

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

FORM 10-Q

R Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended October 31, 2015

Commission File Number 001-37495

EVINE Live 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, Eden Prairie, MN 55344-3433
(Address of Principal Executive Offices, including Zip Code)

952-943-6000
(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 R No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer R

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No R

As of November 25, 2015, there were 57,125,435 shares of the registrant's common stock, \$.01 par value per share, outstanding.

EVINE Live Inc. AND SUBSIDIARIES
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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EVINE Live Inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

	October 31, 2015	January 31, 2015
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash	\$ 12,129	\$ 19,828
Restricted cash and investments	450	2,100
Accounts receivable, net	96,251	112,275
Inventories	74,721	61,456
Prepaid expenses and other	6,843	5,284
Total current assets	190,394	200,943
Property & equipment, net	53,231	42,759
FCC broadcasting license	12,000	12,000
Other assets	2,050	1,989
	<u>\$ 257,675</u>	<u>\$ 257,691</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 79,456	\$ 81,457
Accrued liabilities	30,878	36,683
Current portion of long term credit facility	2,143	1,736
Deferred revenue	85	85
Total current liabilities	112,562	119,961
Capital lease liability	—	36
Deferred revenue	185	249
Deferred tax liability	2,537	1,946
Long term credit facility	66,173	50,971
Total liabilities	181,457	173,163
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 per share par value, 400,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$.01 per share par value, 100,000,000 shares authorized; 57,125,435 and 56,448,663 shares issued and outstanding	571	564
Additional paid-in capital	423,480	418,846
Accumulated deficit	(347,833)	(334,882)
Total shareholders' equity	76,218	84,528
	<u>\$ 257,675</u>	<u>\$ 257,691</u>

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

EVINE Live Inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share data)

	For the Three-Month		For the Nine-Month	
	Periods Ended		Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Net sales	\$ 162,258	\$ 157,106	\$ 481,770	\$ 473,394
Cost of sales	106,348	98,040	309,699	293,887
Gross profit	55,910	59,066	172,071	179,507
Operating expense:				
Distribution and selling	51,038	49,457	153,194	149,296
General and administrative	5,975	5,357	18,078	18,045
Depreciation and amortization	2,131	2,034	6,369	6,465
Executive and management transition costs	754	2,415	3,549	5,035
Distribution facility consolidation and technology upgrade costs	294	—	1,266	—
Activist shareholder response costs	—	—	—	3,518
Total operating expense	60,192	59,263	182,456	182,359
Operating loss	(4,282)	(197)	(10,385)	(2,852)
Other income (expense):				
Interest income	2	2	6	8
Interest expense	(690)	(406)	(1,957)	(1,184)
Total other expense	(688)	(404)	(1,951)	(1,176)
Loss before income taxes	(4,970)	(601)	(12,336)	(4,028)
Income tax provision	(205)	(207)	(615)	(609)
Net loss	\$ (5,175)	\$ (808)	\$ (12,951)	\$ (4,637)
Net loss per common share	\$ (0.09)	\$ (0.01)	\$ (0.23)	\$ (0.09)
Net loss per common share — assuming dilution	\$ (0.09)	\$ (0.01)	\$ (0.23)	\$ (0.09)
Weighted average number of common shares outstanding:				
Basic	57,125,435	55,433,419	56,952,952	52,492,488
Diluted	57,125,435	55,433,419	56,952,952	52,492,488

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

EVINE Live Inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED OCTOBER 31, 2015

(Unaudited)

(In thousands, except share data)

	<u>Common Stock</u>				
	<u>Number of Shares</u>	<u>Par Value</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
BALANCE, January 31, 2015	56,448,663	\$ 564	\$ 418,846	\$ (334,882)	\$ 84,528
Net loss	—	—	—	(12,951)	(12,951)
Common stock issuances pursuant to equity compensation plans	676,772	7	2,496	—	2,503
Share-based payment compensation	—	—	2,138	—	2,138
BALANCE, October 31, 2015	<u>57,125,435</u>	<u>\$ 571</u>	<u>\$ 423,480</u>	<u>\$ (347,833)</u>	<u>\$ 76,218</u>

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

EVINE Live Inc. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Nine-Month Periods Ended	
	October 31, 2015	November 1, 2014
OPERATING ACTIVITIES:		
Net loss	\$ (12,951)	\$ (4,637)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	7,265	6,783
Share-based payment compensation	2,138	3,338
Amortization of deferred revenue	(64)	(64)
Amortization of deferred financing costs	215	166
Deferred income taxes	591	591
Changes in operating assets and liabilities:		
Accounts receivable, net	16,024	13,926
Inventories	(13,265)	(16,635)
Prepaid expenses and other	(1,450)	1,037
Accounts payable and accrued liabilities	(7,612)	(4,042)
Net cash provided by (used for) operating activities	(9,109)	463
INVESTING ACTIVITIES:		
Property and equipment additions	(17,885)	(12,759)
Change in restricted cash and investments	1,650	—
Net cash used for investing activities	(16,235)	(12,759)
FINANCING ACTIVITIES:		
Payments for deferred issuance costs	(428)	(304)
Payments on capital leases	(39)	(39)
Proceeds from issuance of revolving loan	14,300	—
Proceeds from issuance of term loan	2,849	4,691
Payments on term loan	(1,540)	—
Proceeds from exercise of stock options	2,503	2,758
Net cash provided by financing activities	17,645	7,106
Net decrease in cash	(7,699)	(5,190)
BEGINNING CASH	19,828	29,177
ENDING CASH	\$ 12,129	\$ 23,987
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 1,672	\$ 1,010
Income taxes paid	\$ 33	\$ 30
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment purchases included in accounts payable	\$ 1,827	\$ 3,191
Non-cash warrant exercise	\$ —	\$ 533

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

EVINE Live Inc. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2015
(Unaudited)

(1) General

EVINE Live Inc. and its subsidiaries ("we," "our," "us," or the "Company") are collectively a digital commerce company that offers a mix of proprietary and name brands directly to consumers in an engaging and informative shopping experience through TV, online and mobile devices. The Company operates a 24-hour television shopping network, EVINE Live, which is distributed primarily on cable and satellite systems, through which it offers brand name and proprietary products in the categories of jewelry & watches; home & consumer electronics; beauty; and fashion & accessories. Orders are taken via telephone, online and mobile channels. The television network is distributed into approximately 88 million homes, primarily through cable and satellite affiliation agreements and agreements with telecommunications companies such as AT&T and Verizon. Programming is also streamed live online at evine.com and is also available on mobile channels. Programming is also distributed through a Company-owned full power television station in Boston, Massachusetts and through leased carriage on a full power television station in Seattle, Washington.

The Company also operates evine.com, a comprehensive digital commerce platform that sells products which appear on its television shopping network as well as an extended assortment of online-only merchandise. The live programming and products are also marketed via mobile devices, including smartphones and tablets, and through the leading social media channels.

On November 18, 2014, the Company announced that it had changed its corporate name to EVINE Live Inc. from ValueVision Media, Inc. Effective November 20, 2014, the Company's NASDAQ trading symbol also changed to EVLV from VVTV. The Company transitioned from doing business as "ShopHQ" to "EVINE Live" and evine.com on February 14, 2015.

(2) Basis of Financial Statement Presentation

Principles of Consolidation

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 ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America have been condensed or omitted in accordance with these rules and regulations. The accompanying condensed consolidated balance sheet as of January 31, 2015 has been derived from the Company's audited financial statements for the fiscal year ended January 31, 2015. The information furnished in the interim condensed consolidated financial statements includes normal recurring accruals and reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of these financial statements. Although management believes the disclosures and information presented are adequate, these interim condensed consolidated financial statements should be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its annual report on Form 10-K for the fiscal year ended January 31, 2015. Operating results for the nine-month period ended October 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending January 30, 2016.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. References to years in this report relate to fiscal years, rather than to calendar years. The Company's most recently completed fiscal year, fiscal 2014, ended on January 31, 2015, and consisted of 52 weeks. Fiscal 2015 will end on January 30, 2016, and will contain 52 weeks. The quarters ended October 31, 2015 and November 1, 2014 each consisted of 13 weeks.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Revenue from Contracts with Customers, Topic 606 (Accounting Standards Update (ASU) No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. The guidance, also includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers. In July 2015, the Financial Accounting Standards Board approved a one year deferral of the effective date of ASU 2014-09. The

standard will now become effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09 on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30 (ASU No 2015-03). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. In August 2015, the FASB issued Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, Subtopic 835-30 (ASU No. 2015-15), which clarifies that absent authoritative guidance in ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the staff of the Securities and Exchange Commission would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The amendments in ASU No. 2015-03 are effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of adopting ASU 2015-03 and ASU 2015-15 on our consolidated financial statements.

In July 2015, the Financial Accounting Standards Board issued Simplifying the Measurement of Inventory, Topic 330 (ASU No 2015-11). ASU 2015-11 changes the measurement principle for inventory from the lower of cost or market to lower of cost or net realizable value. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2015-11 on our consolidated financial statements.

(3) Fair Value Measurements

GAAP utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to observable quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 measurement), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

As of October 31, 2015 and January 31, 2015 the Company had \$ 450,000 and \$2.1 million , respectively, in Level 2 investments in the form of bank certificates of deposit. The Company's investments in certificates of deposits were measured using inputs based upon quoted prices for similar instruments in active markets and, therefore, were classified as Level 2 investments. As of October 31, 2015 and January 31, 2015 the Company also had a long-term variable rate Credit Facility with carrying values of \$68,316,000 and \$52,707,000 , respectively. As of October 31, 2015 and January 31, 2015 , respectively, \$2,143,000 and \$1,736,000 was classified as current. The fair value of the variable rate Credit Facility approximates and is based on its carrying value. The Company has no Level 3 investments that use significant unobservable inputs.

(4) Intangible Assets

Intangible assets in the accompanying consolidated balance sheets consisted of the following:

	Weighted Average Life (Years)	October 31, 2015		January 31, 2015	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:					
EVINE trademark	15	\$ 1,103,000	\$ (61,000)	\$ 1,103,000	\$ (18,000)
Total finite-lived intangible assets		<u>\$ 1,103,000</u>	<u>\$ (61,000)</u>	<u>\$ 1,103,000</u>	<u>\$ (18,000)</u>
Indefinite-lived intangible assets:					
FCC broadcast license		<u>\$ 12,000,000</u>		<u>\$ 12,000,000</u>	

As of January 31, 2015 , the Company had an intangible FCC broadcasting license with a carrying value of \$12,000,000 and an estimated fair value of \$13,100,000 . The Company annually reviews its FCC television broadcast license for impairment in the fourth quarter, or more frequently if an impairment indicator is present. The Company estimates the fair value of its FCC television broadcast license primarily by using income-based discounted cash flow models with the assistance of an independent

outside fair value consultant. The discounted cash flow models utilize a range of assumptions including revenues, operating profit margin, projected capital expenditures and an unobservable discount rate. The Company concluded that the inputs used in its intangible FCC broadcasting license asset valuation are Level 3 inputs related to this valuation. The Company also considers comparable asset market and sales data for recent comparable market transactions for standalone television broadcasting stations to assist in determining fair value.

While the Company believes that its estimates and assumptions regarding the valuation of the license are reasonable, different assumptions or future events could materially affect its valuation. In addition, due to the illiquid nature of this asset, the Company's valuation for this license could be materially different if it were to decide to sell it in the short term which, upon revaluation, could result in a future impairment of this asset.

Amortization expense related to the EVINE trademark license was \$18,000 and \$43,000 for the three and nine month periods ended October 31, 2015 .

(5) Credit Facility

The Company's long-term credit facility consists of:

	<u>October 31, 2015</u>	<u>January 31, 2015</u>
Credit Facility		
Revolving loan	\$ 55,000,000	\$ 40,700,000
Term loan	13,316,000	12,007,000
Total long-term credit facility	68,316,000	52,707,000
Less current portion of long-term credit facility	(2,143,000)	(1,736,000)
Long-term credit facility, excluding current portion	<u>\$ 66,173,000</u>	<u>\$ 50,971,000</u>

On February 9, 2012, the Company entered into a credit and security agreement (as amended on October 8, 2015, the "Credit Facility") with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc., as lender and agent. The Credit Facility, which includes The Private Bank as part of the facility, provides a revolving line of credit of \$90.0 million and provides for a \$15.0 million term loan on which the Company has drawn to fund improvements at the Company's distribution facility in Bowling Green, Kentucky. As part of the October 8, 2015 amendment, the Company exercised the then current accordion feature, which expanded the size of the revolving line of credit by \$15.0 million , to its total revolving line of credit of \$90.0 million . The amended Credit Facility also provides a new accordion feature that would allow the Company to expand the size of the revolving line of credit by another \$25.0 million at the discretion of the lenders and upon certain conditions being met.

All borrowings under the Credit Facility mature and are payable on May 1, 2020. Subject to certain conditions, the Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6.0 million which, upon issuance, would be deemed advances under the Credit Facility. Maximum borrowings and available capacity under the revolving line of credit under the Credit Facility are equal to the lesser of \$90.0 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory. The Credit Facility is secured by substantially all of the Company's personal property, as well as the Company's real properties located in Eden Prairie, Minnesota and Bowling Green, Kentucky. Under certain circumstances, the borrowing base may be adjusted if there were to be a significant deterioration in value of the Company's accounts receivable and inventory.

The revolving line of credit under the Credit Facility bears interest at LIBOR plus 3% per annum. The term loan bears interest at either (i) a fixed rate based on the LIBOR Rate for interest periods of one , two , three or six months, or (ii) a daily floating alternate base rate (the "Base Rate"), plus until January 31, 2015, a margin of 5% on the Base Rate and 6% on the LIBOR Rate and then the margin adjusts each fiscal year to a rate consisting of between 4% and 5% on Base Rate term loans and 5% to 6% on LIBOR Rate term loans based on the Company's leverage ratio as demonstrated in its financial statements. As of October 31, 2015 , the Company had borrowings of \$55.0 million under its revolving credit facility. Remaining available capacity under the revolving credit facility as of October 31, 2015 is approximately \$23.6 million , of which approximately \$2.6 million is earmarked for our distribution facility expansion, with the balance providing liquidity for working capital and general corporate purposes. The Credit Facility also provides for a \$15.0 million term loan on which the Company has drawn to fund an expansion at the Company's distribution facility in Bowling Green, Kentucky. As of October 31, 2015 , there was approximately \$13.3 million outstanding under the Credit Facility term loan of which \$2.1 million was classified as current in the accompanying balance sheet.

Principal borrowings under the term loan are to be payable in monthly installments over an 84 month amortization period commencing on January 1, 2015 and are also subject to mandatory prepayment in certain circumstances, including, but not limited to, upon receipt of certain proceeds from dispositions of collateral. Borrowings under the term loan are also subject to mandatory prepayment starting in the fiscal year ending January 30, 2016 in an amount equal to fifty percent (50%) of excess cash flow for such fiscal year, with any such payment not to exceed \$2.0 million in any such fiscal year. The Credit Facility is also subject to other mandatory prepayment in certain circumstances. In addition, if the total Credit Facility is terminated prior to maturity, the Company would be required to pay an early termination fee of 3.0% if terminated on or before October 8, 2016; 1.0% if terminated on or before October 8, 2017, 0.5% if terminated on or before October 8, 2018; and no fee if terminated after October 8, 2018. Interest expense recorded under the Credit Facility for the three- and nine-month periods ended October 31, 2015 was \$684,000 , and \$1,945,000 , respectively and \$398,000 and \$1,172,000 for the three- and nine-month periods ended November 1, 2014 , respectively.

The Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility availability of \$10.0 million at all times and limiting annual capital expenditures. As our unused line availability was greater than \$10.0 million at October 31, 2015 , no additional cash was required to be restricted. Certain financial covenants, including minimum EBITDA levels (as defined in the Credit Facility) and a minimum fixed charge coverage ratio, become applicable only if unrestricted cash plus facility availability falls below \$16.0 million (increasing to \$18.0 million beginning October 31, 2016 or earlier under certain circumstances) or upon an event of default. In addition, the Credit Facility places restrictions on the Company's ability to incur additional indebtedness or prepay existing indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to common shareholders.

Costs incurred to obtain amendments to the Credit Facility totaling \$1,101,000 and unamortized costs incurred to obtain the original Credit Facility totaling \$466,000 have been deferred and are being expensed as additional interest over the five -year term of the Credit Facility.

The aggregate maturities of the Company's long-term Credit Facility as of October 31, 2015 are as follows:

Fiscal year	Credit Facility		Total
	Term loan	Revolving loan	
2015	\$ 536,000	\$ —	\$ 536,000
2016	2,143,000	—	2,143,000
2017	2,143,000	—	2,143,000
2018	2,143,000	—	2,143,000
2019	2,143,000	—	2,143,000
Thereafter	4,208,000	55,000,000	59,208,000
	<u>\$ 13,316,000</u>	<u>\$ 55,000,000</u>	<u>\$ 68,316,000</u>

(6) Share-Based Compensation - Stock Option Awards

Compensation is recognized for all share-based compensation arrangements by the Company. Stock-based compensation expense for the third quarters of fiscal 2015 and fiscal 2014 related to stock option awards was \$317,000 and \$260,000 , respectively. Stock-based compensation expense for the first nine-months of fiscal 2015 and fiscal 2014 related to stock option awards was \$904,000 and \$2,323,000 , respectively. The Company has not recorded any income tax benefit from the exercise of stock options due to the uncertainty of realizing income tax benefits in the future.

As of October 31, 2015 , the Company had one omnibus stock plan for which stock awards can be currently granted: the 2011 Omnibus Incentive Plan that provides for the issuance of up to 6,000,000 shares of the Company's stock. The 2004 Omnibus Plan expired on June 22, 2014. No further awards may be made under the 2004 Omnibus Plan, but any award granted under the 2004 Omnibus Plan and outstanding on June 22, 2014 will remain outstanding in accordance with its terms. The 2001 Omnibus Stock Plan expired on June 21, 2011. The 2011 plan is administered by the human resources and compensation committee of the board of directors and provides for awards for employees, directors and consultants. All employees and directors of the Company and its affiliates are eligible to receive awards under the plan. The types of awards that may be granted under the plan include restricted and unrestricted stock, restricted stock units, incentive and non-statutory stock options, stock appreciation rights, performance units, and other stock-based awards. Incentive stock options may be granted to employees at such exercise prices as the human resources and compensation committee may determine but not less than 100% of the fair market value of the underlying

stock as of the date of grant. No incentive stock option may be granted more than 10 years after the effective date of the respective plan's inception or be exercisable more than 10 years after the date of grant. Options granted to outside directors are non-statutory stock options with an exercise price equal to 100% of the fair market value of the underlying stock as of the date of grant. With the exception of market-based options, options granted generally vest over three years in the case of employee stock options and vest immediately on the date of grant in the case of director options, and have contractual terms of 10 years from the date of grant.

The fair value of each time-based vesting option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's stock. Expected term is calculated using the simplified method taking into consideration the option's contractual life and vesting terms. The Company uses the simplified method in estimating its expected option term because it believes that historical exercise data cannot be accurately relied upon at this time to provide a reasonable basis for estimating an expected term due to the extreme volatility of its stock price and the resulting unpredictability of its stock option exercises. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yields were not used in the fair value computations as the Company has never declared or paid dividends on its common stock and currently intends to retain earnings for use in operations.

	Fiscal 2015	Fiscal 2014
Expected volatility	75% - 82%	93% - 98%
Expected term (in years)	6 years	5 - 6 years
Risk-free interest rate	1.7% - 1.9%	1.5% - 2.2%

Market-Based Stock Option Awards

On October 3, 2012, the Company granted 2,125,000 non-qualified market-based stock options to its executive officers as part of the Company's long-term executive compensation program. The options were granted with an exercise price of \$4.00 and each option will become exercisable in three tranches, as follows, on the dates when the Company's average closing stock price for 20 consecutive trading days equals or exceeds the following prices: Tranche 1 (50% of the shares subject to the option at \$6.00 per share); Tranche 2 (25% at \$8.00 per share); and Tranche 3 (25% at \$10.00 per share). On August 14, 2013, 50% of this stock option grant (Tranche 1) vested and as a result, the vesting of the second and third tranches can occur any time on or before the fifth anniversary of the grant date. As of October 31, 2015 , 953,127 market-based stock option awards were outstanding. The total grant date fair value was estimated to be \$1,998,000 and was amortized over the derived service periods for each tranche.

Grant date fair values and derived service periods for each tranche were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 0.38% , a weighted average expected life of 3.3 years and an implied volatility of 78% and were as follows for each tranche:

	Fair Value (Per Share)	Derived Service Period
Tranche 1 (\$6.00/share)	\$0.93	15 months
Tranche 2 (\$8.00/share)	\$0.95	20 months
Tranche 3 (\$10.00/share)	\$0.95	24 months

A summary of the status of the Company's stock option activity as of October 31, 2015 and changes during the nine months then ended is as follows:

	2011 Incentive Stock Option Plan	Weighted Average Exercise Price	2004 Incentive Stock Option Plan	Weighted Average Exercise Price	2001 Incentive Stock Option Plan	Weighted Average Exercise Price	Other Non- Qualified Stock Options	Weighted Average Exercise Price
Balance outstanding, January 31, 2015	2,463,000	\$ 4.09	1,206,000	\$ 6.71	826,000	\$ 6.89	450,000	\$ 4.51
Granted	315,000	\$ 5.56	—	\$ —	—	\$ —	—	\$ —
Exercised	(78,000)	\$ 4.30	(30,000)	\$ 2.70	(130,000)	\$ 3.18	(372,000)	\$ 4.57
Forfeited or canceled	(680,000)	\$ 4.51	(403,000)	\$ 7.83	(292,000)	\$ 7.26	(78,000)	\$ 4.23
Balance outstanding, October 31, 2015	<u>2,020,000</u>	\$ 4.24	<u>773,000</u>	\$ 6.21	<u>404,000</u>	\$ 7.81	<u>—</u>	\$ —
Options exercisable at October 31, 2015	<u>1,275,000</u>	\$ 3.96	<u>755,000</u>	\$ 6.25	<u>404,000</u>	\$ 7.81	<u>—</u>	\$ —

The following table summarizes information regarding stock options outstanding at October 31, 2015 :

Option Type	Options Outstanding				Options Vested or Expected to Vest			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
2011 Incentive:	<u>2,020,000</u>	\$ 4.24	7.6	<u>\$ 62,000</u>	<u>1,976,000</u>	\$ 4.22	7.6	<u>\$ 60,000</u>
2004 Incentive:	<u>773,000</u>	\$ 6.21	3.3	<u>\$ 11,000</u>	<u>772,000</u>	\$ 6.22	3.3	<u>\$ 11,000</u>
2001 Incentive:	<u>404,000</u>	\$ 7.81	2.5	<u>\$ —</u>	<u>404,000</u>	\$ 7.81	2.5	<u>\$ —</u>
Non-Qualified:	<u>—</u>	\$ —	—	<u>\$ —</u>	<u>—</u>	\$ —	—	<u>\$ —</u>

The weighted average grant-date fair value of options granted in the first nine-months of fiscal 2015 and fiscal 2014 was \$3.95 and \$3.78 , respectively. The total intrinsic value of options exercised during the first nine-months of fiscal 2015 and fiscal 2014 was \$1,441,000 and \$5,647,000 , respectively. As of October 31, 2015 , total unrecognized compensation cost related to stock options was \$1,964,000 and is expected to be recognized over a weighted average expected life of approximately 1.9 years .

(7) Restricted Stock and Warrant Exercise

Restricted Stock

Compensation expense recorded for the third quarter of fiscal 2015 and fiscal 2014 relating to restricted stock grants was \$445,000 and \$160,000 , respectively. Compensation expense recorded for the first nine-months of fiscal 2015 and fiscal 2014 relating to restricted stock grants was \$1,234,000 and \$1,015,000 , respectively. As of October 31, 2015 , there was \$2,779,000 of total unrecognized compensation cost related to non-vested restricted stock grants. That cost is expected to be recognized over a weighted average expected life of 1.7 years . The total fair value of restricted stock vested during the first nine months of fiscal 2015 and fiscal 2014 was \$249,000 and \$518,000 , respectively.

During the third quarter of fiscal 2015, the Company granted a total of 32,000 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning October 1, 2016. The aggregate market value of the restricted stock at the date of the award was \$80,640 and is being amortized as compensation expense over the three -year vesting period.

During the second quarter of fiscal 2015, the Company granted a total of 182,334 shares of restricted stock to eight non-management board members as part of the Company's annual director compensation program. Each restricted stock award vests on the day immediately preceding the next annual meeting of shareholders following the date of grant. The aggregate market value of the restricted stock at the date of the award was \$520,000 and is being amortized as director compensation expense over the twelve -month vesting period. During the second quarter of fiscal 2015, the Company also granted a total of 26,810 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock

will vest in three equal annual installments beginning in May 2016. The aggregate market value of the restricted stock at the date of the award was \$158,000 and is being amortized as compensation expense over the three -year vesting period.

During the first quarter of fiscal 2015, the Company granted a total of 67,786 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning March 20, 2016. The aggregate market value of the restricted stock at the date of the award was \$417,593 and is being amortized as compensation expense over the three -year vesting period.

During the first quarter of fiscal 2015, the Company also granted a total of 106,963 shares of market-based restricted stock performance units to certain executives as part of the Company's long-term incentive program. The number of restricted stock units earned is based on the Company's total shareholder return ("TSR") relative to a group of industry peers over a three-year performance measurement period. The total grant date fair value was estimated to be \$776,865 , or \$7.26 per share and is being amortized over the three-year performance period. Grant date fair values were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 0.9% , a weighted average expected life of three years and an implied volatility of 54% - 55% . The percent of the target market-based performance vested restricted stock unit award that will be earned based on the Company's TSR relative to the peer group is as follows:

Percentile Rank	Percentage of Units Vested
< 33%	0%
33%	50%
50%	100%
100%	150%

On November 17, 2014, the Company granted 199,790 shares of market-based restricted stock units to its chief executive officer and 79,916 shares of market-based restricted stock units to its chief strategy officer in conjunction with the hiring of these positions. As of October 31, 2015 , these market-based restricted stock awards were outstanding. The total grant date fair value was estimated to be \$1,373,000 , or \$4.91 per share and is being amortized over the three-year performance period. Grant date fair values were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 1.03% , a weighted average expected life of three years and an implied volatility of 60% . Each restricted stock award will vest if at any time during the three-year performance period the closing price of the Company's stock equals or exceeds, for ten consecutive trading days, the following cumulative total shareholder return ("TSR") thresholds:

Cumulative TSR Thresholds	Percentage of Units Vested
< 25%	0%
25%	25%
33%	50%
40%	75%
50%	100%

On June 18, 2014, the Company granted a total of 56,000 shares of restricted stock to seven non-management board members as part of the Company's annual director compensation program. Each restricted stock award vested on the day immediately preceding the next annual meeting of shareholders following the date of grant. The aggregate market value of the restricted stock at the date of the award was \$281,000 and was amortized as director compensation expense over the twelve -month vesting period.

On March 13, 2014, the Company granted a total of 53,000 shares of restricted stock to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning March 13, 2015. The aggregate market value of the restricted stock at the date of the award was \$290,000 and is being amortized as compensation expense over the three -year vesting period. During the first quarter of fiscal 2014, the Company also granted a total of 4,000 shares of restricted stock to two new non-management board members as part of the Company's annual director compensation program. Each restricted stock award vested on the day immediately preceding the next annual meeting of shareholders following the date of grant. The aggregate market value of the restricted stock at the date of the award was \$23,500 and was amortized as director compensation expense through June 2014.

A summary of the status of the Company's non-vested restricted stock activity as of October 31, 2015 and changes during the nine-month period then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding, January 31, 2015	704,000	\$4.54
Granted	416,000	\$4.70
Vested	(71,000)	\$5.12
Forfeited	(132,000)	\$4.33
Non-vested outstanding, October 31, 2015	917,000	\$4.60

Warrant Exercise

On June 24, 2014, GE Capital Equity Investments, Inc. ("GE Equity") exercised its common stock purchase warrant in a cashless exercise acquiring 5,058,741 shares of the Company's common stock. The warrant was issued in connection with the issuance of the Company's Series B Redeemable Preferred Stock in February 2009. See Note 12 for information about a recent SEC filing made by GE Equity regarding the proposed sale of the shares owned by GE Equity.

(8) Net Loss Per Common Share

Basic net loss per share is computed by dividing reported loss by the weighted average number of shares of common stock outstanding for the reported period. Diluted income per share 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 net loss per share calculations and the number of shares used in the calculation of basic loss per share and diluted loss per share is as follows:

	Three-Month Periods Ended		Nine-Month Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Net loss (a)	\$ (5,175,000)	\$ (808,000)	\$ (12,951,000)	\$ (4,637,000)
Weighted average number of shares of common stock outstanding — Basic	57,125,435	55,433,419	56,952,952	52,492,488
Dilutive effect of stock options, non-vested shares and warrants (b)	—	—	—	—
Weighted average number of shares of common stock outstanding — Diluted	57,125,435	55,433,419	56,952,952	52,492,488
Net loss per common share	\$ (0.09)	\$ (0.01)	\$ (0.23)	\$ (0.09)
Net loss per common share — assuming dilution	\$ (0.09)	\$ (0.01)	\$ (0.23)	\$ (0.09)

(a) The net loss for the three and nine-month periods ended October 31, 2015 includes costs related to executive and management transition of \$754,000 and \$3,549,000, respectively, and distribution facility consolidation and technology upgrade costs totaling \$294,000 and \$1,266,000 for the three and nine-month periods ended October 31, 2015, respectively. The net loss for the three and nine-month periods ended November 1, 2014 includes costs related to an activist shareholder response of \$0 and \$3,518,000, respectively, and costs related to executive and management transition of \$2,415,000 and \$5,035,000 for the three and nine-month periods ended November 1, 2014, respectively.

(b) For the three and nine-month periods ended October 31, 2015, approximately 0 and 71,000 incremental in-the-money potentially dilutive common share options have been excluded from the computation of diluted earnings per share, as the effect of their inclusion would be antidilutive. For the three and nine-month periods ended November 1, 2014, approximately 735,000 and 3,699,000 incremental in-the-money potentially dilutive common share options have been excluded from the computation of diluted earnings per share, as the effect of their inclusion would be antidilutive.

(9) Business Segments and Sales by Product Group

The Company has one reporting segment, which encompasses its digital commerce retailing. The Company markets, sells and distributes its products to consumers primarily through its digital commerce television, online website evine.com and mobile platforms. The Company's television shopping, online and mobile platforms have similar economic characteristics with respect to products, product sourcing, vendors, marketing and promotions, gross margins, customers, and methods of distribution. In addition, the Company believes that its television shopping program is a key driver of traffic to both the evine.com website and mobile applications whereby many of the online sales originate from customers viewing the Company's television program and then place their orders online or through mobile devices. All of the Company's sales are made to customers residing in the United States. The chief operating decision maker is the Chief Executive Officer of the Company. Certain fiscal 2014 product category amounts in the accompanying table have been reclassified to conform to our fiscal 2015 product group hierarchy. Information on net sales by significant product groups are as follows (in thousands):

	Three-Month Periods Ended		Nine-Month Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Jewelry & Watches	\$ 53,601	\$ 57,013	\$ 181,454	\$ 187,128
Home & Consumer Electronics	49,850	42,154	118,642	117,098
Beauty	19,512	18,773	61,677	55,483
Fashion & Accessories	26,332	25,615	80,374	71,678
All other (primarily shipping & handling revenue)	12,963	13,551	39,623	42,007
Total	\$ 162,258	\$ 157,106	\$ 481,770	\$ 473,394

(10) Income Taxes

At January 31, 2015, the Company had federal net operating loss carryforwards ("NOLs") of approximately \$298.5 million, and state NOLs of approximately \$188.0 million which are available to offset future taxable income. The Company's federal NOLs expire in varying amounts each year from 2023 through 2034 in accordance with applicable federal tax regulations and the timing of when the NOLs were incurred.

In the first quarter of fiscal 2011, the Company had a change in ownership (as defined in Section 382 of the Internal Revenue Code) as a result of the issuance of common stock coupled with the redemption of all the Series B Preferred Stock held by GE Equity. Sections 382 and 383 limit the annual utilization of certain tax attributes, including NOL carryforwards, incurred prior to a change in ownership. Currently, the limitations imposed by Sections 382 and 383 are not expected to impair the Company's ability to fully realize its NOLs; however, the annual usage of NOLs incurred prior to the change in ownership is limited. In addition, if the Company were to experience another ownership change, as defined by Sections 382 and 383, its ability to utilize its NOLs could be further substantially limited and depending on the severity of the annual NOL limitation, the Company could permanently lose its ability to use a significant amount of its accumulated NOLs. The Company currently has recorded a full valuation allowance for its net deferred tax assets. The ultimate realization of these deferred tax assets and related limitations depend on the ability of the Company to generate sufficient taxable income in the future, as well as the timing of such income.

For the third quarters of fiscal 2015 and fiscal 2014, the income tax provision included a non-cash tax charge of approximately \$197,000 and \$198,000, respectively, relating to changes in the Company's long-term deferred tax liability related to the tax amortization of the Company's indefinite-lived intangible FCC license asset that is not available to offset existing deferred tax assets in determining changes to our income tax valuation allowance. For the first nine-months of fiscal 2015 and fiscal 2014, the income tax provision included a non-cash charge of approximately \$591,000 and \$591,000, respectively. The Company expects the continued tax amortization of its indefinite-lived intangible asset and resulting book versus tax asset carrying value difference to result in approximately \$197,000 of additional non-cash income tax expense over the remainder of fiscal 2015.

Shareholder Rights Plan

During the second quarter of fiscal 2015, the Company adopted a Shareholder Rights Plan to preserve the value of certain deferred tax benefits, including those generated by net operating losses. On July 10, 2015, the Company declared a dividend distribution of one purchase right (a "Right") for each outstanding share of the Company's common stock to shareholders of record as of the close of business on July 23, 2015 and issuable as of that date, and on July 13, 2015, the Company entered into a Shareholder Rights Plan (the "Plan") with Wells Fargo Bank, N.A., a national banking association, with respect to the Rights. Except in certain circumstances set forth in the Plan, each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Cumulative Preferred Stock, \$0.01 par value, of the Company ("Preferred Stock" and each one one-thousandth of a share of Preferred Stock, a "Unit") at a price of \$9.00 per Unit.

The Rights initially trade together with the common stock and are not exercisable. Subject to certain exceptions specified in the Plan, the Rights will separate from the common stock and become exercisable following (i) the tenth calendar day after a public announcement or filing that a person or group has become an "Acquiring Person," which is defined as a person who has acquired, or obtained the right to acquire, beneficial ownership of 4.99% or more of the common stock then outstanding, subject to certain exceptions, or (ii) the tenth calendar day (or such later date as may be determined by the board of directors) after any person or group commences a tender or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person. If a person or group becomes an Acquiring Person, each Right will entitle its holders (other than such Acquiring Person) to purchase one Unit at a price of \$9.00 per Unit. A Unit is intended to give the shareholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock, and should approximate the value of one share of Common Stock. At any time after a person becomes an Acquiring Person, the board of directors may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for shares of common stock at an exchange rate of one share of common stock (and, in certain circumstances, a Unit) for each Right. The Company will promptly give public notice of any exchange (although failure to give notice will not affect the validity of the exchange).

The Rights will expire upon certain events described in the Plan, including the close of business on the earlier of the first anniversary of the date of the Plan or the date of the Company's 2016 annual meeting of shareholders, if the Plan has not been approved by the Company's shareholders, or the close of business on the date of the third annual meeting of shareholders following the last annual meeting of shareholders of the Company at which the Plan was most recently approved by shareholders, unless the Plan is re-approved by shareholders at that third annual meeting of shareholders. However, in no event will the Plan expire later than the close of business on July 13, 2025. Until the close of business on the tenth calendar day after the day a public announcement or a filing is made indicating that a person or group has become an Acquiring Person, the Company may in its sole and absolute discretion amend the Rights or the Plan agreement without the approval of any holders of the Rights or shares of common stock in any manner, including without limitation, amendments that increase or decrease the purchase price or redemption price or accelerate or extend the final expiration date or the period in which the Rights may be redeemed. The Company may also amend the Plan after the close of business on the tenth calendar day after the day such public announcement or filing is made to cure ambiguities, to correct defective or inconsistent provisions, to shorten or lengthen time periods under the Plan or in any other manner that does not adversely affect the interests of holders of the Rights. No amendment of the Plan may extend its expiration date.

In connection with the issuance, administration and monitoring of the Plan, the Company incurred \$82,000 and \$446,000 of professional fees, included within general and administrative expense, during the three and nine months ended October 31, 2015, respectively.

(11) Litigation

The Company is involved from time to time in various claims and lawsuits in the ordinary course of business. In the opinion of management, the claims and suits individually and in the aggregate will not have a material effect on the Company's operations or consolidated financial statements.

(12) Related Party Transactions

Relationship with GE Equity and NBCU

In January 2011, General Electric Company ("GE") consummated a transaction with Comcast Corporation ("Comcast") pursuant to which GE contributed all of its holdings in NBC Universal Media, LLC ("NBCU") to NBCUniversal, LLC, a newly formed entity beneficially owned 51% by Comcast and 49% by GE. As a result of that transaction, NBCU is now a wholly-owned subsidiary of NBCUniversal, LLC. In March 2013, GE sold its remaining 49% common equity interest in NBCUniversal, LLC to Comcast pursuant to an agreement reached in February 2013. As of October 31, 2015, the direct equity ownership of GE Equity in the Company consists of 3,545,049 shares of common stock and the direct ownership of NBCU in the Company consists of 7,141,849 shares of common stock. The Company has a significant cable distribution agreement with Comcast and believes that the terms of this agreement are comparable to those with other cable system operators.

In connection with the January 2011 transfer of its ownership in NBCU to NBCUniversal, LLC, GE also agreed with Comcast that, for so long as GE Equity is entitled to appoint two members of the Company's board of directors, NBCU will be entitled to retain a board seat provided that NBCU beneficially owns at least 5% of the Company's adjusted outstanding common stock. Furthermore, GE agreed to obtain the consent of NBCU prior to consenting to the Company's adoption of any shareholder rights plan or certain other actions that would impede or restrict the ability of NBCU to acquire or dispose of shares of the Company's voting stock or taking any action that would result in NBCU being deemed to be in violation of the Federal Communications

Commission multiple ownership regulations. For additional information regarding arrangements between the Company and Comcast, GE, GE Equity and NBCU, see the Company's definitive Proxy Statement on Schedule 14A, filed with the SEC on May 8, 2015.

On July 9, 2015, the Company entered into a letter agreement with GE Equity pursuant to which GE Equity consented to the Company's adoption of the Plan in consideration for the Company's agreement to provide GE Equity, NBCU and certain of their respective affiliates with exemptions from the Plan described in Note 10 above. GE's consent was required pursuant to the terms of an Amended and Restated Shareholder Agreement dated as of February 25, 2009, among the Company, GE Equity and NBC Universal, Inc., the predecessor of NBCU (the "Shareholder Agreement"). This discussion is a summary of the terms of the letter agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the letter agreement, a copy of which is attached as Exhibit 10.1 and is incorporated herein by reference.

In the letter agreement, the Company agreed that if any of GE Equity, NBCU or any of their respective affiliates that holds shares of the Company's common stock from time to time (each a "Grandfathered Investor") sells or otherwise transfers shares of Company common stock currently owned by such Grandfathered Investor to any third party identified to the Company in writing (any such third party, a "Exempt Purchaser"), the Company will take all actions necessary under the Plan so that such third party will not be deemed an Acquiring Person (as defined in the Plan) by virtue of the acquisition of such shares. The Company further agreed that, subject to certain limitations, upon request of any Grandfathered Investor or Exempt Purchaser, and in connection with a transfer by such Grandfathered Investor or Exempt Purchaser of shares of the Company's common stock to an Exempt Purchaser, the Company will enter into an agreement with the acquiring Exempt Purchaser granting such acquiring Exempt Purchaser substantially the same rights as set forth above with respect to any sale of the Company's outstanding shares of common stock to any other third party. Additionally, the Company agreed that without the consent of any Grandfathered Investor that is an affiliate of GE Equity and any Grandfathered Investor that is an affiliate of NBCU, the Company will not (i) amend the Plan in any material respect, other than to accelerate the Expiration Date or the Final Expiration Date, (ii) adopt another shareholders' rights plan or (iii) amend the letter agreement.

As of October 31, 2015, Comcast, through NBCU, held approximately 12.5% of the Company's outstanding common stock and GE Equity held approximately 6.2% of the Company's outstanding common stock. Consequently, the letter agreement with GE Equity may significantly limit the Company's ability to grant exemptions from the Plan to other shareholders.

In an SEC filing made on August 18, 2015, GE Equity disclosed that on August 14, 2015, it and ASF Radio, L.P. ("ASF Radio"), an independent third party, entered into a Stock Purchase Agreement pursuant to which GE Equity agreed to sell 3,545,049 shares of the Company's common stock, which is all of the shares GE Equity currently owns, to ASF Radio for \$2.15 per share. The closing of the sale is subject to certain conditions and was scheduled for October 15, 2015. According to the SEC filing, ASF Radio is an affiliate of Ardian, an independent private equity investment company. As of November 25, 2015, the sale has not yet closed.

Asset Acquisition of Dollars Per Minute Inc.

On November 18, 2014, the Company entered into an asset purchase agreement with Dollars Per Minute Inc., a Delaware corporation ("DPM") to purchase certain assets of DPM, including the EVINE brand and trademark.

The principal stockholders of DPM are Mark Bozek, the Company's Chief Executive Officer, and Russell Nuce, who became the Company's Chief Strategy Officer effective November 17, 2014. At the time of the transaction, DPM had debt outstanding under certain convertible bridge notes issued to several individuals, including Thomas Beers, one of the Company's directors and a trust in which Russell Nuce has a contingent pecuniary interest. As consideration for the purchase of these assets, primarily related to intellectual property, the Company issued 178,842 unregistered shares of its common stock, which represented an aggregate value of \$1,044,000 based on the closing price of our common stock on November 13, 2014 and paid \$20,000 in cash consideration and incurred \$39,000 in professional fees associated with acquiring the asset.

(13) Distribution Facility Expansion, Consolidation & Technology Upgrade

During fiscal 2014, the Company began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, the Company finished the building expansion and moved out of its leased satellite warehouse space. The updated facilities and technology upgrade will include a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and units and a new call center facility to better serve our customers. The new sortation and warehouse management systems are expected to be phased into production through the first half of fiscal 2016. Total cost of the

physical building expansion, new sortation equipment and call center facility is estimated to be approximately \$25 million and is being financed with our expanded PNC revolving line of credit and a \$15 million PNC term loan. As of October 31, 2015, we have expended approximately \$22 million in cash relating to the Bowling Green expansion initiative with additional cash commitments of approximately \$3 million expected to be made over the next two quarters and primarily funded from the Credit Facility.

As a result of our distribution facility expansion, consolidation and technology upgrade initiative, the Company incurred approximately \$294,000 and \$1,266,000 in incremental expenses during the three and nine months ended October 31, 2015, respectively, relating primarily to increased labor, inventory and other warehousing transportation costs, training costs and increased equipment rental costs associated with: the move into the new expanded warehouse building, the move out of previously leased warehouse space and the preparation of our expanded facility for the new high-speed parcel shipping and item sortation system and upgraded warehouse management system.

(14) Activist Shareholder Response Costs

In October 2013, the Company received a demand from an activist shareholder to call a special meeting of shareholders for the purpose, among other things, of voting on a new slate of directors and amending certain of the Company's bylaws. The Company retained a team of advisers, including a financial adviser, proxy solicitor, investor relations firm and legal counsel, to assist in responding to the demand and the solicitation of proxies. In conjunction with such activities, the Company recorded charges to income for the three and nine-month periods ended November 1, 2014 totaling \$0 and \$3,518,000, respectively, which includes \$750,000 as reimbursement for a portion of the activist shareholder's expenses in fiscal 2014. In exchange for paying certain activist shareholder expenses, the Company obtained a customary standstill agreement from the activist shareholder.

(15) Executive and Management Transition Costs

On March 26, 2015, the Company announced the termination and departure of three executive officers, namely its Chief Financial Officer, its Senior Vice President and General Counsel, and President. In addition, during the first quarter of fiscal 2015, the Company also announced the hiring of a new Chief Financial Officer and a new Chief Merchandising Officer. In conjunction with these executive changes as well as other management terminations made during the first nine months of fiscal 2015, the Company recorded charges to income of \$754,000 and \$3,549,000 for the three and nine-months ended October 31, 2015, respectively, which relate primarily to severance payments to be made as a result of the executive officer terminations and other direct costs associated with the Company's 2015 executive and management transition.

On June 22, 2014, Keith R. Stewart resigned as a member of the Company's board of directors and as Chief Executive Officer of the Company. In conjunction with Mr. Stewart's resignation and separation agreement, as well as other executive terminations made subsequent to June 22, 2014, the Company recorded charges to income of \$2,415,000 and \$5,035,000 for the three and nine-months ended November 1, 2014, relating primarily to severance payments which Mr. Stewart was entitled to in accordance with the terms of his employment agreement; severance payments for the termination of our Chief Operating and Chief Merchandising Officers; and other direct costs associated with the Company's executive and management transition. Following Mr. Stewart's resignation, the Company's board of directors appointed Mr. Mark Bozek as Chief Executive Officer of the Company effective June 22, 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations is qualified by reference to and should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes included herein and the audited consolidated financial statements and notes included in our annual report on Form 10-K for the fiscal year ended January 31, 2015.

Cautionary Statement Regarding Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations and other materials we file with the Securities and Exchange Commission (the "SEC") (as well as information included in oral statements or other written statements made or to be made by us) contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be identified by words such as anticipate, believe, estimate, expect,

intend, predict, hope, should, plan, will or similar expressions. Any statements contained herein that are not statements of historical fact may be deemed forward-looking statements. These statements are based on management's current expectations and accordingly are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to various important factors, including (but not limited to): consumer preferences, spending and debt levels; the general economic and credit environment; interest rates; seasonal variations in consumer purchasing activities; the ability to achieve the most effective product category mixes to maximize sales and margin objectives; competitive pressures on sales; pricing and gross sales margins; the level of cable and satellite distribution for our programming and the associated fees; our ability to establish and maintain acceptable commercial terms with third-party vendors and other third parties with whom we have contractual relationships, and to successfully manage key vendor relationships and develop key partnerships and proprietary brands; our ability to manage our operating expenses successfully and our working capital levels; our ability to remain compliant with our long-term credit facility covenants; our ability to successfully transition our brand name and corporate name; customer acceptance of our new branding strategy and our repositioning as a digital commerce company; the market demand for television station sales; changes to our management and information systems infrastructure; challenges to our data and information security; changes in governmental or regulatory requirements, including without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings; litigation or governmental proceedings affecting our operations; significant public events that are difficult to predict, or other significant television-covering events causing an interruption of television coverage or that directly compete with the viewership of our programming; our ability to obtain and retain key executives and employees; our ability to attract new customers and retain existing customers; changes in shipping costs; our ability to offer new or innovative products and customer acceptance of the same; changes in customer viewing habits or television programming; and the risks identified under "Risk Factors" in our recently filed Form 10-K and any additional risk factors identified in our periodic reports since the date of such report. More detailed information about those factors is set forth in our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this filing. We are under no obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

Overview

Our Company

We are a digital commerce company that offers a mix of proprietary and name brands directly to consumers in an engaging and informative shopping experience through TV, online and mobile devices. We operate a 24-hour television shopping network, EVINE Live, which is distributed primarily on cable and satellite systems, through which we offer brand name and proprietary products in the categories of jewelry & watches; home & consumer electronics; beauty; and fashion & accessories. We also operate evine.com, a comprehensive digital commerce platform that sells products which appear on our television shopping network as well as an extended assortment of online-only merchandise. Our programming and products are also marketed via mobile devices - including smartphones and tablets, and through the leading social media channels.

Our investor relations website address is evine.com/ir. Our goal is to maintain the investor relations website as a way for investors to find information about us easily, including press releases, announcements of investor conferences, investor and analyst presentations and corporate governance. We also make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to these filings as soon as practicable after that material is electronically filed with or furnished to the SEC. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

New Corporate Name and Branding

On November 18, 2014, we announced that we had changed our corporate name to EVINE Live Inc. from ValueVision Media, Inc. Effective November 20, 2014, our NASDAQ trading symbol also changed to EVLV from VVTV. We transitioned from doing business as "ShopHQ" to "EVINE Live" and evine.com on February 14, 2015.

Products and Customers

Products sold on our media channel platforms include primarily jewelry & watches, home & consumer electronics, beauty, and fashion & accessories. Historically jewelry & watches has been our largest merchandise category. We are focused on diversifying our merchandise assortment both among our existing product categories as well as with potentially new product categories, including proprietary and name brands, in an effort to increase revenues and to grow our new and active customer base. While changes in our product mix have occurred as a result of customer demand and other factors including our efforts to diversify our offerings within our major merchandise categories, jewelry & watches remained our largest merchandise category in the third quarter and first nine months of fiscal 2015 as demonstrated in the table below. The following table shows our merchandise mix as a percentage of television shopping and online net merchandise sales for the years indicated by product

category group. Certain fiscal 2014 product category percentages in the accompanying table have been reclassified to conform to our fiscal 2015 product group hierarchy:

Merchandise Category	For the Three-Month		For the Nine-Month	
	Periods Ended		Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Jewelry & Watches	36%	40%	41%	43%
Home & Consumer Electronics	33%	29%	27%	27%
Beauty	13%	13%	14%	13%
Fashion & Accessories	18%	18%	18%	17%
Total	100%	100%	100%	100%

Our product strategy is to continue to develop and expand new and diversified product offerings and proprietary brands across multiple merchandise categories based on customer demand, as well as to offer competitive pricing and special values in order to drive new customers and maximize margin dollars per minute. Our digital commerce customers — those who interact with our network and transact through TV, online and mobile device — are primarily women between the ages of 40 and 70. We also have a strong presence of male customers of similar age. We believe our customers make purchases based on our unique products, quality merchandise and value.

Company Strategy

As a digital commerce company, our strategy includes offering exciting proprietary merchandise using the online, mobile, social media and our commerce infrastructure, which includes television access to approximately 88 million cable and satellite homes in the United States. We believe our greatest growth opportunity lies in leveraging these digital commerce platforms in a way that engages customers far more often than just when they are in the mood to shop.

By investing in new brands and offering a more diverse assortment of proprietary brands (i.e. brands that are not readily available elsewhere), presented in an engaging, entertaining, shopping-centric format, we believe we will attract a larger customer base targeting a broader demographic. At the root of our efforts to attract a larger customer base is a focus on expanding and strengthening our relationships with the brands, personalities and manufacturers with whom we do business.

In addition to offering our customers a more diverse assortment of proprietary brands, we are focusing on increasing awareness of the EVINE Live brand and our Shop.Share.Smile platform while at the same time augmenting our distribution footprint, with the goal of expanding our customer base. Properly executed, we believe these initiatives may provide us a greater opportunity to grow our top and bottom lines in a more meaningful and competitive way.

Among our key initiatives are broadening our distribution base, improving channel adjacencies and placement, increasing customer penetration, improving customer and partner relationship management, process improvements, brand building and delivering value to our customers and business partners. We believe that our new brand identity coupled with a fresh focus on existing as well as emerging platforms and technologies and the development of proprietary brands along with an improved program distribution footprint will begin repositioning our Company as a digital commerce company that delivers a more engaging and enjoyable customer experience with sales and service that exceed expectations.

Our Competition

The digital commerce retail business is highly competitive and we are in direct competition with numerous retailers, including online retailers, many of whom are larger, better financed and have a broader customer base than we do. In our television shopping and digital commerce operations, we compete for customers with other television shopping and e-commerce retailers, infomercial companies, other types of consumer retail businesses, including traditional "brick and mortar" department stores, discount stores, warehouse stores and specialty stores; catalog and mail order retailers and other direct sellers.

Our direct competitors within the television shopping industry include QVC (owned by Liberty Interactive Corporation), and HSN, Inc. (in whom Liberty Interactive Corporation also has a substantial interest, according to public filings), both of whom are substantially larger than we are in terms of annual revenues and customers, and whose programming is carried more broadly to U.S. households than our programming. Multimedia Commerce Group, Inc., which operates Jewelry Television, also competes with us for customers in the jewelry category. In addition, there are a number of smaller niche players and startups in the television shopping arena who compete with us. We believe that our major competitors incur cable and satellite distribution fees representing a significantly lower percentage of their sales attributable to their television programming than we do, and that their fee arrangements are substantially on a commission basis (in some cases with minimum guarantees) rather than on the predominantly fixed-cost

basis that we currently have. At our current sales level, our distribution costs as a percentage of total consolidated net sales are higher than those of our competition. However, one of our strategies is to maintain our fixed distribution cost structure in order to leverage our profitability as we grow our business.

We anticipate continuing competition for viewers and customers, for experienced television shopping and e-commerce personnel, for distribution agreements with cable and satellite systems and for vendors and suppliers - not only from television shopping companies, but also from other companies that seek to enter the television shopping and online retail industries, including telecommunications and cable companies, television networks, and other established retailers. We believe that our ability to be successful in the digital commerce industry will be dependent on a number of key factors, including continuing to expand our digital footprint to meet our customers' "watch and shop anytime, anywhere" needs, increasing the number of customers who purchase products from us and increasing the dollar value of sales per customer from our existing customer base.

Summary Results for the Third Quarter and First Nine Months of Fiscal 2015

Consolidated net sales for our fiscal 2015 third quarter were approximately \$162.3 million compared to \$157.1 million for our fiscal 2014 third quarter, which represents a 3% increase. We reported an operating loss of approximately \$4.3 million and a net loss of \$5.2 million for our fiscal 2015 third quarter. The operating and net loss for the fiscal 2015 third quarter included charges relating to distribution facility consolidation and technology upgrade costs totaling \$294,000, Shareholder Rights Plan costs of \$82,000 and executive and management transition costs totaling \$754,000. We had an operating loss of \$197,000 and a net loss of \$808,000 for our fiscal 2014 third quarter. The operating and net loss for the fiscal 2014 third quarter included charges relating to executive and management transition costs totaling \$2.4 million.

Consolidated net sales for the first nine months of fiscal 2015 were approximately \$481.8 million compared to \$473.4 million for the first nine months of fiscal 2014, which represents a 2% increase. We reported an operating loss of approximately \$10.4 million and net loss of \$13.0 million for the first nine months of fiscal 2015. The operating and net loss for the first nine months of fiscal 2015 included charges relating to distribution facility consolidation and technology upgrade costs totaling \$1.3 million, Shareholder Rights Plan costs of \$446,000 and executive and management transition costs totaling \$3.5 million. We had an operating loss of \$2.9 million and net loss of \$4.6 million for the first nine months of fiscal 2014. The operating and net loss for the first nine months of fiscal 2014 included charges relating to activist shareholder response costs totaling \$3.5 million and executive and management transition costs totaling \$5.0 million.

Distribution Facility Expansion, Consolidation and Technology Upgrade Costs

During fiscal 2014, we began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, we completed the building expansion and moved out of our leased satellite warehouse space. The updated facilities and technology upgrade will include a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and units and a new call center facility to better serve our customers. The new sortation and warehouse management systems are expected to be phased into production through the first half of fiscal 2016.

As a result of our distribution facility expansion, consolidation and technology upgrade initiative, we incurred approximately \$294,000 and \$1.3 million in incremental expenses during the three and nine months ended October 31, 2015, respectively, relating primarily to increased labor, inventory and other warehousing transportation costs, training costs and increased equipment rental costs associated with the move into the new expanded warehouse building, the move out of previously leased warehouse space and the preparation of our expanded facility for the new high-speed parcel shipping and item sortation system and upgraded warehouse management system.

Executive and Management Transition Costs

On March 26, 2015, we announced the termination and departure of three executive officers, namely our Chief Financial Officer, Senior Vice President and General Counsel, and President. In addition, during the first quarter of fiscal 2015, we also announced the hiring of a new Chief Financial Officer and a new Chief Merchandising Officer. In conjunction with these executive changes as well as other management terminations made during the first nine months of fiscal 2015, we recorded charges to income of approximately \$754,000 and \$3.5 million, respectively, for the three and nine months ended October 31, 2015, which relate primarily to severance payments to be made as a result of the executive officer terminations and other direct costs associated with the Company's 2015 executive and management transition.

On June 22, 2014, Keith R. Stewart resigned as a member of the Company's board of directors and as Chief Executive Officer of the Company. In conjunction with Mr. Stewart's resignation and separation agreement, as well as other executive terminations made subsequent to June 22, 2014, we recorded charges to income for the three and nine months ended November 1, 2014, of

approximately \$2.4 million and \$5.0 million, respectively, relating primarily to severance payments which Mr. Stewart was entitled to in accordance with the terms of his employment agreement; severance payment for the termination of our Chief Operating and Chief Merchandising Officers; and other direct costs associated with the Company's 2014 executive transition. Following Mr. Stewart's resignation, the Company's board of directors appointed Mr. Mark Bozek as Chief Executive Officer of the Company effective June 22, 2014.

Activist Shareholder Response Costs

In October 2013, we received a demand from an activist shareholder to call a special meeting of shareholders for the purpose, among other things, of voting on a new slate of directors and amending certain of the Company's bylaws. We retained a team of advisers, including a financial adviser, proxy solicitor, investor relations firm and legal counsel, to assist in responding to the demand and the solicitation of proxies. In conjunction with such activities, the Company recorded charges to income for the three and nine-month periods ended November 1, 2014 totaling approximately \$0 and \$3.5 million, respectively, which included \$750,000 as reimbursement for a portion of the activist shareholder's expenses in fiscal 2014. In exchange for paying certain activist shareholder expenses, the Company obtained a customary standstill agreement from the activist shareholder. The Company recorded no charges to income relating to activist shareholder responses for the three and nine-month periods ended October 31, 2015.

Results of Operations

Selected Condensed Consolidated Financial Data Operations

	Dollar Amount as a Percentage of Net Sales for the		Dollar Amount as a Percentage of Net Sales for the	
	Three-Month Periods Ended		Nine-Month Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Net sales	100.0%	100.0%	100.0%	100.0%
Gross margin	34.5%	37.6%	35.7%	37.9%
Operating expenses:				
Distribution and selling	31.4%	31.5%	31.8%	31.5%
General and administrative	3.7%	3.4%	3.8%	3.8%
Depreciation and amortization	1.3%	1.3%	1.3%	1.4%
Executive and management transition costs	0.5%	1.5%	0.7%	1.1%
Distribution facility consolidation and technology upgrade costs	0.2%	—%	0.3%	—%
Activist shareholder response costs	—%	—%	—%	0.7%
	37.1%	37.7%	37.9%	38.5%
Operating loss	(2.6)%	(0.1)%	(2.2)%	(0.6)%

Key Performance Metrics

	For the Three-Month			For the Nine-Month		
	Periods Ended			Periods Ended		
	October 31, 2015	November 1, 2014	Change	October 31, 2015	November 1, 2014	Change
Program Distribution						
Total homes (average 000's)	88,248	87,466	1%	88,275	87,319	1%
Merchandise Metrics						
Gross margin %	34.5%	37.6%	(310) bps	35.7%	37.9%	(220) bps
Net shipped units (000's)	2,282	2,134	7%	6,946	6,157	13%
Average selling price	\$65	\$67	(3)%	\$63	\$70	(10)%
Return rate	18.9%	21.2%	(230) bps	20.2%	22.1%	(190) bps
Online net sales % (a)	46.0%	43.5%	250 bps	45.7%	43.9%	180 bps
Total Customers - 12 Month Rolling (000's)	1,446	1,444	—%	N/A	N/A	

(a) Online net sales percentage is calculated based on net sales that are generated from our evine.com website and mobile platforms, which are primarily ordered directly online.

Program Distribution

Average homes reached, or full time equivalent ("FTE") subscribers, grew 1% in the third quarter of fiscal 2015 over the comparable prior year quarter, resulting in a 782,000 increase in average homes reached during that same period. Average homes reached grew 1% on a fiscal 2015 year-to-date basis resulting in a 956,000 increase in average homes reached during the comparable period of fiscal 2014. The increases were driven primarily by organic subscriber growth of our distribution platforms. We have made low-cost infrastructure investments that have enabled us to launch an up-converted version of our digital signal in a high definition ("HD") format and that improved the appearance of our primary network feed. We believe that having an HD feed of our service allows us to attract new viewers and customers. Our television home shopping programming is also simulcast live 24 hours a day, 7 days a week on our online website, evine.com, and is also available on all mobile channels, which are not included in the foregoing data on homes reached.

Cable and Satellite Distribution Agreements

We have entered into distribution agreements with cable operators, direct-to-home satellite providers and telecommunications companies to distribute our television network over their systems. The terms of the affiliation agreements typically range from one to five years. During the fiscal year, certain agreements with cable, satellite or other distributors may expire. Under certain circumstances, we or our distribution partners may cancel the agreements prior to their expiration. Additionally, we may elect not to renew distribution agreements whose terms result in sub-standard or negative contribution margins. If the operator drops our service or if either we or the operator fails to reach mutually agreeable business terms concerning the distribution of our service so that the agreements are terminated, our business may be materially adversely affected. Failure to maintain our distribution agreements covering a material portion of our existing households on acceptable financial and other terms could materially and adversely affect our future growth, sales revenues and earnings unless we are able to arrange for alternative means of broadly distributing our television programming.

Net Shipped Units

The number of net shipped units (shipped units less units returned) during the fiscal 2015 third quarter increased 7% from the prior year comparable quarter to approximately 2.3 million from 2.1 million. For the nine months ended October 31, 2015, net shipped units increased 13% from the prior year's comparable period to 6.9 million from 6.2 million. We believe the increase in net shipped units during the third quarter of fiscal 2015 reflects the continued broadening of our merchandising assortment, driven by strong performance in our beauty and home & consumer electronics product categories. We believe the increase in net shipped units for the first nine months of fiscal 2015 was driven by the strong performances of our beauty and fashion & accessories product categories and an increase in shipped units within our home & consumer electronics product category as a result of strong performance in this category during the third quarter and increased markdowns taken during the first nine months of fiscal 2015. Net shipped units also increased during fiscal 2015 due to a decline in our average selling price in most product categories.

Average Selling Price

The average selling price ("ASP") per net unit was \$65 in the fiscal 2015 third quarter, a 3% decrease from the prior year quarter. For the nine months ended October 31, 2015, the ASP was \$63, a 10% decrease from the prior year's comparable period. The decrease in the ASP was primarily due to quarterly and year-to-date markdowns taken in our home & consumer electronics product category and strong sales growth within our beauty and fashion & accessories product categories, which typically have lower average selling prices. These ASP decreases contributed to our increase in net shipped units by 7% and 13%, respectively, for the three and nine months ended October 31, 2015. Decreasing our ASP has been a key component in our customer acquisition efforts, however, we are planning to adjust our merchandising mix to achieve a more ideal balance between ASP and gross margin productivity.

Return Rates

For the three months ended October 31, 2015, our return rate was 18.9% compared to 21.2% for the comparable prior year quarter, a 230 basis point decrease. For the nine months ended October 31, 2015, our return rate was 20.2% compared to 22.1% for the prior year comparable period, a 190 basis point decrease. The decrease in the return rate was driven by a reduction in our jewelry sales mix, which typically has higher return rates, as well as rate decreases across all our merchandise categories. We believe that the decreases in the category return rates were driven by the decreases in ASP as described above and improvements in the execution of our returns policy. We continue to monitor our return rates in an effort to keep our overall return rates commensurate with our current product mix and our average selling price levels.

Total Customers

Total customers who have purchased over the last twelve months increased 0.1% over prior year to approximately 1.4 million. During the third quarter of fiscal 2015, our total active customers increased 3% year over year and our customer average purchasing frequency increased 4% during the third quarter. We believe the recent increase in total customers and purchase frequency is primarily due to continued broadening of our product assortment at lower price points, a product mix shift from the jewelry & watches category to beauty, fashion & accessories and home & consumer electronic product categories as well as increases achieved in our customer retention.

Net Sales

Consolidated net sales for the fiscal 2015 third quarter were approximately \$162.3 million as compared with \$157.1 million for the comparable prior year quarter, a 3% increase. Consolidated net sales for the first nine months ended October 31, 2015 were \$481.8 million, as compared to consolidated net sales of \$473.4 million for the comparable prior period, an increase of 2%. The increase in quarterly and year-to-date consolidated net sales was driven primarily by strong growth in our home & consumer electronics, beauty and fashion & accessories product categories and increased customer purchase frequency. These increases were offset by a net sales decrease in our jewelry & watches category as we continue to shift our product mix from jewelry in favor of home & consumer electronics, beauty and fashion & accessories. In addition, we also experienced a decrease in shipping and handling revenue in the third quarter and year-to-date periods due to increased promotional shipping offers made to remain competitive. Our online sales penetration, that is, the percentage of net sales that are generated from our evine.com website and mobile platforms, which are primarily ordered directly online, was 46.0% and 45.7% compared to 43.5% and 43.9%, respectively, for the third quarter and first nine months of fiscal 2015 compared to fiscal 2014. Overall, we continue to deliver strong online sales penetration. We believe the increase in penetration during the periods was driven by higher mobile sales as a result of our new mobile site and application launched late in fiscal 2014. Our mobile penetration increased to 41.8% and 41.3% of total online orders in the third quarter and first nine months of fiscal 2015, versus 34.0% and 32.7% of total online orders for the comparable prior year periods.

Gross Profit

Gross profit for the fiscal 2015 third quarter and fiscal 2014 third quarter was approximately \$55.9 million and \$59.1 million, respectively, a decrease of \$3.2 million, or 5%. Gross profit for the first nine months ended October 31, 2015 was approximately \$172.1 million, a decrease of \$7.4 million or 4%, from \$179.5 million for the comparable prior year period. The decrease in gross profits experienced during the third quarter and first nine months of fiscal 2015 was primarily driven by lower gross margin percentages experienced. Gross margin percentages for the third quarters of fiscal 2015 and fiscal 2014 were 34.5% and 37.6%, respectively, a 310 basis point decrease. On a year-to-date basis gross margin percentages were 35.7% and 37.9%, respectively, a 220 basis point decrease.

The decrease in the third quarter and year-to-date gross margin percentages reflects reduced margins, specifically within our jewelry & watches and home product categories, as our overall margins move more in line with industry averages as we continue to drive our strategy of growing our customer base and net sales to scale our business. Gross margin percentages have

also decreased during the third quarter due to a shift in product mix from jewelry in favor of consumer electronics, which have a lower margin. In addition, we also experienced lower margins from shipping and handling due to increased shipping promotions (as discussed above), as well as higher freight costs experienced during the quarter and first nine months of fiscal 2015.

Operating Expenses

Total operating expenses for the fiscal 2015 third quarter were approximately \$60.2 million compared to \$59.3 million for the comparable prior year period, an increase of 2%. Total operating expenses for the nine months ended October 31, 2015 were \$182.5 million compared to \$182.4 million for the comparable prior period, an increase of 0.1%. Total operating expenses as a percentage of net sales were 37.1% and 37.9%, compared to 37.7% and 38.5% during the third quarters and first nine months of fiscal 2015 and fiscal 2014, respectively. Total operating expenses for the third quarter includes distribution facility consolidation and technology upgrade costs of \$294,000 and executive and management transition costs of \$754,000, while total operating expenses for the third quarter of fiscal 2014 includes management transition costs of \$2.4 million. Excluding distribution facility consolidation and technology upgrade costs, executive and management transition costs and activist shareholder response costs, total operating expenses as a percentage of net sales for both the third quarters of fiscal 2015 and fiscal 2014 was 36.5%, and 36.9% for both the nine-month periods ending October 31, 2015 and November 1, 2014.

Distribution and selling expense increased \$1.6 million, or 3%, to \$51.0 million, or 31.4% of net sales during the fiscal 2015 third quarter compared to \$49.5 million, or 31.5% of net sales for the comparable prior year fiscal quarter. Distribution and selling expense increased during the quarter due to increased program distribution expense of \$141,000 relating to a 1% increase in average homes reached during the quarter. The increase over the prior year quarter was also due to an increase in variable salaries and wages of \$2.0 million, increased online selling and search fees of \$277,000, increased customer service and telecommunication expense of \$235,000 and production expenses of \$145,000, offset by decreased accrued incentive compensation of \$665,000 and decreased credit card processing fees and credit expenses of \$632,000. Total variable expenses during the third quarter of fiscal 2015 were approximately 9.1% of total net sales versus 8.9% of total net sales for the prior year comparable period. The increase in variable expenses as a percentage of net sales during the third quarter of fiscal 2015 was primarily due to a 7% increase in net shipped units compared with a 3% increase in consolidated net sales and the decline in our average selling price during the quarter.

Distribution and selling expense increased \$3.9 million, or 3%, to \$153.2 million, or 31.8% of net sales during the nine months ended October 31, 2015 compared to \$149.3 million, or 31.5% of net sales for the comparable prior year period. Distribution and selling expense increased during the first nine months of fiscal 2015 due to increased program distribution expense of \$1.0 million relating to a 1% increase in average homes reached during the first nine months of fiscal 2015. The increase over the comparable period was also due to an increase in variable salaries and wages of \$3.9 million, increased customer service and telecommunication expense of \$678,000, increased online selling and search fees of \$854,000, production expenses of \$420,000 and rebranding expense of \$260,000, offset by decreased accrued incentive compensation of \$2.5 million, decreased credit card processing fees and credit expenses of \$654,000 and share based comp of \$200,000. Total variable expenses during the first nine months of fiscal 2015 were approximately 9.4% of total net sales versus 8.8% of total net sales for the prior year comparable period. The increase in variable expenses as a percentage of net sales was primarily due to a 13% increase in net shipped units compared with a 2% increase in consolidated net sales and the decline in our average selling price during the nine-month period.

To the extent that our average selling price continues to decline, our variable expense as a percentage of net sales could continue to increase as the number of our shipped units increase. Program distribution expense is primarily a fixed cost per household, however, this expense may be impacted by growth in the number of average homes reached or by rate changes associated with improvements in our channel position.

General and administrative expense for the fiscal 2015 third quarter increased \$618,000, or 12% to approximately \$6.0 million or 3.7% of net sales, compared to \$5.4 million or 3.4% of net sales for the comparable prior year fiscal quarter. General and administrative expense increased during the third quarter primarily as a result of increased share-based compensation expense of \$270,000, increased costs associated with leased software, maintenance contracts and telecommunication of \$161,000, professional and legal fees of \$85,000, costs incurred for the implementation of our Shareholder Rights Plan of \$82,000, personal property taxes of \$47,000 and reduced 2014 third quarter expense of \$135,000 related to a property easement payment received in fiscal 2014. These increases were offset by decreased salary and accrued incentive compensation expenses of \$320,000. For the nine months ended October 31, 2015, general and administrative expense increased \$33,000, or 0.2%, to approximately \$18.1 million or 3.8% of net sales, compared to \$18.0 million or 3.8% of net sales for the comparable prior year fiscal quarter. For the nine months ended October 31, 2015, general and administrative expense increased primarily as a result of increased costs associated with leased software, maintenance contracts and telecommunication of \$761,000, costs incurred for the implementation of our Shareholder Rights Plan of \$446,000, rebranding costs of \$347,000, professional and legal fees of \$171,000, personal property taxes of \$140,000 and reduced 2014 year to date expense of \$135,000 related to a property easement payment received in fiscal 2014. These increases were offset by decreased share-based compensation expense of \$1.0 million relating to our former chief executive officer's transition and new board member equity grants made in the second quarter of fiscal 2014 and decreased salary and accrued incentive compensation expenses of \$866,000 and reduced board fees of \$66,000.

Depreciation and amortization expense for the fiscal 2015 third quarter was approximately \$2.1 million compared to \$2.0 million for the comparable prior year period, representing an increase of \$97,000 or 5% . Depreciation and amortization expense as a percentage of net sales for the three-month periods ended October 31, 2015 and November 1, 2014 was 1.3% for both periods. The marginal increase in the quarterly depreciation and amortization expense was primarily due to increased depreciation expense of \$79,000 as a result of capital expenditures made for the development, upgrade and replacement of computer software and order management systems placed in service and \$18,000 in amortization expense related to the trademark and brand name, "EVINE Live", which is an intangible asset.

Depreciation and amortization expense for the nine months ended October 31, 2015 was approximately \$6.4 million compared to \$6.5 million for the comparable prior year period, representing a decrease of \$96,000 or 1% . Depreciation and amortization expense as a percentage of net sales for the nine months ended October 31, 2015 and November 1, 2014 was 1.3% and 1.4% , respectively. The marginal decrease in the year to date depreciation and amortization expense was primarily due to decreased depreciation expense of \$139,000 as a result of a reduction in our non-fulfillment depreciable asset base year over year, offset by \$43,000 in amortization expense related to the "EVINE Live" trademark and brand name intangible.

Operating Loss

For the fiscal 2015 third quarter, we reported an operating loss of approximately \$4.3 million compared to operating loss of \$0.2 million for the fiscal 2014 third quarter, an increase of \$4.1 million . For the nine months ended October 31, 2015 we reported an operating loss of \$10.4 million compared to an operating loss of \$2.9 million for the comparable prior year period, representing an increase of \$7.5 million . Our operating loss for the third quarter of fiscal 2015 increased primarily as a result of decreased gross profit and an increase in distribution and selling, distribution facility consolidation and technology upgrade costs, offset by a decrease in executive and management transition costs (as noted above). Our year-to-date operating loss increased during the first nine months of fiscal 2015 primarily as a result of decreased gross profit, an increase in distribution and selling, distribution facility consolidation and technology upgrade costs, offset by a decrease in executive and management transition costs and elimination of activist shareholder response costs (as noted above).

Net Loss

For the fiscal 2015 third quarter, we reported a net loss of approximately \$5.2 million or \$0.09 per share on 57,125,435 weighted average basic common shares outstanding compared with net loss of \$0.8 million or \$0.01 per share on 55,433,419 weighted average basic common shares outstanding in the fiscal 2014 third quarter. For the nine months ended October 31, 2015, we reported a net loss of \$13.0 million or 0.23 per share on 56,952,952 weighted average basic common shares outstanding compared to a net loss of \$4.6 million or 0.09 per share on 52,492,488 weighted average basic common shares outstanding for the comparable prior year period. Net loss for the third quarter of fiscal 2015 includes distribution facility consolidation and technology upgrade costs of \$294,000 , Shareholder Rights Plan costs of \$82,000, executive and management transition costs of \$754,000 and interest expense of \$690,000, offset by interest income totaling \$2,000 earned on our cash. Net loss for the third quarter of fiscal 2014 includes executive and management transition costs of \$2.4 million and interest expense of \$406,000, offset by interest income totaling \$2,000.

Net loss for the nine months ended October 31, 2015 includes distribution facility consolidation and technology upgrade costs of \$1,266,000 , Shareholder Rights Plan costs of \$446,000, executive and management transition costs of \$3.5 million and interest expense of \$2.0 million, offset by interest income totaling \$6,000 earned on our cash. Net loss for the nine months ended November 1, 2014 includes costs related to an activist shareholder response of approximately \$3.5 million, executive and management transition costs of \$5.0 million and interest expense of \$1.2 million, offset by interest income totaling \$8,000.

For the third quarter and first nine months of fiscal 2015 , net loss reflects an income tax provision of \$205,000 and \$615,000, respectively. The fiscal 2015 third quarter and year-to-date tax provision included a non-cash expense charge of approximately \$197,000 and \$591,000, respectively, relating to changes in our long-term deferred tax liability related to the tax amortization of our indefinite-lived intangible FCC license asset that is not available to offset existing deferred tax assets in determining changes to our income tax valuation allowance. As we continue to amortize the carrying value of our indefinite-lived intangible asset for tax purposes, we expect to record additional non-cash income tax expense of approximately \$197,000 over the remainder of fiscal 2015 .

For the third quarter and first nine months of fiscal 2014 , net loss reflects an income tax provision of \$207,000 and \$609,000, respectively, which included a non-cash tax expense charge of \$198,000 and \$591,000, respectively, related to changes in our long-term deferred tax liability related to the tax amortization of our indefinite-lived intangible FCC license asset discussed above.

We have not recorded any income tax benefit on previously recorded net losses due to the uncertainty of realizing income tax benefits in the future as indicated by our recording of an income tax valuation allowance. Based on our recent history of losses, a full valuation allowance has been recorded and was calculated in accordance with GAAP, which places primary importance on our most recent operating results when assessing the need for a valuation allowance. We will continue to maintain a valuation

allowance against our net deferred tax assets, including those related to net operating loss carry-forwards, until we believe it is more likely than not that these assets will be realized in the future.

Adjusted EBITDA Reconciliation

Adjusted EBITDA (as defined below) for the fiscal 2015 third quarter was \$0.2 million compared with Adjusted EBITDA of \$4.8 million for the fiscal 2014 third quarter. For the nine-months ended October 31, 2015, Adjusted EBITDA was \$4.3 million compared with an Adjusted EBITDA of \$15.8 million for the comparable prior year period.

A reconciliation of Adjusted EBITDA to its comparable GAAP measurement, net loss, follows, in thousands:

	For the Three-Month		For the Nine-Month	
	Periods Ended		Periods Ended	
	October 31, 2015	November 1, 2014	October 31, 2015	November 1, 2014
Adjusted EBITDA (a)	\$ 169	\$ 4,780	\$ 4,279	\$ 15,822
Less:				
Executive and management transition costs	(754)	(2,415)	(3,549)	(5,035)
Distribution facility consolidation and technology upgrade costs	(294)	—	(1,266)	—
Activist shareholder response costs	—	—	—	(3,518)
Shareholder Rights Plan costs	(82)	—	(446)	—
Non-cash share-based compensation expense	(762)	(420)	(2,138)	(3,338)
EBITDA (as defined)	(1,723)	1,945	(3,120)	3,931
A reconciliation of EBITDA to net loss is as follows:				
EBITDA (as defined)	(1,723)	1,945	(3,120)	3,931
Adjustments:				
Depreciation and amortization	(2,559)	(2,142)	(7,265)	(6,783)
Interest income	2	2	6	8
Interest expense	(690)	(406)	(1,957)	(1,184)
Income taxes	(205)	(207)	(615)	(609)
Net loss	\$ (5,175)	\$ (808)	\$ (12,951)	\$ (4,637)

(a) EBITDA as defined for this statistical presentation represents net loss for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. We define Adjusted EBITDA as EBITDA excluding non-operating gains (losses), activist shareholder response costs, executive and management transition costs, distribution facility consolidation and technology upgrade costs, Shareholder Rights Plan costs and non-cash share-based compensation expense.

We have included the term "Adjusted EBITDA" in our EBITDA reconciliation in order to adequately assess the operating performance of our television and online businesses and in order to maintain comparability to our analyst's coverage and financial guidance, when given. Management believes that Adjusted EBITDA allows investors to make a more meaningful comparison between our core business operating results over different periods of time with those of other similar companies. In addition, management uses Adjusted EBITDA as a metric measure to evaluate operating performance under our management and executive incentive compensation programs. Adjusted EBITDA should not be construed as an alternative to operating income, net income or to cash flows from operating activities as determined in accordance with GAAP and should not be construed as a measure of liquidity. Adjusted EBITDA may not be comparable to the same or similarly entitled measures reported by other companies.

Seasonality

Our business is subject to seasonal fluctuation, with the highest sales activity normally occurring during our fourth fiscal quarter of the year, namely November through January. Our business is also sensitive to general economic conditions and business conditions affecting consumer spending. Additionally, our television audience (and therefore sales revenue) can be significantly impacted by major world or domestic events which attract television viewership and divert audience attention away from our programming.

Critical Accounting Policies and Estimates

A discussion of the critical accounting policies related to accounting estimates and assumptions are discussed in detail in our fiscal 2014 annual report on Form 10-K under the caption entitled "Critical Accounting Policies and Estimates."

Recently Issued Accounting Pronouncements

See Note 2 of Notes to Condensed Consolidated Financial Statements.

Financial Condition, Liquidity and Capital Resources

As of October 31, 2015, we had cash of approximately \$12.1 million and had restricted cash and investments of \$450,000. Our restricted cash and investments are generally restricted for a period ranging from 30-60 days. In addition, under our credit and security agreement (as amended on October 8, 2015, the "Credit Facility") with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc., as lender and agent, we are required to maintain a minimum of \$10.0 million of unrestricted cash and unused line availability at all times. Our unused line availability is greater than \$10.0 million at October 31, 2015, so no additional cash is required to be restricted. As of January 31, 2015, we had cash and cash equivalents of approximately \$19.8 million and had restricted cash and investments of \$2.1 million primarily pledged as collateral for our issuances of commercial letters of credit. For the first nine months of fiscal 2015, working capital decreased \$3,150,000 to \$77.8 million. Our current ratio (our total current assets over total current liabilities) was 1.7 at both October 31, 2015 and January 31, 2015.

Sources of Liquidity

Our principal source of liquidity is our available cash of \$12.1 million as of October 31, 2015, which was held in bank depository accounts primarily for the preservation of cash liquidity.

On February 9, 2012, we entered into the Credit Facility with PNC, as lender and agent. The Credit Facility was most recently amended on October 8, 2015, to increase the size of the revolving line of credit from \$75.0 million to \$90.0 million. The Credit Facility, which includes The Private Bank as part of the facility, provides a revolving line of credit of \$90.0 million and provides for a \$15.0 million term loan on which the Company has drawn to fund improvements at the Company's distribution facility in Bowling Green, Kentucky. The amended Credit Facility also provides a new accordion feature that would allow the Company to expand the size of the revolving line of credit by an additional \$25.0 million at the discretion of the lenders and upon certain conditions being met.

All borrowings under the Credit Facility mature and are payable on May 1, 2020. Subject to certain conditions, the Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6.0 million which, upon issuance, would be deemed advances under the Credit Facility. Maximum borrowings and available capacity under the revolving line of credit under the Credit Facility are equal to the lesser of \$90.0 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory.

The revolving line of credit under the Credit Facility bears interest at LIBOR plus 3% per annum. The term loan bears interest at either a LIBOR rate or a base rate plus a margin consisting of between 4% and 5% on base rate loans and 5% to 6% on LIBOR rate loans based on the Company's leverage ratio as demonstrated in its audited financial statements. As of October 31, 2015, the Company had borrowings of \$55.0 million under its revolving line of credit. As of October 31, 2015, the term loan under the Credit Facility had \$13.3 million outstanding, which was used to fund the expansion initiative of which \$2.1 million was classified as current in the accompanying balance sheet. As of October 31, 2015, remaining available capacity under our revolving line of credit is currently \$23.6 million, of which \$2.6 million is earmarked for our distribution facility expansion with the balance providing liquidity for working capital and general corporate purposes.

Principal borrowings under the term loan are to be payable in monthly installments over an 84 month amortization period commencing on January 1, 2015 and are also subject to mandatory prepayment in certain circumstances, including, but not limited to, upon receipt of certain proceeds from dispositions of collateral. Borrowings under the term loan are also subject to mandatory prepayment starting in the current fiscal year ending January 30, 2016 in an amount equal to fifty percent (50%) of excess cash flow for such fiscal year, with any such payment not to exceed \$2.0 million in any such fiscal year.

The Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility availability of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the Credit Facility) and a minimum fixed charge coverage ratio, become applicable only if unrestricted cash plus facility availability falls below \$16.0 million (increasing to \$18.0 million beginning October 31, 2016 or earlier under certain circumstances) or upon an event of default. In addition, the Credit Facility places restrictions on the Company's ability to incur additional indebtedness or prepay existing indebtedness, to create liens or other

encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to common shareholders.

Another potential source of near-term liquidity is our ability to increase our cash flow resources by reducing the percentage of our sales offered under our ValuePay installment program or by decreasing the length of time we extend credit to our customers under this installment program. However, any such change to the terms of our ValuePay installment program could impact future sales, particularly for products sold with higher price points. Please see "Cash Requirements" below for a discussion of our ValuePay installment program.

Cash Requirements

Currently, our principal cash requirements are to fund our business operations, which consist primarily of purchasing inventory for resale, funding accounts receivable growth through the use of our ValuePay installment program in support of sales growth, funding our basic operating expenses, particularly our contractual commitments for cable and satellite programming, and the funding of necessary capital expenditures. We closely manage our cash resources and our working capital. We attempt to manage our inventory receipts and reorders in order to ensure our inventory investment levels remain commensurate with our current sales trends. We also monitor the collection of our credit card and ValuePay installment receivables and manage our vendor payment terms in order to manage our working capital more effectively, which includes matching cash receipts from our customers, to the extent possible, with related cash payments to our vendors. Our ValuePay installment program entitles customers to purchase merchandise and generally make payments in two or more equal monthly credit card installments. ValuePay remains a cost effective promotional tool for us. We continue to make strategic use of our ValuePay program in an effort to increase sales and to respond to similar competitive programs.

During fiscal 2014, we began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, we completed the building expansion and moved out of our leased satellite warehouse space. The updated facilities and technology upgrade will include a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and units and a new call center facility to better serve our customers. The new sortation and warehouse management systems are expected to be phased into production through the first half of fiscal 2016. Total cost of the physical building expansion, new sortation equipment and call center facility is estimated to be approximately \$25 million and is being financed with our expanded PNC revolving line of credit and a \$15 million PNC term loan. As of October 31, 2015, we have expended approximately \$22 million in cash relating to the Bowling Green expansion initiative with additional cash commitments of approximately \$3 million expected to be made over the next two quarters and primarily funded from the Credit Facility.

We also have significant future commitments for our cash, primarily payments for cable and satellite program distribution obligations and the eventual repayment of our Credit Facility. We believe that our existing cash balances will be sufficient to maintain liquidity to fund our normal business operations over the next twelve months. We currently have total contractual cash obligations and commitments primarily with respect to our cable and satellite agreements and payments required under our Credit Facility and operating leases totaling approximately \$360.0 million over the next five fiscal years.

For the nine months ended October 31, 2015, net cash used for operating activities totaled approximately \$9.1 million compared to net cash provided by operating activities of approximately \$463,000 for the comparable fiscal 2014 period. Net cash provided by (used for) operating activities for the fiscal 2015 and 2014 periods reflects net loss, as adjusted for depreciation and amortization, share-based payment compensation, deferred taxes and the amortization of deferred revenue and deferred financing costs. In addition, net cash used by operating activities for the nine months ended October 31, 2015 reflects an increase in inventory, prepaid expenses and a decrease in accounts payable and accrued liabilities, offset by a decrease in accounts receivable.

Accounts receivable decreased as a result of collections made on outstanding receivables balances resulting from our seasonal high fourth quarter. Inventories increased as a result of planned purchases in support of our fourth quarter anticipated sales levels. Accounts payable and accrued liabilities decreased during the first nine months of fiscal 2015 primarily due to a decrease in the returns reserve at October 31, 2015 as a result of our lower return rate, the timing of accrued salaries, a decrease in accrued incentive compensation and employee benefit contribution and accrued severance following payments made during the first quarter of fiscal 2015, offset by increased accrued inventory due to the timing of payments made to vendors.

Net cash used for investing activities totaled approximately \$16.2 million for the first nine months of fiscal 2015 compared to net cash used for investing activities of \$12.8 million for the comparable fiscal 2014 period. For the nine months ended October 31, 2015 and November 1, 2014, expenditures for property and equipment were approximately \$17.9 million and \$12.8 million, respectively. The increase in the capital expenditures from fiscal 2014 to fiscal 2015 primarily relate to expenditures totaling \$7.5 million made during the first nine months of fiscal 2015 in connection with our distribution facility expansion, compared to \$4.8 million during the first nine months of fiscal 2014. Additional capital expenditures made during the periods presented relate

primarily to expenditures made for the development, upgrade and replacement of computer software, order management, merchandising and warehouse management systems, related computer equipment, digital broadcasting equipment and other office equipment, warehouse equipment and production equipment. Principal future capital expenditures are expected to include: the development, upgrade and replacement of various enterprise software systems; the continuation of our significant warehousing expansion effort and related equipment improvements and technology upgrade at our distribution facility in Bowling Green, Kentucky; security upgrades to our information technology; the upgrade and digitalization of television production and transmission equipment; and related computer equipment associated with the expansion of our television shopping business and digital commerce initiatives. During fiscal 2015, we decreased our restricted cash collateral balance by \$1.7 million .

Net cash provided by financing activities totaled approximately \$17.6 million for the nine months ended October 31, 2015 and related primarily to proceeds from the revolving loan under the Credit Facility of \$14.3 million , proceeds from the term loan under the Credit Facility of \$2.8 million and proceeds from the exercise of stock option of \$2.5 million , partially offset by payments on the term loan of \$1.5 million , payments for deferred Credit Facility issuance costs of \$428,000 and capital lease payments of \$39,000 . Net cash provided by financing activities totaled \$7.1 million for the nine months ended November 1, 2014 and related to proceeds from the term loan under the Credit Facility of \$4.7 million and proceeds from the exercise of stock option of \$2.8 million , partially offset by payments totaling \$304,000 for deferred issuance costs incurred in connection with increasing our Credit Facility and capital lease payments totaling \$39,000 .

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not enter into financial instruments for trading or speculative purposes and do not currently utilize derivative financial instruments as a hedge to offset market risk. Our operations are conducted primarily in the United States and are not subject to foreign currency exchange rate risk. Some of our products are sourced internationally and may fluctuate in cost as a result of foreign currency swings; however, we believe these fluctuations have not been significant. Our Credit Facility has exposure to interest rate risk; changes in market interest rates could impact the level of interest expense and income earned on our cash portfolio.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, management conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved from time to time in various claims and lawsuits in the ordinary course of business. In the opinion of management, the claims and suits individually and in the aggregate will not have a material effect on our operations or consolidated financial statements.

ITEM 1A. RISK FACTORS

See Part I. Item 1A., "Risk Factors," of EVINE Live Inc.'s Annual Report on Form 10-K for the year ended January 31, 2015, for a detailed discussion of the risk factors affecting the Company. There have been no material changes from the risk factors described in the annual report with the exception of the item noted below.

If the implementation and installation of our new warehouse management system were to be further delayed or not be successful, we could have potential shipping delays resulting in slower shipments to our customers and increased costs, both of which could have a negative effect on our overall operating results.

In conjunction with our Bowling Green, Kentucky distribution center expansion initiative, we are implementing and installing a new parcel sortation system coupled with a new warehouse management system. These new systems are expected to be phased into production through the first half of fiscal 2016. Although the benefits expected to be achieved from the implementation of our new warehouse management system include an increase in our shipping capacity, an improvement in our operating efficiency and inventory accuracy and an expansion of our parcel sortation capabilities, such benefits may not be immediately realized, if they are realized at all. As we transition and implement our new warehouse management system, risks related to a continued delay or problematic implementation could include the following: extended shipping inefficiencies which would further increase our variable and other costs especially during our high-volume holiday season; an increase in shipping costs as a result of the need to "split-ship" if implementation is delayed for an extended period of time; and warehouse capacity constraints if the new system were not to work properly upon conversion. If the implementation and installation of our new warehouse management system is further delayed, not successful or does not result in the benefits that we expect, we could have potential shipping delays resulting in slower shipments to our customers, which could result in canceled orders or a negative impact on our service reputation, among other things. For these reasons, any extended delays in the implementation or installation of these systems or the failure of these systems to achieve their expected benefits could have a negative effect on our overall operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits filed with this Quarterly Report on Form 10-Q are set forth on the Exhibit Index filed as a part of this report beginning immediately following the signatures.

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.

December 2, 2015

EVINE Live Inc.

/s/ MARK C. BOZEK

Mark C. Bozek
Chief Executive Officer
(Principal Executive Officer)

December 2, 2015

/s/ TIMOTHY PETERMAN

Timothy Peterman
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description	Manner of Filing
3.1	Amended and Restated Articles of Incorporation of the Registrant	Incorporated by reference (1)
3.2	Amended and Restated By-Laws, as amended	Incorporated by reference (2)
3.3	Certificate of Designation of Series A Junior Participating Cumulative Preferred Stock of the Registrant	Incorporated by reference (3)
10.1	Fifth Amendment to Revolving Credit and Security Agreement, dated October 8, 2015, among the Registrant, as lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as lender and agent for the lender and certain other lenders.	Incorporated by reference (4)
31.1	Certification	Filed herewith
31.2	Certification	Filed herewith
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith

† Management compensatory plan/arrangement.

(1) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on November 18, 2014, File No. 000-20243.

(2) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on June 20, 2014, File No. 000-20243.

(3) Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on July 13, 2015, File No. 000-20243.

(4) Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on October 13, 2015, File No. 001-37495.

CERTIFICATION

I, Mark C. Bozek, certify that:

1. I have reviewed this report on Form 10-Q of EVINE Live Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 2, 2015

/s/ Mark C. Bozek

Mark C. Bozek

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Timothy Peterman, certify that:

1. I have reviewed this report on Form 10-Q of EVINE Live Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 2, 2015

/s/ Timothy Peterman

Timothy Peterman

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EVINE Live Inc., a Minnesota corporation (the "Company"), for the quarter ended October 31, 2015, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned officers of the Company certify pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: December 2, 2015

/s/ Mark C. Bozek

Mark C. Bozek
Chief Executive Officer

Date: December 2, 2015

/s/ Timothy Peterman

Timothy Peterman
Executive Vice President and Chief Financial Officer