in the Restricted Business in the Restricted Area which is publicly traded, so long as Employee has no participation in the management or conduct of business of such corporation), (iii) induce or attempt to induce any employee of Employer or any entity related to Employer to leave his, her or their employ, or in any other way interfere with the relationship between Employer or any entity related to Employer and any other employee of Employer or any entity related to Employer, or (iv) induce or attempt to induce any customer, supplier, franchisee, licensee, other business relation of any member of Employer or any entity related to Employer to cease doing business with Employer or any entity related to Employer, or in any way interfere with the relationship between any customer, franchisee or other business relation and Employer or any entity related to Employer, without the prior written consent of Employer. For purposes of this Agreement, "Noncompetition Period" shall mean the period commencing as of the date hereof and ending on the last day of the twelfth (12th) month following the Employment Period.

2. If, at the time of enforcement of any provisions of
Section 9, a court of competent jurisdiction holds that the restrictions stated therein are unreasonable under

circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the stated period, scope or area.

3. Employee agrees that the covenants made in this Section 9 shall be construed as an agreement independent of any other provision of this Agreement and shall survive the termination of this Agreement.

4. Employee represents and warrants to Employer that he is not subject to any existing noncompetition or confidentiality agreements which would in any way limit him from working in the television home shopping, catalog, infomercial or internet businesses, or from performing his duties hereunder or subject Employer to any liability as a result of his employment hereunder. Employee agrees to indemnify and hold Employer and its affiliates harmless from and against any and all claims, liabilities, losses, costs, damages and expenses (including reasonable attorneys' fees) arising as a result of any noncompete or confidentiality agreements applicable to Employee.

10. Termination of Existing Agreements. This Agreement supersedes and preempts any prior understandings, agreements or representations, written or oral, by or between Employee and Employer, which may have related to the employment of Employee, Employee's Agreement Not to Compete with Employer, or the payment of salary or other compensation by Employer to Employee, and upon this Agreement becoming effective, all such understandings, agreements and representations shall terminate and shall be of no further force or effect.

11. Specific Performance. Employee and Employer acknowledge that in the event of a breach of this Agreement by either party, money damages would be inadequate and the nonbreaching party would have no adequate remedy at law. Accordingly, in the event of any controversy concerning the rights or obligations under this Agreement, such rights or obligations shall be enforceable in a court of equity by a decree of specific performance. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

12. Sale, Consolidation or Merger. In the event of a sale of the stock, or substantially all of the stock, of Employer, or consolidation or merger of Employer. with or into another corporation or entity, or the sale of substantially all of the operating assets of Employer to another corporation, entity or individual, Employer may assign its rights and obligations under this Agreement to its successor-in-interest and such successor-in-interest shall be deemed to have acquired all rights and assumed all obligations of Employer hereunder.

13. Stock Options. Employee is being granted non-qualified stock options for 200,000 shares of ValueVision International, Inc. common stock ("Stock Options") with an exercise price equal to the per share closing price of Employer's common stock on the last trading date immediately preceeding the date hereof, subject to the provisions thereof and exercisable at the time or times established by the stock option agreement representing the Stock Options

(the "Stock Option Agreement"). The Stock Options vest in equal amounts as follows: one-third on the date of grant, one-third on the first anniversary of the date of grant, and one-third on the second anniversary of the date of grant. All such Stock Options shall automatically vest upon a termination of this Agreement prior to the end of the Term (unless pursuant to Sections 6.c or 6.d.).

14. No Offset - No Mitigation. Employee shall not be required to mitigate damages under this Agreement by seeking other comparable employment. The amount of any payment or benefit provided for in this Agreement, including welfare benefits, shall not be reduced by any compensation or benefits earned by or provided to Employee as the result of employment by another employer.

15. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

16. Attorney's Fees. In the event of any action for breach of, to enforce the provisions of, or otherwise arising out of or in connection with this Agreement, the prevailing party in such action, as determined by a court of competent jurisdiction in such action, shall be entitled to receive its reasonable attorney fees and costs from the other party. If a party voluntarily dismisses an action it has brought hereunder, it shall pay to the other party its reasonable attorney fees and costs.

17. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing, and delivered by registered or certified mail or delivered personally: (I) in the case of Employer, to Employer's principal business office; and (ii) in the case of Employee, to his address appearing on the records of Employer, or to such other address as he may designate in writing to Employer.

18. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provisions as to make it valid, reasonable and enforceable.

19. Amendment. This Agreement may be amended only by an agreement in writing signed by the parties hereto.

20. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against Employee's heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of Employee may not be delegated or assigned except as specifically set forth in this Agreement.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Minnesota.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the day, month and year first above written.

EMPLOYER:	*VALUEVISION INTERNATIONAL, INC.*
	By /s/ Gene McCaffery ------------------------------------- *Gene McCaffery* *Its: Chief Executive Officer*
EMPLOYEE:	*/s/ Richard Barnes* ------------------------------------- *Richard Barnes*

ARTICLE 5

This schedule contains summary financial information extracted from Value Vision International Inc.'s consolidated balance sheet as of October 31, 1999 and consolidated statement of operations for the nine-month period ended October 31, 1999 and is qualified in its entirety by reference to such consolidated financial statements as filed on Form 10-Q.

MULTIPLIER: 1000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 2000
PERIOD START	FEB 01 1999
PERIOD END	OCT 31 1999
EXCHANGE RATE	1
CASH	293,888
SECURITIES	21,638
RECEIVABLES	43,759 [1]
ALLOWANCES	0
INVENTORY	22,217
CURRENT ASSETS	389,068
PP&E	13,270 [2]
DEPRECIATION	0
TOTAL ASSETS	427,847
CURRENT LIABILITIES	60,259
BONDS	0
PREFERRED MANDATORY	41,553
PREFERRED	0
COMMON	373
OTHER SE	325,007
TOTAL LIABILITY AND EQUITY	427,847
SALES	187,592
TOTAL REVENUES	187,592
CGS	111,988
TOTAL COSTS	185,836
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	40,413
INCOME TAX	15,762
INCOME CONTINUING	24,651
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	24,651
EPS BASIC	0.79
EPS DILUTED	0.65

[1] Accounts receivable represents amounts net of allowances for doubtful accounts.

[2] Property and equipment represents amounts net of accumulated depreciation.

End of Filing

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