

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

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended May 3, 2014

Commission File Number 0-20243

**VALUEVISION MEDIA, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Minnesota

(State or Other Jurisdiction of  
Incorporation or Organization)

41-1673770

(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  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  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

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

As of June 2, 2014, there were 49,844,253 shares of the registrant's common stock, \$.01 par value per share, outstanding.

**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**  
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## PART I — FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

VALUEVISION MEDIA, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)

	May 3, 2014	February 1, 2014
	(In thousands, except share and per share data)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 25,049	\$ 29,177
Restricted cash and investments	2,100	2,100
Accounts receivable, net	96,638	107,386
Inventories	52,996	51,162
Prepaid expenses and other	5,988	6,032
Total current assets	182,771	195,857
<b>Property &amp; equipment, net</b>	25,569	24,952
<b>FCC broadcasting license</b>	12,000	12,000
<b>Other assets</b>	864	896
	<u>\$ 221,204</u>	<u>\$ 233,705</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 72,099	\$ 77,296
Accrued liabilities	29,560	38,535
Deferred revenue	85	85
Total current liabilities	101,744	115,916
<b>Capital lease liability</b>	80	88
<b>Deferred revenue</b>	313	335
<b>Deferred tax liability</b>	1,355	1,158
<b>Long term credit facility</b>	38,000	38,000
Total liabilities	141,492	155,497
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Common stock, \$.01 per share par value, 100,000,000 shares authorized; 49,844,253 shares issued and outstanding	498	498
Warrants to purchase 6,000,000 shares of common stock	533	533
Additional paid-in capital	411,725	410,681
Accumulated deficit	(333,044)	(333,504)
Total shareholders' equity	79,712	78,208
	<u>\$ 221,204</u>	<u>\$ 233,705</u>

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

**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except share and per share data)

	For the Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
<b>Net sales</b>	\$ 159,701	\$ 151,354
<b>Cost of sales</b>	99,695	94,321
Gross profit	60,006	57,033
<b>Operating expense:</b>		
Distribution and selling	49,729	46,252
General and administrative	6,957	5,892
Depreciation and amortization	2,268	3,205
Total operating expense	58,954	55,349
<b>Operating income</b>	1,052	1,684
<b>Other income (expense):</b>		
Interest income	—	11
Interest expense	(391)	(378)
Total other expense	(391)	(367)
<b>Income before income taxes</b>	661	1,317
Income tax provision	(201)	(294)
<b>Net income</b>	\$ 460	\$ 1,023
<b>Net income per common share</b>	\$ 0.01	\$ 0.02
<b>Net income per common share — assuming dilution</b>	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding:		
Basic	49,844,253	49,226,515
Diluted	56,340,970	54,653,674

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

**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED MAY 3, 2014**

(Unaudited)

(In thousands, except share data)

	<u>Common Stock</u>			<u>Common Stock Purchase Warrants</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	Number of Shares	Par Value					
<b>BALANCE, February 1, 2014</b>	49,844,253	\$ 498	\$	533	\$ 410,681	\$ (333,504)	\$ 78,208
Net income	—	—		—	—	460	460
Share-based payment compensation	—	—		—	1,044	—	1,044
<b>BALANCE, May 3, 2014</b>	<u>49,844,253</u>	<u>\$ 498</u>	<u>\$</u>	<u>533</u>	<u>\$ 411,725</u>	<u>\$ (333,044)</u>	<u>\$ 79,712</u>

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

**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	For the Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 460	\$ 1,023
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	2,373	3,251
Share-based payment compensation	1,044	860
Amortization of deferred revenue	(22)	(21)
Amortization of deferred financing costs	48	65
Deferred income taxes	197	290
Changes in operating assets and liabilities:		
Accounts receivable, net	10,748	6,683
Inventories, net	(1,834)	(9,160)
Prepaid expenses and other	60	463
Accounts payable and accrued liabilities	(14,567)	5,278
Net cash provided by (used for) operating activities	<u>(1,493)</u>	<u>8,732</u>
<b>INVESTING ACTIVITIES:</b>		
Property and equipment additions	(2,591)	(1,327)
Net cash used for investing activities	<u>(2,591)</u>	<u>(1,327)</u>
<b>FINANCING ACTIVITIES:</b>		
Payments for deferred issuance costs	(32)	(197)
Payments on capital leases	(12)	—
Net cash used for financing activities	<u>(44)</u>	<u>(197)</u>
Net increase (decrease) in cash and cash equivalents	(4,128)	7,208
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	29,177	26,477
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 25,049</u>	<u>\$ 33,685</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 344	\$ 310
Income taxes paid	\$ 22	\$ 16
<b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Property and equipment purchases included in accounts payable	\$ 871	\$ 155
Deferred issuance costs included in accrued liabilities	\$ —	\$ 29

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

**VALUEVISION MEDIA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**May 3, 2014**  
(Unaudited)

**(1) General**

ValueVision Media, Inc. and its subsidiaries ("we," "our," "us," or the "Company") is a multichannel electronic retailer that markets, sells and distributes products to consumers through TV, telephone, online, mobile and social media. The Company operates a 24-hour television shopping network, ShopHQ, which is distributed primarily through cable and satellite affiliation agreements, through which it offers brand name and private label products in the categories of jewelry & watches; home & consumer electronics; beauty, health & fitness; and fashion & accessories. Orders are fulfilled via telephone, online and mobile channels. The television network is distributed into approximately 87 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 on the Internet at ShopHQ.com. 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 ShopHQ.com, a comprehensive e-commerce platform that sells products which appear on its television shopping channel 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.

In May 2013, the Company announced its intention to rebrand its 24-hour television shopping network, ShopNBC, and its companion e-commerce internet website, ShopNBC.com, and on January 31, 2014, the Company officially transitioned to its new brand, ShopHQ and ShopHQ.com, to reinforce its positioning as the shopping headquarters for customers.

**(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 February 1, 2014 has been derived from the Company's audited financial statements for the fiscal year ended February 1, 2014 . 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 February 1, 2014 . Operating results for the three-month period ended May 3, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015 .

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 2013 , ended on February 1, 2014 , and consisted of 52 weeks. Fiscal 2014 will end on January 31, 2015 , and will contain 52 weeks. The quarters ended May 3, 2014 and May 4, 2013 each consisted of 13 weeks.

**(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 (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 May 3, 2014 and February 1, 2014, the Company had \$2,100,000 in Level 2 investments in the form of bank certificates of deposit which are used as cash collateral for the issuance of commercial and standby letters of credit. 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 May 3, 2014 and February 1, 2014, the Company also had a long-term variable rate bank credit loan with a carrying value of \$38,000,000. The fair values of the variable rate bank loan approximates and is based on its carrying value. The Company has no Level 3 cash 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)	May 3, 2014		February 1, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived intangible assets:				
FCC broadcast license	\$ 12,000,000		\$ 12,000,000	

As of May 3, 2014 and February 1, 2014, the Company had an intangible FCC broadcasting license with a carrying value of \$12,000,000 and a current 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 an expired NBCU trademark license was \$1,000,000 for the three months ended May 4, 2013.

#### (5) Credit Agreement

On February 9, 2012, the Company entered into a credit and security agreement (the "Credit Facility") with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc., as lender and agent. On January 31, 2014, the Company entered into a third amendment to its revolving credit and security agreement with PNC, as previously amended that, among other things, increased the size of the revolving line of credit from \$50 million to \$60 million and provides for a \$15 million term loan on which the Company will draw to fund potential improvements at the Company's distribution facility in Bowling Green, Kentucky.

The revolving line of credit under the Credit Facility, as amended, bears interest at LIBOR plus 3% per annum. All borrowings under the amended Credit Facility mature and are payable on May 1, 2018. Subject to certain conditions, the Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6 million which, upon issuance, would be deemed advances under the Credit Facility. Remaining capacity under the Credit Facility, currently \$19.6 million, provides liquidity for working capital and general corporate purposes.

Maximum borrowings and available capacity under the amended revolving Credit Facility are equal to the lesser of \$60 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 Credit Facility is subject to 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% of the total Credit Facility if terminated in year one; 1.0% if terminated in year

two ; 0.5% if terminated in year three ; and no fee if terminated in years four or five. Interest expense recorded under the Credit Facility's revolving line of credit was \$390,000 and \$378,000 for the first three months of fiscal 2014 and fiscal 2013 , respectively.

If drawn, the term loan shall bear 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 a margin of 5% on the Base Rate and 6% on the LIBOR Rate until January 31, 2015, at which time the margin shall adjust 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 audited financial statements. Principal borrowings under the term loan are to be payable in monthly installments over an 84 month amortization period commencing six months after the initial term loan advance and are also subject to mandatory prepayment in certain circumstances, including, but not limited to, if the outstanding borrowings are more than the borrowing base and upon receipt of certain proceeds from dispositions of collateral. The third amendment also provides that borrowings under the term loan, if made, are subject to mandatory prepayment starting in the fiscal year ending January 31, 2016 in an amount equal to fifty percent ( 50% ) of excess cash flow for such fiscal year, with any such payment not to exceed \$3,750,000 in any such fiscal year. As of May 3, 2014 , there were no borrowings under the Credit Facility term loan.

The amended Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility availability of \$10 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the Credit Facility) and minimum fixed charge coverage ratio, become applicable only if unrestricted cash plus facility availability falls below \$16 million 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. As of May 3, 2014, the Company was in compliance with the applicable covenants of the amended Credit Facility.

Costs incurred to obtain amendments to the Credit Facility of approximately \$442,000 and un amortized 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.

## **(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 first three months of fiscal 2014 and fiscal 2013 related to stock option awards was \$744,000 and \$611,000 , 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 May 3, 2014 , the Company had two omnibus stock plans 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 and the 2004 Omnibus Stock Plan (as amended and restated in fiscal 2006) that provides for the issuance of up to 4,000,000 shares of the Company's common stock. The 2004 Omnibus Plan will expire on June 22, 2014. After that date, 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. No shares remaining available for awards under the 2004 Omnibus Plan at the time it terminates, and no shares subject to outstanding awards under the 2004 Omnibus Plan that are forfeited after the plan terminates will be available for future awards under the 2011 Omnibus Stock Plan. The 2001 Omnibus Stock Plan expired on June 21, 2011. These plans are administered by the human resources and compensation committee of the board of directors and provide for awards for employees, directors and consultants. All employees and directors of the Company and its affiliates are eligible to receive awards under the plans. The types of awards that may be granted under these plans include restricted and unrestricted stock, incentive and nonstatutory 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 nonstatutory 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 2014	Fiscal 2013
Expected volatility	97%	100%
Expected term (in years)	5 years	6 years
Risk-free interest rate	1.5%	1.1% - 1.2%

#### 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. Net shares issued upon the exercise of these market-based stock options (after shares are potentially withheld to cover the exercise price and applicable withholding taxes) may not be sold for a period of one year from the date of exercise. As of May 3, 2014 , all 2,125,000 market-based stock option awards were outstanding. The total grant date fair value was estimated to be \$1,998,000 and is being 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 May 3, 2014 and changes during the three-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, February 1, 2014	3,083,000	\$ 4.03	2,104,000	\$ 6.25	1,121,000	\$ 6.05	500,000	\$ 4.24
Granted	—	\$ —	60,000	\$ 5.47	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Forfeited or canceled	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Balance outstanding, May 3, 2014	<u>3,083,000</u>	\$ 4.03	<u>2,164,000</u>	\$ 6.23	<u>1,121,000</u>	\$ 6.05	<u>500,000</u>	\$ 4.24
Options exercisable at May 3, 2014	<u>1,286,000</u>	\$ 3.64	<u>2,097,000</u>	\$ 6.19	<u>1,121,000</u>	\$ 6.05	<u>430,000</u>	\$ 4.28

The following table summarizes information regarding stock options outstanding at May 3, 2014 :

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:	3,083,000	\$ 4.03	7.2	\$ 2,736,000	2,585,000	\$ 3.76	8.5	\$ 2,683,000
2004 Incentive:	2,164,000	\$ 6.23	4.8	\$ 1,623,000	2,157,000	\$ 6.22	4.8	\$ 1,623,000
2001 Incentive:	1,121,000	\$ 6.05	4.2	\$ 878,000	1,121,000	\$ 6.05	4.2	\$ 878,000
Non-Qualified:	500,000	\$ 4.24	6.2	\$ 433,000	493,000	\$ 4.24	6.2	\$ 427,000

The weighted average grant-date fair value of options granted in the first three-months of fiscal 2014 and fiscal 2013 was \$4.02 and \$2.68 , respectively. There were no options exercised during the first quarters of fiscal 2014 and fiscal 2013 . As of May 3, 2014 , total unrecognized compensation cost related to stock options was \$2,371,000 and is expected to be recognized over a weighted average period of approximately 1.3 years .

## (7) Restricted Stock

Compensation expense recorded in the first three months of fiscal 2014 and fiscal 2013 relating to restricted stock grants was \$300,000 and \$249,000 , respectively. As of May 3, 2014 , there was \$2,386,000 of total unrecognized compensation cost related to non-vested restricted stock granted. That cost is expected to be recognized over a weighted average period of 1.4 years . The total fair value of restricted stock vested during the first three-months of fiscal 2014 and fiscal 2013 was \$0 and \$783,000 , respectively.

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 \$314,000 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 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 \$23,500 and is being amortized as director compensation expense through June 2014.

On November 25, 2013, the Company granted a total of 436,000 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 November 25, 2014. The aggregate market value of the restricted stock at the date of the award was \$2,426,000 and is being amortized as compensation expense over the three -year vesting period.

During the first half of fiscal 2013, the Company granted a total of 44,000 shares of restricted stock to six 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 \$228,000 and is being amortized as director compensation expense over the twelve -month vesting period.

On October 3, 2012, the Company granted 300,000 shares of market-based restricted stock to certain key employees as part of the Company's long-term incentive program. Each restricted stock award will vest 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 award 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 restricted stock 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. Net shares received upon the vesting of these market-based stock restricted awards (after shares are potentially withheld to cover applicable withholding taxes) may not be sold for a period of one year from the date of vesting. As of May 3, 2014 , 150,000 market-based restricted stock awards were outstanding. The total grant date fair value was estimated to be \$425,000 and is being 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 0.32% , a weighted average expected life of 2.8 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)	\$1.48	15 months
Tranche 2 (\$8.00/share)	\$1.39	20 months
Tranche 3 (\$10.00/share)	\$1.31	24 months

A summary of the status of the Company's non-vested restricted stock activity as of May 3, 2014 and changes during the three-month period then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding, February 1, 2014	641,000	\$4.49
Granted	57,000	\$5.50
Vested	—	\$0.00
Forfeited	(15,000)	\$5.57
Non-vested outstanding, May 3, 2014	<u>683,000</u>	<u>\$4.55</u>

### (8) Net Income Per Common Share

Basic net income per share is computed by dividing reported income 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 income per share calculations and the number of shares used in the calculation of basic income per share and diluted income per share is as follows:

	Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
Net income (a)	\$ 460,000	\$ 1,023,000
Weighted average number of shares of common stock outstanding — Basic	49,844,253	49,226,515
Dilutive effect of stock options, non-vested shares and warrants	6,496,717	5,427,159
Weighted average number of shares of common stock outstanding — Diluted	56,340,970	54,653,674
Net income per common share	\$ 0.01	\$ 0.02
Net income per common share — assuming dilution	\$ 0.01	\$ 0.02

(a) The net income for the three-month period ended May 3, 2014 includes costs related to an activist shareholder response of \$1,045,000.

### (9) Business Segments and Sales by Product Group

The Company has only one reporting segment, which encompasses multichannel electronic retailing. The Company markets, sells and distributes its products to consumers primarily through its electronic multichannel mediums of television and internet website ShopHQ.com. The Company's multichannel electronic television shopping and internet online operations 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 the ShopHQ website whereby many of the internet sales originate from customers viewing the Company's television program and then place their orders online. All of the Company's sales are made in the United States. The chief operating decision maker is the Chief Executive Officer of the Company.

Information on net sales by significant product groups are as follows (in thousands):

	Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
Jewelry & Watches	\$ 68,904	\$ 66,184
Home & Consumer Electronics	37,301	41,950
Beauty, Health & Fitness	20,385	18,563
Fashion & Accessories	19,279	12,797
All other (primarily shipping & handling revenue)	13,832	11,860
Total	<u>\$ 159,701</u>	<u>\$ 151,354</u>

## (10) Income Taxes

At February 1, 2014, the Company had federal net operating loss carryforwards ("NOLs") of approximately \$304 million, and state NOL's of approximately \$140 million which are available to offset future taxable income. The Company's federal NOLs expire in varying amounts each year from 2023 through 2033 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. 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 will be limited. 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 first quarter of fiscal 2014 and the first quarter of fiscal 2013, the income tax provision included a non-cash tax charge of approximately \$197,000 and \$290,000, respectively, relating to changes in our 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. 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 \$591,000 of additional non-cash income tax expense over the remainder of fiscal 2014.

## (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 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 May 3, 2014, the direct equity ownership of GE Equity in the Company consists of warrants to purchase up to 6,000,000 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 shareholders right 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 the Company's arrangements with Comcast, GE, GE Equity and NBCU, see the Company's definitive Proxy Statement on Schedule 14A, filed with the SEC on May 9, 2014.

### **(13) Distribution Facility Expansion**

During fiscal 2014, we have taken on a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system upgrades at our Bowling Green, Kentucky distribution facility. The expansion project will include the construction of a new building which, when completed, will expand our current \$260,000 square foot facility to an approximately \$600,000 square foot facility. The expansion project is expected to be completed in the first half of fiscal 2015. The updated facilities will also include new high-speed parcel shipping, handling and item sortation equipment to support our increased level of shipments and units and a new call center facility to better serve our customers. Total cost of the expansion will be approximately \$25 million and will be financed with our expanded PNC credit facility and a \$15 million PNC term loan. Construction is expected to start in the second quarter of fiscal 2014 with expected cash commitments of approximately \$22 million during fiscal 2014 and cash commitments of approximately \$3 million during the first quarter of fiscal 2015.

## **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 February 1, 2014.

### **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 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. Any statements contained herein that are not statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position made in this report are forward-looking. We often use words such as anticipates, believes, expects, intends and similar expressions to identify 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 or estimated cost savings from contract renegotiations; 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; 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 maintain and successfully execute our long-term growth strategy; our ability to successfully transition our brand name; continued public statements about the Company and other actions by an activist shareholder, and our ability to minimize our costs and avoid management distraction in connection therewith; the market demand for television station sales; our management and information systems infrastructure; challenges to our data and information security; changes in governmental or regulatory requirements; litigation or governmental proceedings affecting our operations; the risks identified under "Risk Factors" in our Form 10-K for our fiscal year ended February 1, 2014 and any additional risk factors identified in our periodic reports since such date; 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; and our ability to obtain, retain and offer meaningful compensation to our key executives and employees. 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 multichannel electronic retailer that markets, sells and distributes products to consumers through TV, telephone, online, mobile and social media. We operate a 24-hour television shopping network, ShopHQ, which is distributed primarily through cable and satellite affiliation agreements, through which we offer brand name and private label products in the categories of jewelry & watches; home & consumer electronics; beauty, health & fitness; and fashion & accessories. We also operate ShopHQ.com, a comprehensive e-commerce platform that sells products which appear on our television shopping channel 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.

In May 2013, we announced our intention to rebrand our 24-hour television shopping network, ShopNBC, and our companion e-commerce internet website, ShopNBC.com and on January 31, 2014, we officially transitioned to our new brand, ShopHQ and ShopHQ.com, to reinforce our positioning as the shopping headquarters for customers.

Our investor relations website address is ShopHQ.com/ir. Our goal is to maintain the investor relations website as a way for investors to easily find information about us, 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.

### *Products and Customers*

Products sold on our media channel platforms include primarily jewelry & watches, home & consumer electronics, beauty, health & fitness, and fashion & accessories. Historically jewelry & watches has been our largest merchandise category. We are working to shift our product mix to include a more diversified product assortment in order to grow our new and active customer base. The following table shows our merchandise mix as a percentage of television shopping and internet net merchandise sales for the years indicated by product category group:

Merchandise Category	For the Three-Month	
	Periods Ended	
	May 3, 2014	May 4, 2013
Jewelry & Watches	47%	48%
Home & Consumer Electronics	26%	30%
Beauty, Health & Fitness	14%	13%
Fashion & Accessories	13%	9%

Our product strategy is to continue to develop and expand new product offerings 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 multichannel customers — those who interact with our network and transact through TV, internet and mobile device — are primarily women between the ages of 35 and 65, married, with average annual household incomes of \$70,000 or more. We also have a strong presence of male customers of similar age and income range. We believe our customers make purchases based on our unique products, quality merchandise and value.

### *Company Strategy*

As a multichannel electronic retailer, our strategy is to offer our customers differentiated quality brands and products at a compelling value proposition. We also seek to provide today's consumers with flexible programming formats and access that allow them to view and interact with our content and products at their convenience — whenever and wherever they are able. Our merchandise positioning aims to make us a trusted destination for quality and a shopping headquarters for a broad category of merchandise. We focus on creating a customer experience that builds strong loyalty and a growing customer base.

In support of this strategy, we are pursuing the following actions to improve the operational and financial performance of our company: (i) expand and diversify our product assortment to appeal to more customers, to increase the purchase frequency of active customers and to increase customer retention rates, (ii) attract, retain and increase new and active customers and improve household penetration, (iii) increase our gross margin dollars by maintaining merchandise margins in key product categories while prudently managing inventory levels, (iv) enhance our customer experience through a variety of investments in technology,

promotional activity and improved and competitive service, (v) manage our fixed operating costs and variable transaction expenses, (vi) grow our internet and mobile business with expanded product assortments and internet-only merchandise offerings, (vii) expand our internet, mobile and social media channels to attract and retain more customers, and (viii) maintain cable and satellite carriage contracts at appropriate durations and cost while improving distribution productivity through better channel positions and dual illumination or multiple channels.

### ***Our Competition***

The direct marketing and multichannel retail businesses are highly competitive. In our television shopping and e-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 our industry include QVC Network, Inc. and HSN, Inc., 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. The American Collectibles Network, 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 our competition. However, one of our key strategies is to maintain our fixed distribution cost structure in order to leverage our profitability as we grow our business.

The e-commerce sector also is highly competitive, and we are in direct competition with numerous other internet retailers, many of whom are larger, better financed and have a broader customer base than we do.

We anticipate continuing competition for viewers and customers, for experienced television shopping 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 internet retail industries, including telecommunications and cable companies, television networks, and other established retailers. We believe that our ability to be successful in the multichannel retailing industry will be dependent on a number of key factors, including expanding 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 First Quarter of Fiscal 2014***

Consolidated net sales for the first three months of fiscal 2014 were \$159,701,000 compared to \$151,354,000 for the first three months of fiscal 2013, which represents a 6% increase. We reported operating income of \$1,052,000 and net income of \$460,000 for the first three months of fiscal 2014. We had operating income of \$1,684,000 and net income of \$1,023,000 for the first three months of fiscal 2013.

## Results of Operations

**Selected Condensed Consolidated Financial Data**  
**Operations**  
**(Unaudited)**

	Dollar Amount as a Percentage of Net Sales for the Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
	<b>Net sales</b>	100.0%
<b>Gross margin</b>	37.6%	37.7%
<b>Operating expenses:</b>		
Distribution and selling	31.1%	30.6%
General and administrative	4.3%	3.9%
Depreciation and amortization	1.4%	2.1%
	36.8%	36.6%
<b>Operating income</b>	0.8%	1.1%

**Key Performance Metrics**  
**(Unaudited)**

	For the Three-Month Periods Ended		
	May 3, 2014	May 4, 2013	Change
	<b>Program Distribution</b>		
Total homes (average 000's)	87,034	84,955	2%
<b>Merchandise Metrics</b>			
Gross margin %	37.6%	37.7%	(10) bps
Net shipped units (000's)	1,913	1,497	28%
Average selling price	\$76	\$93	(18)%
Return rate	22.2%	22.5%	(30) bps
Internet net sales % (a)	44.7%	46.2%	(150) bps
Total Customers - 12 Month Rolling (000's)	1,402	1,152	22%

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

**Program Distribution**

Average homes reached, or full time equivalent ("FTE") subscribers, grew 2% in the first quarter of fiscal 2014 over the comparable prior year quarter, resulting in a 2.1 million increase in average homes reached during that same period. The increase was driven primarily by increases in our footprint as we expand into more widely distributed digital tiers of service with improved channel positions. During fiscal 2012, we 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. As of May 3, 2014, our up-converted high definition feed is carried in approximately 7 million households. We believe that having an HD feed of our service will allow us to attract new viewers and customers. Our television home shopping programming is also simulcast live 24 hours a day, 7 days a week through our internet website, www.ShopHQ.com, which is not included in the foregoing data on homes reached.

**Cable and Satellite Distribution Agreements**

We have entered into cable and direct-to-home distribution agreements that require each operator to offer 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, the cable operators or we 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***

For the three months ended May 3, 2014, net shipped units increased 28% from the prior year's comparable period to 1,913,000 from 1,497,000. We believe the increase in net shipped units during the first three months of fiscal 2014 reflects the continued broadening of our merchandising assortment, the decline in our average selling price and the overall growth in net sales as discussed below.

#### ***Average Selling Price***

The average selling price, or ASP, per net unit was \$76 for the three months ended May 3, 2014, an 18% decrease from the prior year's comparable period. The decrease in the ASP, which is a key component in our customer acquisition efforts, driving impulse shopping and increasing repeat customers, continues to reflect strong growth within our fashion & accessories category, which typically has lower average selling prices as well as a general shift to lower price points in our other merchandise categories, particularly beauty, health & fitness. The decreases in our ASP are consistent with our long-term strategy to further broaden and expand our product assortment of lower priced items to reach a broader audience, however, we expect to have less of a decrease in our average selling price in the upcoming quarters of fiscal 2014 versus last year.

#### ***Return Rates***

For the three months ended May 3, 2014, our return rate was 22.2% compared to 22.5% for the prior year comparable period, a 30 basis point decrease. The decrease in the return rate was driven by slight decreases in our return rates within our fashion & accessories and beauty, health & fitness categories. 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 purchasing over the last twelve months increased 22% to 1.4 million. We believe the increase in total customers is primarily due to continued diversification of our merchandise at lower price points as well as a product mix shift from the jewelry and watches category to the fashion and accessories and other product categories. We also believe that our improvements in customer satisfaction and channel positioning also contributed to overall customer growth.

#### ***Net Sales***

Consolidated net sales for the three months ended May 3, 2014 were \$159,701,000, as compared to consolidated net sales of \$151,354,000 for the comparable prior period, an increase of 6%. The increase in consolidated net sales was driven primarily by sales improvements in the fashion & accessories, watches, health & beauty and home product categories. Our e-commerce sales penetration, that is, the percentage of net sales that are generated from our ShopHQ.com website and mobile platforms, which are primarily ordered directly online, was 44.7% compared to 46.2%, respectively for the first three months of fiscal 2014 compared to fiscal 2013. Overall, we continue to deliver strong internet sales penetration. Moreover, our mobile penetration increased to 31.5% of total internet orders in the first quarter of 2014 versus 22.8% of total internet orders for the comparable prior year period.

#### ***Gross Profit***

Gross profit for the first three months of fiscal 2014 gross profit was \$60,006,000, an increase of \$2,973,000 or 5%, from \$57,033,000 for the comparable prior year period. The increase in the gross profits experienced during the first three-months of fiscal 2014 was primarily driven primarily by the year-over-year sales increase discussed above. Gross margin percentages for the first three months of fiscal 2014 and fiscal 2013 were 37.6% and 37.7%, respectively, a 10 basis point decrease. The slight decrease in the first quarter gross margin percentage reflected increased levels of shipping and handling promotional activity in the quarter versus prior year, offset partially by a shift in product mix during the quarter to fashion and accessories which typically have higher margin percentages.

### ***Operating Expenses***

Total operating expenses for the three months ended May 3, 2014 were \$58,954,000 compared to \$55,349,000 for the comparable prior period, an increase of 7% . Total operating expenses for the first quarter of fiscal 2014 includes activist shareholder response charges of approximately \$1,045,000. Excluding shareholder activist response costs, total operating expenses as a percentage of net sales were 36% during the first quarter of fiscal 2014 versus 37% for the prior year comparable period.

Distribution and selling expense increased \$3,477,000 or 8% , to \$49,729,000 , or 31.1% of net sales during the three months ended May 3, 2014 compared to \$46,252,000 or 30.6% of net sales for the comparable prior year period. Distribution and selling expense increased primarily due to increased program distribution expense of \$1,595,000, relating to a 2% increase in average homes reached during the year as well as investments made associated with improved channel positions which began in the second half of fiscal 2013. The increase over prior year was also due to increases in variable credit card processing fees and other credit expenses of \$729,000, customer service and telecommunications expenses of \$332,000, salaries, wages and consulting costs of \$135,000 and advertising and promotion expense of \$150,000. Total variable expenses during the first quarter of fiscal 2014 were approximately 8.4% of total net sales versus 7.5% of total net sales for the prior year comparable period. The increase in variable expense as a percentage of net sales coincides with our reduction in average selling price and resulting 28% increase in net shipped units during the first quarter. To the extent that our average selling price continues to decline, our variable expense as a percentage of net sales could 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.

For the three months ended May 3, 2014 , general and administrative expense increased \$1,065,000 , or 18% , to \$6,957,000 , or 4.4% of net sales, compared to \$5,892,000 , or 3.9% of net sales, for the prior year period. General and administrative expense increased primarily as a result of costs related to an activist shareholder response of \$1,045,000. Excluding shareholder activist response costs, general and administrative expense totaled \$5,912,000, or 3.7% of net sales during the first quarter of fiscal 2014.

Depreciation and amortization expense for the three months ended May 3, 2014 was \$2,268,000 compared to \$3,205,000 for the comparable prior year period, representing a decrease of \$937,000 , or 29% . Depreciation and amortization expense as a percentage of net sales for the three months ended May 3, 2014 and May 4, 2013 was 1.4% and 2.1% , respectively. The decrease in depreciation and amortization expense was primarily due to decreased amortization expense of \$1,000,000 associated with the expiration of our NBC trademark license.

### ***Operating Income***

For the three months ended May 3, 2014 , we reported operating income of \$1,052,000 compared to operating income of \$1,684,000 for the comparable prior year period, representing a decrease of \$632,000 . Our operating results for the first quarter of fiscal 2014 decreased primarily as a result of higher distribution and selling and general and administrative expense incurred during the quarter (as noted above), offset by increased gross profit and a decrease in depreciation and amortization expense.

### ***Net Income***

For the three months ended May 3, 2014 , we reported net income of \$460,000 or \$0.01 per share on 49,844,253 weighted average basic common shares outstanding (\$0.01 per share on 56,340,970 diluted shares) compared to net income of \$1,023,000 or \$0.02 per share on 49,226,515 weighted average basic common shares outstanding (\$0.02 per share on 54,653,674 diluted shares) for the comparable prior year period. Net income for the three months ended May 3, 2014 includes costs related to an activist shareholder response of approximately \$1,045,000 and interest expense of \$391,000 . Net income for the three months ended May 4, 2013 includes interest expense of \$378,000 , offset by interest income totaling \$11,000 earned on our cash and investments.

For the first three months of fiscal 2014 , net income reflects an income tax provision of \$201,000 . The fiscal 2014 first quarter tax provision included a non-cash expense charge of approximately \$197,000 , 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 \$591,000 over the remainder of fiscal 2014 .

For the first three months of fiscal 2013 , net income reflects an income tax provision of \$294,000 , which included a non-cash tax expense charge of \$290,000 related to changes in our long-term deferred tax liability related to the tax amortization of our indefinite-lived intangible FCC license asset.

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 three months ended May 3, 2014 , was \$5,513,000 compared with an Adjusted EBITDA of \$5,795,000 for the comparable prior year period.

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

	For the Three-Month Periods Ended	
	May 3, 2014	May 4, 2013
<b>Adjusted EBITDA (a)</b>	\$ 5,513	\$ 5,795
Less:		
Activist shareholder response costs	(1,045)	—
Non-cash share-based compensation expense	(1,044)	(860)
<b>EBITDA (as defined)</b>	<u>3,424</u>	<u>4,935</u>
A reconciliation of EBITDA to net income is as follows:		
EBITDA (as defined)	3,424	4,935
Adjustments:		
Depreciation and amortization	(2,372)	(3,251)
Interest income	—	11
Interest expense	(391)	(378)
Income taxes	(201)	(294)
<b>Net income</b>	<u>\$ 460</u>	<u>\$ 1,023</u>

(a) EBITDA as defined for this statistical presentation represents net income for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. We define Adjusted EBITDA as EBITDA excluding debt extinguishment; non-operating gains (losses), non-cash impairment charges and writedowns; activist shareholder response 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 internet 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 similarly entitled measures reported by other companies.

**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 2013 annual report on Form 10-K under the caption entitled "Critical Accounting Policies and Estimates."

**Financial Condition, Liquidity and Capital Resources**

As of May 3, 2014 , we had cash and cash equivalents of \$25,049,000 and had restricted cash and investments of \$2,100,000 pledged as collateral for our issuances of commercial and standby letters of credit. Our restricted cash and investments are generally restricted for a period ranging from 30-60 days and to the extent that commercial and standby letters of credit remain outstanding. In addition, under our Credit Facility, we are required to maintain a minimum of \$10 million of unrestricted cash and unused line availability at all times. As of February 1, 2014 , we had cash and cash equivalents of \$29,177,000 and had restricted cash and investments of \$2,100,000 pledged as collateral for our issuances of standby and commercial letters of credit, which can fluctuate in relation to the level and nature of our overseas purchases. For the first three months of fiscal 2014 , working capital increased

\$1,086,000 to \$81,027,000 . Our current ratio (our total current assets over total current liabilities) was 1.8 at May 3, 2014 and February 1, 2014 .

### ***Sources of Liquidity***

Our principal source of liquidity is our available cash and cash equivalents of \$25,049,000 as of May 3, 2014 . At May 3, 2014 , our cash and cash equivalents were held in bank depository accounts primarily for the preservation of cash liquidity.

On February 9, 2012, we entered into a Credit Facility with PNC Bank, N.A. ("PNC"), and on May 1, 2013 and then again on January 31, 2014, we amended our credit facility, most recently, increasing the size of the facility from \$50 million to \$60 million . The revolving line of credit under the Credit Facility, as amended, bears interest at LIBOR plus 3% per annum. All borrowings under the amended Credit Facility mature and are payable on May 1, 2018. Subject to certain conditions, the Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6 million which, upon issuance, would be deemed advances under the Credit Facility. Maximum borrowings under the Credit Facility are equal to the lesser of \$60 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory. Remaining capacity under the amended Credit Facility, currently \$19.6 million , provides liquidity for working capital and general corporate purposes. The amended PNC Credit Facility also provides for a \$15 million term loan on which the Company will draw to fund potential improvements at the Company's distribution facility in Bowling Green, Kentucky.

The amended Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility availability of \$10 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the Credit Facility) and minimum fixed charge coverage ratio, become applicable only if unrestricted cash plus facility availability falls below \$16 million 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. As of May 3, 2014, the Company was in compliance with the applicable covenants of the amended Credit Facility.

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.

### ***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 more effectively manage our working capital 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 have taken on a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system upgrades at our Bowling Green, Kentucky distribution facility. The expansion project will include the construction of a new building which, when completed, will expand our current 260,000 square foot facility to an approximately 600,000 square foot facility. The expansion project is expected to be completed in the first half of fiscal 2015. The updated facilities will also include new high-speed parcel shipping, handling and item sortation equipment to support our increased level of shipments and units and a new call center facility to better serve our customers. Total cost of the expansion will be approximately \$25 million and will be financed with our expanded PNC credit facility and a \$15 million PNC term loan. Construction is expected to start in the second quarter of fiscal 2014 with expected cash commitments of approximately \$22 million during fiscal 2014 and cash commitments of approximately \$3 million during the first quarter of fiscal 2015.

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, credit facility and operating leases totaling approximately \$322 million over the next five fiscal years.

For the three months ended May 3, 2014, net cash used for operating activities totaled \$1,493,000 compared to net cash provided by operating activities of \$8,732,000 for the comparable fiscal 2013 period. Net cash (used for) provided by operating activities for the fiscal 2014 and 2013 periods reflects net income, 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 for operating activities for the three months ended May 3, 2014 reflects decreases in accounts receivable, prepaid expenses, accounts payable and accrued liabilities as well as an increase in inventories.

Accounts receivable decreased as a result of collection made on outstanding receivables balances resulting from our seasonal high fourth quarter. Inventories increased as a result of planned purchases in support of higher sales levels during the first quarter. Accounts payable and accrued liabilities decreased during the first three months of fiscal 2013 primarily due to decreased inventory receipts and the timing of payments made to vendors and a decrease in accrued incentive compensation and employee benefit contributions following payments made during the first quarter of fiscal 2014.

Net cash used for investing activities totaled \$2,591,000 for the first three months of fiscal 2014 compared to net cash used for investing activities of \$1,327,000 for the comparable fiscal 2013 period and primarily related to capital expenditures made for the development, upgrade and replacement of computer software, order management and merchandising 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, a significant expansion of warehousing capacity and related equipment improvements at our distribution facility in Bowling Green, Kentucky, security in our network, the upgrade and digitalization of television production and transmission equipment and related computer equipment associated with the expansion of our television shopping business and e-commerce initiatives.

Net cash used for financing activities totaled \$44,000 for the three months ended May 3, 2014 and related primarily to payments totaling \$32,000 for deferred issuance costs incurred in connection with increasing our Credit Facility and capital lease payments totaling \$12,000. Net cash used for financing activities totaled \$197,000 for the three months ended May 4, 2013 and related to payments for deferred issuance costs incurred in connection with increasing our Credit Facility.

### **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 and cash equivalents 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 (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 ValueVision Media's Annual Report on Form 10-K for the year ended February 1, 2014 , 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.

### **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.

**VALUEVISION MEDIA, INC.**

June 6, 2014

/s/ KEITH R. STEWART

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Keith R. Stewart  
Chief Executive Officer  
(Principal Executive Officer)

June 6, 2014

/s/ WILLIAM MCGRATH

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William McGrath  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer)

## EXHIBIT INDEX

Exhibit No.	Description	Manner of Filing
3.1	Articles of Incorporation of the Registrant, as amended	Incorporated by reference (1)
3.2	Amended and Restated By-Laws, as amended	Incorporated by reference (2)
10.1	Second Amended and Restated Employment Agreement between the Registrant and Keith R. Stewart dated April 1, 2014.	Filed herewith
10.2	ValueVision Media, Inc. Executives' Severance Benefit Plan	Filed herewith
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

(1) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q dated April 30, 2011, filed on June 7, 2011, File No. 000-20243.

(2) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated September 21, 2010, filed on September 27, 2010, File No. 000-20243.

## SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT is entered into on April 1, 2014”), by and between ValueVision Media, Inc, and Keith R. Stewart. This Amended Agreement amends and restates the 2010 Agreement.

- A. The Company is a multichannel electronic retailer which currently operates under the ShopHQ brand.
- B. The Company believes it is in the best interests of the Company and its shareholders to continue in effect the change in control severance provisions of the 2010 Agreement, as modified under this Amended Agreement, to provide inducement for Executive (1) to remain in the service of the Company in the event of any proposed or anticipated Event (as defined below) and (2) to remain in the service of the Company in order to facilitate an orderly transition if an Event occurs, without regard to the effect such Event may have on Executive’s employment with the Company, and believes it is in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company.
- C. The Company and the Executive desire to enter into this Amended Agreement to include the change in control severance benefits set forth under the 2010 Agreement and make certain other changes, as modified herein, such that this Amended Agreement will replace and supersede the 2010 Agreement in its entirety.

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Definitions. The capitalized terms used in this Amended Agreement have the following meanings:

- (a) “2010 Agreement” means the Amended and Restated Employment Agreement, dated February 19, 2010, between the Company and the Executive.
- (b) “Affiliate” means any corporation that is a Subsidiary or Parent of the Company.
- (c) “Amended Agreement” means this Second Amended and Restated Employment Agreement, dated April 1, 2014, between the Company and the Executive.
- (d) “Amended Agreement Date” means the effective date the Amended Agreement.
- (e) “Base Salary” means Executive’s annual base salary in effect from time to time as set forth in Section 5(a) below.
- (f) “Board” means the Board of Directors of the Company, including any authorized committee of the Board.
- (g) “Cause” means:
  - (i) a material act of fraud which results in or is intended to result in Executive’s personal enrichment at the expense of Company, including without limitation, theft or embezzlement from Company;
  - (ii) public conduct by Executive materially detrimental to the reputation of Company,
  - (iii) material violation by Executive of any written Company policy, regulation or practice which violation (A) remains uncured thirty (30) days after receipt by Executive of a written notice specifying in reasonable detail the action that the Board alleges to be a violation; or (B) has had a material adverse effect on the business or reputation of the Company;
  - (iv) Executive’s willful or grossly negligent failure to adequately perform the duties of his position to the material detriment of the Company;
  - (v) commission of conduct constituting a felony;
  - (vi) a material breach by Executive of any of the terms and conditions of this Amended Agreement, which breach remains uncured thirty (30) days after receipt by Executive of written notice specifying in reasonable detail the action that the Board alleges to be such breach;
  - (vii) Executive continues to materially fail to perform his duties hereunder, which failure remains uncured thirty (30) days after a written demand for performance is delivered to Executive by the Board or its representative, which written demand specifically identifies the manner in which the Board believes that Executive has not performed Executive’s duties (it being understood that the non-attainment of Company performance goals, in and of itself, shall not be considered a failure that constitutes Cause); or
  - (viii) Executive engages in excessive absenteeism unrelated to illness or permitted vacation that continues for five (5) business days after receipt by Executive of written notice specifying in reasonable detail such excessive absenteeism.
- (h) “Code” means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code will include a reference to such provision as it may be amended from time to time and to any successor provision, including current and future regulations and guidance thereunder.
- (i) “Company” means ValueVision Media, Inc., a Minnesota corporation, or any successor thereto.

- (j) “Disability” means the inability of Executive to perform on a full-time basis, even with reasonable accommodation(s) that do(es) not impose an undue hardship on the Company’s business, the essential duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, as determined by a physician mutually acceptable to Executive and the Company, if such inability continues for an uninterrupted period of 180 days or more during any 365-day period. A period of inability shall be “uninterrupted” unless and until Executive returns to full-time work for a continuous period of at least thirty (30) calendar days.
- (k) “Event” means any of the following:
- (i) The acquisition by any individual, entity or group (within the meaning of Exchange Act Sections 13(d)(3) or 14(d)(2)) of beneficial ownership (within the meaning of Exchange Act Rule 13d-3) of 30% or more of either (x) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of the Board (the “Outstanding Company Voting Securities”). Notwithstanding the foregoing sentence, the following acquisitions will not constitute an Event:
    - A. any acquisition of common stock or voting securities of the Company directly from the Company,
    - B. any acquisition of common stock or voting securities of the Company by the Company or any of its wholly owned subsidiaries,
    - C. any acquisition of common stock or voting securities of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries, or
    - D. any acquisition by any corporation with respect to which, immediately following such acquisition, more than 70% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such acquisition in substantially the same proportions as was their ownership, immediately before such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.
  - (ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board. However, any individual becoming a director of the Board after the Amended Agreement Date, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest.
  - (iii) Approval by the shareholders of the Company of a reorganization, merger, consolidation or statutory exchange of Outstanding Company Voting Securities, unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as was their ownership, immediately before such reorganization, merger, consolidation or exchange, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.
  - (iv) Approval by the shareholders of the Company of (x) a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such sale or other disposition in substantially the same proportion as was their ownership, immediately before such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

Notwithstanding the above, an Event shall not be deemed to occur with respect to Executive if the acquisition of the 30% or greater interest referred to in Section 1(k)(i) is by a group, acting in concert, that includes Executive or if at least 30% of the then-outstanding common stock or combined voting power of the then-outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company

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shall be beneficially owned, directly or indirectly, immediately after a reorganization, merger, consolidation, statutory share exchange or disposition of assets referred to in Section 1(k)(iii) or (iv) by a group, acting in concert, that includes Executive.

- (l) “Exchange Act” means the Securities Exchange Act of 1934, as amended and in effect from time to time.
- (m) “Executive” means Keith R. Stewart, currently a resident of Minnesota.
- (n) “Good Reason” means the occurrence of any one of the following events:
  - (i) The Executive is impacted by a mandatory relocation of the Executive’s principal place of employment to a location more than 50 miles from Executive’s current office location;
  - (ii) The Company, materially reduces the Executive’s total compensation opportunity (excluding equity) (unless part of an across-the-board compensation opportunity or benefit plan reduction applicable on a similar basis to all other senior executive officers of the Company and, in that event, provided that such reduction does not exceed 5% of Executive’s total compensation opportunity);
  - (iii) The Company materially breaches its obligations to pay the Executive, unless the failure to pay is a result of a good faith dispute between the Company and the Executive; or
  - (iv) The Company substantially diminishes the duties, responsibilities or title of the Executive such that the position held is no longer the Chief Executive Officer in title or deed or the circumstances described in Section 1(k)(ii) shall occur,

provided that such event shall constitute Good Reason only if Executive (A) continues to satisfactorily perform job duties as assigned and continues in employment through the date established by Executive as his last day of employment; (B) provides the Company written notice (in the case of a Good Reason resignation), within one month after the initial existence of Good Reason, which details the facts showing that Good Reason exists and includes a proposed last day of employment within 60 days after the initial existence of Good Reason. The Company shall have thirty (30) days following receipt of such notice to correct the occurrence; and only if the Company fails to correct the occurrence does Good Reason exist; (C) returns to the Company, all Company property in the Executive’s possession in accordance with Section 15(b)(Return of Records and Property) of this Amended Agreement; and (D) complies with the terms of any non-compete, confidentiality, invention or other written agreements contained in this Amended Agreement or otherwise applicable to Executive.

Good Reason shall not include any occurrence under this definition of which Executive has consented in writing stating specifically that such occurrence shall not constitute Good Reason or of which Executive had actual knowledge of for at least two (2) calendar months and did not give a notice described above with respect to the occurrence

- (o) “Incumbent Board” means the Board as of the Amended Agreement Date.
  - (p) “Plan” means the ValueVision Media, Inc. 2011 Omnibus Incentive Plan, as amended and in effect from time to time.
  - (q) “Restrictive Period” means the 18 consecutive months following the date of termination of Executive’s employment.
  - (r) “Share” means a share of Stock.
  - (s) “Stock” means the common stock, par value \$0.01 per share, of the Company.
  - (t) “Subsidiary” means, with respect to the Company, any corporation or other entity that is required to be combined with the Company as a single employer under Code § 414(b) or (c).
  - (u) “Transition Period” means the period commencing at the time the first Event occurs during the term of this Amended Agreement and ending on the date that is one year thereafter.
2. Employment. Executive shall continue to serve as Chief Executive Officer of the Company, and Executive agrees to perform services for the Company, upon the terms and conditions set forth in this Amended Agreement.
  3. Term of Employment. Unless terminated at an earlier date in accordance with Section 11 hereof, the term of Executive’s employment with the Company under this Amended Agreement shall be for a period of one year, or through March 31, 2015. Thereafter, unless terminated at an earlier date in accordance with Section 11 hereof, the term of Executive’s employment with the Company hereunder shall be automatically extended for successive one-year periods, unless either party gives written notice to the other party at least 90 days prior to the expiration of the initial term, or any additional term, that such party elects not to extend the term of Executive’s employment under this Amended Agreement.
  4. Position and Duties.
    - (a) Employment with the Company. Executive shall continue as the Chief Executive Officer of the Company for the duration of the term of Executive’s employment with the Company hereunder, and shall have the authority, duties and responsibilities commensurate and consistent with such position and title. Executive’s employment hereunder shall be based at the Company’s corporate headquarters, currently located in Eden Prairie, Minnesota.
    - (b) Board of Directors. Executive is currently a member of the Board. While Executive is employed as an executive officer of the Company hereunder, the Board shall include Executive in the slate of Directors each year nominated by the Board for election at each annual shareholders meeting, and Executive shall continue to serve on the Board, without compensation other than that specified in this Amended Agreement.
    - (c) Performance of Duties and Responsibilities. Executive shall serve the Company faithfully and to the best of his



ability and shall devote his full working time, attention and efforts to the business of the Company during his employment with the Company. During his employment with the Company, Executive may participate in charitable activities and personal investment activities to a reasonable extent, and he may serve as a director of business and civic organizations as approved by the Board so long as such activities and directorships do not interfere in a material manner with the performance of his duties and responsibilities hereunder or conflict with the business of the Company.

- (d) No Conflicting Agreements. Executive represents and warrants to the Company that (i) he is not currently subject to any non-compete or non-solicitation agreements or similar agreements with any entity other than the Company, and (ii) he is under no other contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Amended Agreement. If Executive is subject to any non-disclosure agreement or similar agreement with any entity other than the Company, he agrees to comply fully with such other agreement in connection with his activities with the Company. Executive acknowledges that the Company is relying on the representations, warranties and agreement in this Section 4(d) in connection with its employment of Executive pursuant to this Amended Agreement.

5. Compensation.

- (a) Base Salary. As of the Amended Agreement Date, the Company shall pay Executive for services provided hereunder an annualized Base Salary of \$713,554.00  ~~; less applicable deductions and withholdings, which shall be~~ paid in cash in accordance with the Company's normal payroll practices to the extent applicable to Executive. Executive's Base Salary may be adjusted annually by the Board, in its sole discretion, provided that the Base Salary shall not be decreased, unless such decrease is part of an across-the-board uniformly applied reduction affecting all senior executives of the Company and not disproportionately more to Executive.
- (b) Annual Incentive Bonus. For each fiscal year Executive is employed by the Company hereunder, Executive shall be eligible for an annual incentive bonus for such fiscal year, based on achievement of objectives established by the Board or the Compensation Committee in its discretion, provided Executive remains employed by the Company on the last day of such fiscal year. Executive's annual incentive bonus if the Company achieves target objectives shall be 75% of Executive's annual Base Salary for such fiscal year. Executive is eligible to receive annual incentive payments of between zero percent (0%) and 150 percent (150%) of Executive's annual Base Salary in any given fiscal year (or such other percentage of Base Salary as may be established by the Compensation Committee for the annual incentive plan for officers for such fiscal year) based on under-achievement or over-achievement of target objectives. Achievement of the objectives for each fiscal year shall be determined in good faith by the Board or the Compensation Committee in its sole discretion within 60 days after the end of the fiscal year; and the annual incentive bonus will be paid in a lump sum promptly following such determination, but no later than 75 days after the end of the fiscal year.
- (c) Employee Benefits. While Executive is employed by the Company hereunder, Executive shall be eligible to participate in all employee benefit plans and programs of the Company, including without limitation, retirement plans and medical, life, and disability insurance plans, to the extent that Executive meets the eligibility requirements for each individual plan or program as generally applicable to other executive officers of the Company; provided, however, that except as herein otherwise provided, the Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto consistent with the provisions, rules and regulations generally applicable to other executive officers of the Company.
- (d) Expenses. While Executive is employed by the Company hereunder, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by him in the performance of his duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation.
6. Confidential Information. During the term of Executive's employment with the Company and at all times thereafter, Executive shall not divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company, any confidential, proprietary or secret knowledge or information of the Company that Executive has acquired or shall acquire during his employment with the Company, whether developed by himself or by others, concerning (i) any trade secrets, (ii) any confidential, proprietary or secret designs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company, (iii) any customer or supplier lists of the Company, (iv) any confidential, proprietary or secret development or research work of the Company, (v) any strategic or other business, marketing or sales plans of the Company, (vi) any financial data or plans respecting the Company, or (vii) any other confidential or proprietary information or secret aspects of the business of the Company. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company.
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During the term of Executive's employment with the Company, Executive shall refrain from any acts or omissions that would reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known in the form in which it was obtained from the Company, other than as a direct or indirect result of the breach of this Amended Agreement by Executive, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with the Company, or (iii) is required to be disclosed by law, provided Executive provides adequate prior notice to the Company to seek a protective order.

7. Ventures. If, during the term of Executive's employment with the Company, Executive is engaged in or associated with the planning or implementing of any project, program or venture involving the Company and a third party or parties, all rights in such project, program or venture shall belong to the Company. Except as approved in writing by the Board, Executive shall not be entitled to any interest in any such project, program or venture or to any commission, finder's fee or other compensation in connection therewith, other than the compensation to be paid to Executive by the Company as provided herein. Executive shall have no interest, direct or indirect, in any customer or supplier that conducts business with the Company, unless such interest has been disclosed in writing to and approved by the Board before such customer or supplier seeks to do business with the Company, provided that the Company hereby expressly acknowledges and approves Executive's continuing participation with and ownership stake in Orin Briant Inc., d/b/a The Stick Jacket Company ("Orin").
8. Restrictive Covenants. In consideration of the Company's grant of the Stock Options covering 500,000 shares of Common Stock on the commencement date of that certain previous Employment Agreement between the Company and Executive entered into on August 27, 2008 (the "2008 Agreement"), and the offer of the severance benefits and other compensation described in the 2008 Agreement and this Amended Agreement, Executive agrees to the following reasonable restrictions on Executive's competitive activities, which are intended to carry forward the restrictions originally set forth in the 2008 Agreement. Executive acknowledges that these benefits pursuant to the 2008 Agreement and this Amended Agreement, and each of them, have a value that is greater than anything to which Executive would otherwise be entitled during Executive's employment with the Company.
  - (a) Agreement Not to Compete. During the term of Executive's employment with the Company and for eighteen (18) consecutive months following the date of termination of Executive's employment, whether such termination is with or without Cause, or whether such termination is at the instance of Executive or the Company, Executive shall not, directly or indirectly, in any country in which the Company or any of its Affiliates operates or contemplates operating during the twelve (12) months prior to the last day of Executive's employment, own, manage, control, have any interest in, participate in, lend his name to, act as consultant or advisor to or render services (alone or in association with any other person, firm, corporation or other business organization) for:
    - (i) HSN, Inc., QVC, Inc., Jewelry Television Network and ~~of~~ their subsidiaries, and any of their affiliates who are primarily engaged in the home shopping business; or
    - (ii) any other person or entity engaged in the television home shopping business; or
    - (iii) any infomercial business having as a primary focus the marketing to consumers of products of a similar nature as the products being offered on the Company's television programming or websites; or
    - (iv) the directly-related e-commerce operations of another home shopping company or network, such as, for example, QVC.com or HSN.com; or
    - (v) a vendor whose primary business is to provide products or services to entities listed in clauses (i) through (iv) above.

Neither the ownership by Executive, as a passive investment, of less than 1% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market nor the participation in the management and ownership of Orin in a manner that does not materially interfere with Executive's duties and obligations hereunder shall constitute a breach of this Section 8(a).

- (b) Agreement Not to Hire. During the term of Executive's employment with the Company and for the Restrictive Period, Executive shall not, directly or indirectly, hire, engage, accept an application from, or solicit any person who is then an employee of the Company or who was an employee of the Company at the time of Executive's termination of employment, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, to cease employment with the Company. For purposes of this Section 8(b), the term "solicit" shall not include general newspaper or similar advertisements for employment opportunities with Executive or with any subsequent employer of Executive.
- (c) Agreement Not to Solicit. During the term of Executive's employment with the Company and for the Restrictive Period, Executive shall not, directly or indirectly, solicit, request, advise or induce any current or potential customer, supplier or other business contact of the Company to cancel, curtail or otherwise change its relationship

with the Company, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise.

- (d) Blue Pencil Doctrine. If the duration of, the scope of or any business activity covered by any provision of this Section 8 is in excess of what is valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is valid and enforceable. Executive hereby acknowledges that this Section 8 shall be given the construction which renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

9. Patents, Copyrights and Related Matters.

- (a) Disclosure and Assignment. Executive shall immediately disclose to the Company any and all improvements and inventions that Executive may conceive and/or reduce to practice individually or jointly or commonly with others while he is employed with the Company with respect to any methods, processes or apparatus concerned with the development, use or production of any type of products, goods or services sold or used by the Company, and any type of products, goods or services sold or used by the Company. Executive also shall immediately assign, transfer and set over to the Company his entire right, title and interest in and to any and all of such inventions as are specified in this Section 9(a), and in and to any and all applications for letters patent that may be filed on such inventions, and in and to any and all letters patent that may issue, or be issued, upon such applications. In connection therewith and for no additional compensation therefor, but at no expense to Executive, Executive shall sign any and all instruments deemed necessary by the Company for:
- (i) the filing and prosecution of any applications for letters patent of the United States or of any foreign country that the Company may desire to file upon such inventions as are specified in this Section 9(a);
  - (ii) the filing and prosecution of any divisional, continuation, continuation-in-part or reissue applications that the Company may desire to file upon such applications for letters patent; and
  - (iii) the reviving, re-examining or renewing of any of such applications for letters patent.

Employee is hereby notified that this Section 9(a) shall not apply to any invention for which no equipment, supplies, facilities, Confidential Information (defined in Section 6 above) or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates (A) directly to the business of the Company, or (B) to the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

- (b) Copyrightable Material. All right, title and interest in all copyrightable material that Executive shall conceive or originate individually or jointly or commonly with others, and that arise during the term of his employment with the Company and out of the performance of his duties and responsibilities under this Amended Agreement, shall be the property of the Company and are hereby assigned by Executive to the Company, along with ownership of any and all copyrights in the copyrightable material. Upon request and without further compensation therefor, but at no expense to Executive, Executive shall execute any and all papers and perform all other acts necessary to assist the Company to obtain and register copyrights on such materials in any and all countries. Where applicable, works of authorship created by Executive for the Company in performing his duties and responsibilities hereunder shall be considered "works made for hire," as defined in the U.S. Copyright Act.
- (c) Know-How and Trade Secrets. All know-how and trade secret information conceived or originated by Executive that arises during the term of his employment with the Company and out of the performance of his duties and responsibilities hereunder or any related material or information shall be the property of the Company, and all rights therein are hereby assigned by Executive to the Company.
- (d) Exclusion. The Company expressly acknowledges and agrees that the terms of this Section 9 shall not apply to any intellectual property rights now or hereafter owned or developed, in whole or in part, by or on behalf of Orin and related to Orin's current business and whether or not conceived or reduced to practice by the Executive, either individually or in common with others, provided that Executive is not in breach of his obligation under Section 6 of this Amended Agreement in connection therewith.

10. Remedies. Executive hereby acknowledges that the provisions of Sections 6, 7, 8, and 9 above are reasonable and necessary to protect the legitimate interests of the Company and that any violation of these Sections by Executive may cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of Sections 6, 7, 8 or 9, the Company shall be entitled to injunctive and other equitable relief, in addition to all the other remedies it may have without the necessity of proving actual monetary damages. In the event the Company is successful in enforcing Section 6, 7, 8 and/or 9 of this Agreement through the issuance of a court order, arbitration award, or a mediated court order, whichever is applicable, it also will be entitled to recover from Executive its reasonable costs, disbursements, and attorney's fees incurred through counsel of its choice. The Company will further be entitled to any accounting from

Executive and any person or entity associated with Executive as to revenues wrongfully realized because of a violation of this Amended Agreement.

11. Termination of Employment.

- (a) The Executive's employment with the Company shall terminate immediately upon:
  - i. Executive's receipt of written notice from the Company of the termination of his employment, other than notice that the Company elects not to extend the term of this Amended Agreement;
  - ii. Executive's abandonment of his employment or his resignation, other than notice to the Company that he elects not to extend the term of this Amended Agreement;
  - iii. Executive's Disability;
  - iv. Executive's death; or
  - v. the expiration of the term of Executive's employment with the Company, following written notice by either party as specified in Section 3 hereof.
- (b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

12. Payments upon Termination of Employment.

- (a) If Executive's employment with the Company is terminated:
  - (i) by the Company for any reason other than for Cause, including upon expiration of the term of this Amended Agreement following notice by the Company as specified in Section 3 hereof, or
  - (ii) by Executive as a result of his resignation for Good Reason, and such termination is not by reason of Executive's death or Disability, then (notwithstanding and in lieu of any executive severance policy of the Company now or then in existence), Executive shall receive the following severance pay and benefits, subject to the requirements of Sections 12(d) and 12(e) below:
    - (A) The Company shall pay to Executive (1) his Base Salary through the Termination Date, (2) one and one-half times annual Base Salary at the highest rate in effect at any time in the one-year period preceding the Termination Date, and (3) one and one-half times the target annual incentive bonus determined from such annual Base Salary pursuant to Section 4(b) of this Amended Agreement. Except as provided in subsection (B) of this Section 12(a), such severance pay shall be paid in accordance with the Company's customary payroll procedures.
    - (B) If, as of the Termination Date, (1) the Company's common stock is "publicly traded" as determined under Section 409A of the Code, (2) Employee is a "specified employee" as determined under Code Section 409A, and (3) any portion of the severance pay due Employee under the preceding subsection (A) would exceed the sum of the applicable limited separation pay exclusions as determined pursuant to Code Section 409A, then payment of the excess amount shall be delayed until the first regular payroll date of the Company following the six month anniversary of Executive's Termination Date (or the date of his death, if earlier than that anniversary), and shall include a lump sum equal to the aggregate amounts that Executive would have received had payment of this excess amount been made after the Termination Date as provided in the preceding subsection (A). However, if Executive continues to perform any services for the Company (as an employee or otherwise) after the Termination Date, such six-month period shall be measured from the date of Executive's "separation from service" as defined under Code Section 409A.
    - (C) Upon the termination of Executive's employment, provided that Executive elects continuation coverage pursuant to COBRA or similar state laws and also timely completes and returns to the Company the documents and payments required for that election, the Company shall continue to provide to Executive and his dependents (as applicable) for a period of twelve (12) consecutive months after the Termination Date, group health, dental and life insurance benefits to the extent that such benefits were in effect for Executive and his family as of the Termination Date, subject to Executive's timely payment of his share of the applicable premiums at the same rate (if any) he was paying before the Termination Date. Benefit continuation under this Section 12(a) shall be concurrent with any coverage under the Company's plans pursuant to COBRA or similar state laws.
    - (D) The Company shall provide to Executive all other applicable post-termination benefits under benefit plans and programs then applicable to Executive in accordance with the terms of such plans and programs.

Notwithstanding the provisions of subsection (C) above, the Company shall be entitled to cease paying its share of the cost for providing health, dental or life insurance benefits to Executive after the Termination Date if Executive becomes eligible for comparable replacement group health or life insurance coverage (as applicable) from any other employer. For purposes of mitigation and reduction of the Company's financial obligations to Executive under this Section 12(a), Executive shall promptly and fully disclose to the Company in writing the fact that he has become eligible for such comparable replacement group health, dental or

life insurance coverage from any other employer, and Executive shall be liable to repay any amounts to the Company that should have been so mitigated or reduced but for Executive's failure or unwillingness to make such disclosure.

- (b) If Executive's employment with the Company is terminated by reason of:
  - (i) Executive's abandonment of his employment or Executive's resignation for any reason other than Good Reason,
  - (ii) termination of Executive's employment by the Company for Cause,
  - (iii) termination of Executive's employment by the Company by reason of Executive's death or Disability, or
  - (iv) the expiration of the term of Executive's employment with the Company following the delivery of written notice by Executive as specified in Section 3 hereof,

then the Company shall pay to Executive or his beneficiary or his estate, as the case may be, his Base Salary through the Termination Date, and the Company shall provide to Executive all applicable post-termination benefits under benefit plans and programs then applicable to Executive in accordance with the terms of such plans and programs.

- (c) In the event of termination of Executive's employment, the sole obligations of the Company shall be its obligation to make the payments called for by Section 12(a) or 12(b) hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided, by law, under the terms of this Amended Agreement or any other applicable agreement between Executive and the Company, under the terms of any employee benefit plans or programs then maintained by the Company in which Executive participates, or to provide continued indemnification or advancement of expenses under the Company's articles or by-laws, applicable law, or any indemnification agreement with Executive.
- (d) Notwithstanding the foregoing provisions of this Section 12, the Company shall not be obligated to make any severance payments to Executive under Section 12(a) unless Executive shall have signed a release of claims in favor of the Company substantially in the form attached as Exhibit A (with such modifications or additional specifics as may be warranted by changes in applicable law), all applicable consideration periods, revocation periods, and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Amended Agreement as of the dates of the payments.
- (e) The Company will only offer Executive the severance payments under Section 12(a) of this Amended Agreement if Executive agrees to the reasonable restrictions on Executive's competitive activities that are more fully set forth in Section 8 of this Amended Agreement. Accordingly, and notwithstanding the foregoing provisions of this Section 12, if Executive is in material breach of any covenant in Sections 6, 7, 8, or 9 of this Amended Agreement, then, in addition to other available remedies provided in this Amended Agreement or under applicable law, Executive shall cease to be eligible for the severance payments under Section 12(a) of this Amended Agreement and, upon the Company's written request, must promptly repay to the Company any severance payments previously received under Section 12(a) of this Amended Agreement; provided further, that any amount to be repaid shall be on a gross basis in the amount actually paid to Executive by the Company, without reduction for any taxes withheld.
- (f) Upon termination of Executive's employment for any reason, Executive's obligations in Sections 6, 7, 8, and 9 of this Amended Agreement survive and remain in full force and effect.

### 13. Termination Of Employment Following An Event; Acceleration of Awards .

- (a) If Executive's Termination Date occurs during the Transition Period, and if such termination is involuntary at the initiative of the Company without Cause (including upon expiration of the term of this Amended Agreement following notice by the Company as specified in Section 2 hereof) or at the initiative of Executive for Good Reason, then in addition to such Base Salary, paid in accordance with the Company's regular payroll practices and applicable plans and programs, the Company shall provide to Executive the following, subject to satisfaction of the conditions set forth in Section 13(c):
  - (i) The Company shall pay to Executive (1) an amount equal to twenty-four (24) months ("Severance Period") of the greater of Executive's monthly rate of Base Salary (a) in effect immediately preceding the Event or (b) in effect as of the Termination Date and (2) two (2) times the target annual incentive bonus determined from such Base Salary pursuant to Section 4(b) of this Amended Agreement.
    - A. In the event any payment becomes payable to Executive pursuant to Section 13(a)(i), then any such payment shall be reduced by any severance payment that Executive is eligible to receive from the Company, its Subsidiaries or its successors under Section 12 of this Amended Agreement, or any policy or plan of the Company or agreement between the Company and Executive, other than this Amended Agreement, in connection with the Event or the termination of Executive's employment with the Company. Such offset could result in no payment under Section 13 (a)(i).
    - B. Any payment to which Executive is entitled under this Section 13 shall be paid to Executive in a lump sum on the first business day following the expiration of all rescission periods provided by law applicable to the release specified in Section 13(c), provided that Executive has satisfied all of the conditions set

forth in Section 13(c). Notwithstanding the foregoing, if, as of the Termination Date, (1) the Company's common stock is "publicly traded" as determined under Section 409A of the Code, (2) Employee is a "specified employee" as determined under Code Section 409A, and (3) any portion of the severance pay due Employee under the preceding subsection (A) would exceed the sum of the applicable limited separation pay exclusions as determined pursuant to Code Section 409A, then payment of the excess amount shall be delayed until the first regular payroll date of the Company following the six month anniversary of Executive's Termination Date (or the date of his death, if earlier than that anniversary), and shall include a lump sum equal to the aggregate amounts that Executive would have received had payment of this excess amount been made after the Termination Date as provided in the preceding subsection (A). However, if Executive continues to perform any services for the Company (as an employee or otherwise) after the Termination Date, such six-month period shall be measured from the date of Executive's "separation from service" as defined under Code Section 409A.

- (ii) The Company will provide continued coverage through the end of the month in which the termination occurs for any medical coverage to the extent Executive was enrolled for such coverage on Executive's termination of employment and continued coverage for the length of the Severance Period under COBRA, to the extent permissible under the terms of the applicable plan. The Company will continue to subsidize the coverage and Executive will pay the same rates as current Company employees for such coverage. The full rate for continuation coverage will be charged to Executive the first month following the end of the Severance Period, if continued coverage remains available at that time.
- (b) If Executive's Termination Date occurs during the Transition Period or otherwise following an Event, and such termination is:
- (i) by reason of Executive's abandonment of or resignation from employment for any reason (other than during the Transition Period for Good Reason);
  - (ii) by reason of termination of Executive's employment by the Company for Cause;
  - (iii) because of Executive's death or Disability; or
  - (iv) upon or following expiration of the term of this Amended Agreement following the delivery of written notice by Executive as specified in Section 2 hereof,

then the Company's obligation to pay compensation and benefits to Executive, or Executive's beneficiary or Executive's estate, as the case may be, will be governed by Section 10(b).

- (c) Notwithstanding anything above to the contrary, the Company will not be obligated to provide Executive with any of the consideration under Section 13(a) hereof, including all subparts, unless:
- (i) Executive has signed a release of claims in favor of the Company and its Subsidiaries, affiliates and related entities, and their directors, officers, insurers, employees and agents, in the form set forth in Exhibit A to this Amended Agreement;
  - (ii) all applicable rescission periods provided by law for releases of claims shall have expired and Executive has not rescinded the release of claims; and
  - (iii) Executive is in substantial compliance with the material terms of this Amended Agreement as of the dates of such payments; and
  - (iv) Executive agrees to the reasonable restrictions on Executive's competitive activities that are more fully set forth in Sections 6, 7, 8, and 9 of this Amended Agreement. Accordingly, and notwithstanding the foregoing provisions of this Section 13, if Executive is in material breach of any covenant in Sections 6, 7, 8 and 9 of this Amended Agreement, then, in addition to other available remedies provided in this Amended Agreement or under applicable law, Executive shall cease to be eligible for the severance payments under Section 13(a)(i) of this Amended Agreement and, upon the Company's written request, must promptly repay to the Company any severance payments previously received under Section 13(a)(i) of this Amended Agreement; provided further, that any amount to be repaid shall be on a gross basis in the amount actually paid to Executive by the Company, without reduction for any taxes withheld.
- (d) Notwithstanding any provision to the contrary set forth in any Plan documents, or in any other agreement governing the award of Incentives thereunder, upon the occurrence of an Event: (x) the restrictions on any and all shares of restricted stock awards shall lapse immediately, (y) any and all outstanding unvested stock options, stock appreciation rights and other equity based awards granted to Executive under any Plan that are subject to vesting requirements shall immediately become exercisable in full; and (z) any and all performance units and other performance-based Incentives shall be deemed earned at 100% of the target level thereof. If at the time of the Event, a Plan document or other agreement governing the award of any Incentive thereunder granted from and after the Amended Agreement Date prohibits the foregoing, then Executive shall not be entitled to any of the benefits described in this Section 13(d) with respect to such Incentive.
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14. Limitation on Parachute Payments.

- (a) Notwithstanding any provision to the contrary set forth in the Amended Agreement, or any other plan, arrangement or agreement to the contrary (including without limitation Section 12(e) of the Plan), if any of the payments or benefits provided or to be provided by the Company or its affiliates to Executive or for Executive's benefit pursuant to the terms of the Amended Agreement or otherwise ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Code and would, but for this Section 14 be subject to the excise tax imposed under Section 4999 of the code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then the Covered Payments shall be payable either (i) in full or (ii) reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax, whichever of the foregoing (i) or (ii) results in the Executive's receipt on an after-tax basis of the greatest amount of benefits after taking into account the applicable federal, state, local and foreign income, employment and excise taxes (including the Excise Tax).
- (b) The Covered Payments shall be reduced in a manner that maximizes Executive's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction by payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.
- (c) Any determination required under this Section 14(c) shall be made in writing in good faith by an accounting firm selected by the Company, which is reasonably acceptable to Executive and whose consent shall not be unreasonably withheld (the "Accountants"), which shall provide detailed supporting calculations to the Company and the Executive as required by the Company or the Executive. The Company and the Executive shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under this Section 14(c). The Company shall be responsible for all fees and expenses of the Accountants.
- (d) It is possible that after the determinations and selections made pursuant to this Section 14 the Executive will receive Covered Payments that are in the aggregate more than the amount provided under this Section 14 ("Overpayment") or less than the amount provided under this Section 14 ("Underpayment").
  - (i) In the event that: (A) the Accountants determine, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or Executive which the Accountants believe has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then Executive shall pay any such Overpayment to the Company.
  - (ii) In the event that: (A) the Accountants, based upon controlling precedent or substantial authority, determine that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment will be paid promptly by the Company to or for the benefit of the Executive.

15. Other Post-Termination Obligations.

- (a) Resignation From Positions. Immediately upon termination of Executive's employment with the Company for any reason, Executive will resign all positions then held as a director or officer of the Company and of any Subsidiary, parent or affiliated entity of the Company.
  - (b) Return of Records and Property. Immediately upon termination of Executive's employment with the Company, or upon earlier request, Executive shall promptly deliver to the Company any and all Company records and any and all Company property in his possession or under his control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company.
  - (c) Cooperation. Following termination of Executive's employment with the Company for any reason, Executive will, upon reasonable request of the Company or its designee, and without expectation of additional compensation, cooperate with the Company in connection with the transition of Executive's duties and responsibilities for the Company; consult with the Company regarding business matters that Executive was directly and substantially involved with while employed by the Company; and be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that Executive then has or may have knowledge of by virtue of Executive's employment by or service to the Company or any Subsidiary, parent or affiliated entity of the Company.
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- (d) Non-Disparagement. Executive will not malign, defame or disparage the reputation, character, image, products or services of the Company, or the reputation or character of the Company's directors, officers, employees or agents, provided that nothing in this Section 15(d) shall be construed to limit or restrict Executive from taking any action that Executive in good faith reasonably believes is necessary to fulfill Executive's fiduciary obligations to the Company, or from providing truthful information in connection with any legal proceeding, government investigation or other legal matter.
16. Section 409A. This Amended Agreement is intended to satisfy, or be exempt from, the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions issued by the Department of Treasury or Internal Revenue Service and should be interpreted accordingly. To the extent that any provision of this Amended Agreement fails to satisfy those requirements, the provision shall automatically be modified in a manner that, in the good-faith opinion of the Company, brings the provisions into compliance with those requirements while preserving as closely as possible the original intent of the provision and this Amended Agreement. The Company and Executive agree to execute a revised Amended Agreement if and to the extent necessary to satisfy the form requirements of Section 409A of the Code.
17. Miscellaneous.
- (a) Defined Terms. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in this Amended Agreement. For the sake of clarity, references to "Section(s)" herein shall refer to the corresponding Sections of this Amended Agreement.
- (b) Tax Matters. Executive acknowledges that the Company shall deduct from any compensation payable to Executive or payable on his behalf under this Amended Agreement all applicable federal, state, and local income and employment taxes and other taxes and withholdings required by law.
- (c) Public Announcement. The Company shall give Executive a reasonable opportunity to review and comment on any public announcement relating to this Amended Agreement.
- (d) Company Approvals. The Company represents and warrants to Executive that it (and to the extent required, the Board, and the Committee) has taken all corporate action necessary to authorize this Amended Agreement.
- (e) No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action to mitigate the amounts payable to Executive under any of the provisions of this Amended Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned as a result of Executive's employment by another employer, except that any continued welfare benefits may be reduced as provided for by the last paragraph of Sections 12(a).
- (f) Liability Insurance and Indemnification. The Company shall maintain directors' and officers' liability insurance for Executive while employed and thereafter at a level equivalent to the level provided for current officers or directors of the Company. The Company shall indemnify Executive for any job-related liability to the fullest extent permitted by applicable law, Company by-laws, and any other applicable indemnification agreements.
- (g) Enforcement. If the Company fails to pay any amount provided under this Amended Agreement when due, the Company shall pay interest on such amount at a rate equal to the rate of interest charged from time to time by the Company's principal revolving credit lender, or if there is no principal revolving credit lender, the prime commercial lending rate announced by Wells Fargo Bank (or its successor) as in effect from time to time; but in no event more than the highest legally permissible interest rate permitted for this Amended Agreement by applicable law. In the event of any proceeding, arbitration or litigation for breach of this Amended Agreement, the prevailing party shall be entitled to recover his or its reasonable costs and attorney's fees.
- (h) Beneficiary. If Executive dies before receiving all of the amounts payable to him in accordance with the terms and conditions of this Amended Agreement, such amounts shall be paid to the beneficiary ("Beneficiary") designated by Executive in writing to the Company during his lifetime, or if no such Beneficiary is designated, to Executive's estate. Executive may change his designation of Beneficiary or Beneficiaries at any time or from time to time without the consent of any prior Beneficiary, by submitting to the Company in writing a new designation of Beneficiary.
- (i) Governing Law. All matters relating to the interpretation, construction, application, validity and enforcement of this Amended Agreement shall be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.
- (j) Jurisdiction; Venue. Because (i) the Company is a Minnesota corporation based in Hennepin County, Minnesota, (ii) its significant contracts are governed by Minnesota law, and (iii) it is mutually agreed that it is in the best interests of Company customers, vendors, suppliers and employees that a uniform body of law consistently interpreted be applied to the relationships that the Company has with other such persons and entities, this Amended Agreement is deemed entered into in the State of Minnesota between the Company and Executive. The Hennepin County District Court or the United States District Court for the District of Minnesota will have exclusive jurisdiction and venue over any disputes between the Company and Executive in any action arising
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out of or related to either your or the Company's obligations in this Amended Agreement. Executive and the Company consent to jurisdiction of those courts and hereby waive any defense of lack of personal jurisdiction or forum non conveniens.

- (k) Entire Agreement. Except as otherwise provided herein, the Amended Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes all prior agreements and understandings with respect to such subject matter, including the 2008 Agreement, 2010 Agreement and the Key Employee Agreement, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Amended Agreement that are not set forth herein.
- (l) Amendments. No amendment or modification of this Amended Agreement shall be deemed effective unless made in writing and signed by the parties hereto.
- (m) No Waiver. No term or condition of this Amended Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.
- (n) Assignment. This Amended Agreement shall not be assignable, in whole or in part, by either party without the written consent of the other party, except that the Company may, without the written consent of Executive, assign its rights and obligations under this Amended Agreement to any corporation or other business entity (i) with which the Company may merge or consolidate, or (ii) to which the Company may sell or transfer all or substantially all of its assets or capital stock. No such assignment without the written consent of Executive shall discharge the Company from liability hereunder, and such assignee jointly and severally with the Company shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Amended Agreement, including this Section ~~17~~.
- (o) Separate Representation. Executive hereby acknowledges that he has sought and received independent advice from counsel of Executive's own selection in connection with this Amended Agreement and has not relied to any extent on any director, officer, or stockholder of, or counsel to, the Company in deciding to enter into this Amended Agreement. The Company shall promptly reimburse Executive for reasonable attorneys' fees and costs incurred by Executive in obtaining legal advice in connection with the negotiation and execution of this Amended Agreement, upon receipt by the Company of appropriate documentation of such fees and costs.
- (p) Notices. Any notice hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, sent by reliable next-day courier, or sent by registered or certified mail, return receipt requested, postage prepaid, to the party to receive such notice addressed as follows:

If to the Company:

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

and to:

ValueVision Media, Inc.  
6740 Shady Oak Road  
Eden Prairie, MN 55344-3433  
Attention: Board of Directors

If to Executive:

Keith R. Stewart  
20305 Lakeview Avenue  
Deephaven, MN 55331

or addressed to such other address as may have been furnished to the sender by notice hereunder. All notices shall be deemed given on the date on which delivered if delivered by hand or on the date sent if sent by overnight courier or certified mail, except that notice of change of address will be effective only upon receipt by the other party.

- (q) Counterparts. This Amended Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.
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- (r) Severability. Subject to Section 8(d) hereof, to the extent that any portion of any provision of this Amended Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Amended Agreement shall be unaffected and shall continue in full force and effect.
- (s) Captions and Headings. The captions and paragraph headings used in this Amended Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Amended Agreement or any of the provisions hereof.

*[Signature page immediately following]*

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IN WITNESS WHEREOF, Executive and the Company have executed this Amended Agreement as of the Amended Agreement Date.

VALUEVISION MEDIA, INC.

By

/s/ Teresa Dery

Its SVP & General Counsel

/s/ Keith R. Stewart

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## EXHIBIT A

### FORM OF RELEASE

#### GENERAL RELEASE

This General Release (“Agreement”) is made and entered into by and between ValueVision Media, Inc. (the “Company”) and Keith R. Stewart (the “Executive”).

#### BACKGROUND

- A. The Company and Executive are parties to an Employment Agreement that, among its terms, provides that the Company will pay Executive certain individually tailored severance benefits (the “Severance”) upon the termination of Executive’s employment under certain circumstances (the “Employment Agreement”).
- B. Under the Employment Agreement, the Company is not obligated to pay the Severance unless Executive has signed a release of claims in favor of the Company. The parties intend this Agreement to be that release of claims.

NOW, THEREFORE, based on the foregoing and the terms and conditions below, the Company and Executive, desiring to amicably resolve any and all existing and potential disputes between them as of the date each executes this Agreement, and in consideration of the obligations and undertakings set forth below and intending to be legally bound, agree as follows.

1. **Company’s Obligations.** In return for “Executive’s Obligations” (as defined in Section 2 below), and provided that Executive signs this Agreement and does not exercise Executive’s rights to revoke or rescind Executive’s waivers of certain discrimination claims (as described in Section 5 below), the Company will pay to Executive the Severance.
  2. **Executive’s Obligations.** In return for the Company’s Obligations in section 1 above, Executive knowingly and voluntarily agrees to the following:
    - (a) Executive hereby fully, finally and forever releases, waives, and discharges, to the maximum extent that the law permits, any and all legal and equitable claims against the Company that Executive has through the date on which Executive signs this Agreement. This full and final release, waiver, and discharge extends to all and each of every legal and equitable claim(s) of any kind or nature whatsoever including, without limitation, the following:
      - (i) All claims that Executive has now, whether Executive now knows about or suspects such claims;
      - (ii) All claims for attorney’s fees;
      - (iii) All rights and claims of age discrimination and retaliation under the Age Discrimination in Employment Act (“ADEA”) as amended by the Older Workers Benefit Protection Act of 1990 (“OWBPA”); and discrimination and retaliation claims of any kind or nature whatsoever under federal, state, or local law, including, for example, claims of discrimination and retaliation under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act (“ADA”), and the Minnesota Human Rights Act (“MHRA”);
      - (iv) All claims arising out of Executive’s employment and Executive’s separation from employment with the Company including, for example, any alleged breach of contract, breach of implied contract, wrongful or illegal termination, defamation, invasion of privacy, fraud, promissory estoppel, and infliction of emotional distress;
      - (v) All claims for any other compensation, including vacation pay, other paid time off, severance pay, other severance benefits, incentive opportunity pay, other grants of incentive compensation, grants of stock, and stock options;
      - (vi) All claims under the Employee Retirement Security Act of 1974, as amended (“ERISA”); and
      - (vii) All claims for any other alleged unlawful employment practices arising out of or relating to Executive’s employment or separation from employment with the Company .
    - (b) Executive will not commence any civil actions against the Company except as necessary to enforce its obligations under this Agreement. The Severance that Executive is receiving in this Agreement has a value that is greater than anything to which Executive is entitled. Other than what Executive is receiving in this Agreement, the Company owes Executive nothing else in return for Executive’s Obligations.
  3. **Certain Definitions.** For purposes of Section 2, “Executive” means Keith R. Stewart and any person or entity that has or obtains any legal rights or claims through Keith R. Stewart. Further, the “Company” means ValueVision Media, Inc.; and any parent, subsidiary, and affiliated organization or entity in the present or past related to ValueVision Media, Inc.; and past and present officers, directors, members, governors, attorneys, employees, agents, insurers, successors, and assigns of, and any person who acted on behalf of or instruction of ValueVision Media, Inc.
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4. **Other Provisions**.

- (a) The Company has paid Executive in full for all reimbursable business expenses, earned annualized salary, bonus pay, and any other earnings through the last day of Executive's employment.
- (b) This Agreement does not prohibit Executive from filing an administrative charge of discrimination with, or cooperating or participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission or other federal or state regulatory or law enforcement agency.
- (c) Nothing in this Agreement affects Executive's rights in any benefit plan or program in which Executive was a participant while employed by the Company. The terms of such plans and programs control Executive's rights.
- (d) The Company will indemnify Executive as permitted by and pursuant to any agreement or policy that the Company has adopted relating to indemnification of directors, officers, and employees; and as permitted by and pursuant to any provision of the Company's articles or by-laws relating to such indemnification.
- (e) Executive will continue to be covered as permitted by and pursuant to any policy of directors and/or officers liability insurance policy on the terms and conditions of the applicable policy documents.

5. **Executive's Rights to Counsel, Consider, Revoke and Rescind**.

- (a) The Company hereby advises Executive to consult with an attorney prior to signing this Agreement.
- (b) Executive further understands that Executive has 21 days to consider Executive's release of rights and claims of age discrimination under the ADEA and OWBPA, beginning the date on which Executive receives this Agreement. If Executive signs this Agreement, Executive understands that Executive is entitled to revoke Executive's release of any rights or claims under the ADEA and OWBPA within seven days after Executive has executed it, and Executive's release of any rights or claims under the ADEA and OWBPA will not become effective or enforceable until the seven-day period has expired.
- (c) Executive understands that Executive may rescind Executive's waiver of discrimination claims under the MHRA within 15 calendar days after the date on which Executive signs this Agreement. To rescind this waiver, Executive must put the rescission in writing and deliver it to the Company by hand or mail within the 15-day period. If Executive delivers the rescission by mail it must be: (i) Postmarked within 15 calendar days after the date on which Executive signs this Agreement; (ii) addressed to the Company, c/o Teresa Dery, 6740 Shady Oak Road, Eden Prairie, MN Minneapolis, MN 55344-3433; and (iii) sent by certified mail return receipt requested.

If Executive revokes or rescinds Executive's waivers of discrimination claims as provided above, this Agreement will be null and void.

6. **Non-Admission**. The Company and Executive enter into this Agreement expressly disavowing fault, liability and wrongdoing, liability at all times having been denied. Neither this Agreement, nor anything contained in it, will be construed as an admission by either of them of any liability, wrongdoing or unlawful conduct whatsoever. If this Agreement is not executed, no term of this Agreement will be deemed an admission by either party of any right that he/it may have with or against the other.

7. **No Oral Modification or Waiver**. This Agreement may not be changed orally. No breach of any provision hereof can be waived by either party unless in writing. Waiver of any one breach by a party will not be deemed to be a waiver of any other breach of the same or any other provision hereof.

8. **Governing Law**. This Agreement will be governed by the substantive laws of the State of Minnesota without regard to conflicts of law principles.

9. **Forum Selection-Jurisdiction and Venue**. Any disputes arising out of or related to this Agreement or any breach or alleged breach hereof shall be exclusively decided by the Hennepin County District Court in Minnesota. Executive hereby irrevocably consents to the personal jurisdiction of this court in connection with any dispute related to this Agreement, and he expressly waives any defense of inconvenient forum. He further waives any bond, surety, or other security that might be required of the Company with respect to any such dispute.

10. **Counterparts**. This Agreement may be executed in any number of counterparts, and each such counterpart will be deemed to be an original instrument, and all such counterparts together will constitute but one agreement.

11. **Blue Pencil Doctrine**. In the event that any provision of this Agreement is unenforceable under applicable law, the validity or enforceability of the remaining provisions will not be affected. To the extent any provision of this Agreement is judicially determined to be unenforceable, a court of competent jurisdiction may reform any such provision to make it enforceable. The provisions of this Agreement will, where possible, be interpreted so as to sustain its legality and enforceability.

12. **Agreement Freely Entered Into**. Executive and the Company have voluntarily and free from coercion entered into this Agreement. Each has read this Agreement carefully and understands all of its terms, and has had the opportunity to discuss this Agreement with his/its own attorney prior to its execution. In agreeing to sign this Agreement, neither party has relied on any statements or explanations made by the other party, their respective agents or attorneys except as set forth in this Agreement. Both parties agree to abide by this Agreement.

Dated: April 1, 2014

/s/ Keith R. Stewart

Dated: April 1, 2014

ValueVision Media, Inc.

/s/

Its

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## EXHIBIT B

### Definitions from the 2011 Omnibus Incentive Plan

(j) “ **Event** ” means any of the following:

(1) The acquisition by any individual, entity or group (within the meaning of Exchange Act Sections 13(d)(3) or 14(d)(2)) of beneficial ownership (within the meaning of Exchange Act Rule 13d-3) of 30% or more of either (i) the then-outstanding shares of common stock of the Company (the “ **Outstanding Company Common Stock** ”) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of the Board (the “ **Outstanding Company Voting Securities** ”); provided, however, that the following acquisitions shall not constitute an Event:

(A) any acquisition of common stock or voting securities of the Company directly from the Company,

(B) any acquisition of common stock or voting securities of the Company by the Company or any of its wholly owned Subsidiaries,

(C) any acquisition of common stock or voting securities of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries, or

(D) any acquisition by any corporation with respect to which, immediately following such acquisition, more than 70% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such acquisition in substantially the same proportions as was their ownership, immediately before such acquisition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be;

(2) Individuals who, as of the Effective Date, constitute the Board (the “ **Incumbent Board** ”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director of the Board after the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest

(3) Approval by the shareholders of the Company of a reorganization, merger, consolidation or statutory exchange of Outstanding Company Voting Securities, unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as was their ownership, immediately before such reorganization, merger, consolidation or exchange, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(4) Approval by the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately before such sale or other disposition in substantially the same proportion as was their ownership, immediately before such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

Notwithstanding the above, an Event shall not be deemed to occur with respect to a recipient of an Award if the acquisition of the 30% or greater interest referred to in paragraph (1) is by a group, acting in concert, that includes that recipient of an Award or if at least 30% of the then-outstanding common stock or combined voting power of the then-outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the

assets of the Company shall be beneficially owned, directly or indirectly, immediately after a reorganization, merger, consolidation, statutory share exchange or disposition of assets referred to in paragraphs (3) or (4) by a group, acting in concert, that includes that recipient of an Award.

(n) “**Fundamental Change**” shall mean a dissolution or liquidation of the Company, a sale of substantially all of the assets of the Company, a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the surviving corporation, or a statutory share exchange involving capital stock of the Company.

**ValueVision Media, Inc.**  
**Executives' Severance Benefit Plan**

**Section 1.** **History, Plan Name and Effective Date.** Effective March 28, 2014, the Board of Directors of ValueVision Media, Inc. established the ValueVision Media, Inc. Executives' Severance Benefit Plan. The following provisions constitute the Plan, effective as of March 28, 2014.

**Section 2.** **Purpose.** The Company recognizes that the possibility of an unforeseen change of control is unsettling to its Executives. Therefore, this Plan is established to provide inducement to the Executives, as determined to be eligible to participate in the Plan under herein. Such inducement is necessary for the Company to continue to: (i) attract, recruit, and retain such Executives and assure their continuing dedication to their duties notwithstanding the threat or occurrence of a Change in Control (as defined in Section 3(d) below) or as a result of a Termination for reasons other than Cause (as defined below in Section 3(c) below); and (ii) enable the Executives, should the Company receive unsolicited proposals from third parties with respect to its future, to assess and advise the Board what action on those proposals would be in the best interests of the Company, its shareholders and customers, and to take such action regarding those proposals as the Board might determine appropriate, without being influenced by the uncertainties of their own financial situation; and (iii) demonstrate to the Executives of the Company that the Company is concerned with the welfare of the Executives and intends to assure that loyal Executives are treated fairly; and (iv) ensure that the Executives are provided with compensation and benefits upon a Change in Control which are appropriate and understood by both the Executive and the Company.

The Plan is intended to comply with section 409A of the Code, and official guidance issued thereunder. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated, and administered in a manner consistent with these intentions.

**Section 3.** **Definitions.** Capitalized terms not otherwise defined in this Section 3 shall have the meanings ascribed to them in this Plan. Without limiting the foregoing, in this Plan, the following definitions will apply.

(a) "Affiliate" means any corporation that is a Subsidiary or Parent of the Company.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means what the term is expressly defined to mean in a then-effective written agreement between an Executive and the Company or any Affiliate or, in the absence of any such then-effective agreement or definition, means (i) a material act of fraud which results in or is intended to result in an Executive's personal enrichment at the expense of Company, including without limitation, theft or embezzlement from Company; (ii) public conduct by an Executive that is materially detrimental to the reputation of Company; (iii) material violation by an Executive of any written Company policy, regulation or practice; (iv) the willful or grossly negligent failure to adequately perform the duties of an Executive's position to the material detriment of the Company; (v) commission of conduct constituting a felony; (vi) a material breach by an Executive of any of the terms and conditions of an agreement with the Company or any Affiliate; or (vii) the Executive continues to materially fail to perform the duties associated with Executive's employment.

(d) "Change in Control" means one of the following:

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(1) The acquisition by any individual, entity or Group of beneficial ownership (within the meaning of Exchange Act Rule 13d-3) of 30% or more of either (i) the then outstanding shares of Company Stock, or (ii) the combined voting power of the then outstanding Company Voting Securities. Notwithstanding the foregoing sentence, the following acquisitions will not constitute a Change in Control:

(A) any acquisition of Stock or Company Voting Securities directly from the Company;

(B) any acquisition of Stock or Company Voting Securities by the Company or any of its wholly-owned Subsidiaries;

(C) any acquisition of Stock or Company Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or

(D) any acquisition of beneficial ownership by any entity with respect to which, immediately following such acquisition, more than 70% of, respectively, the then outstanding shares of common stock and the combined voting power of the outstanding Voting Securities of such entity (or its Parent) is beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who beneficially owned, respectively, the outstanding Stock and outstanding Company Voting Securities immediately before such acquisition in substantially the same proportions as their ownership of the outstanding Stock and outstanding Company Voting Securities, as the case may be, immediately before such acquisition.

(2) Individuals who are Continuing Directors cease for any reason to constitute a majority of the members of the Board.

(3) The consummation of a Corporate Transaction unless, immediately following such Corporate Transaction, all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Stock and outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 70% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding Voting Securities, as the case may be, of the of the surviving or acquiring entity (or its Parent) resulting from such Corporate Transaction in substantially the same proportions as their ownership, immediately before such Corporate Transaction, of the outstanding Stock and outstanding Company Voting Securities, as the case may be.

Notwithstanding the foregoing:

(i) a Change in Control shall not be deemed to occur with respect to an Executive if the acquisition of the 30% or greater interest referred to in Section 3(d)(1) is by a Group that includes the Participant, or if at least 30% of the then outstanding common stock or combined voting power of the then outstanding Voting Securities of the surviving or acquiring entity referred to in Section 3(d)(3) shall be beneficially owned, directly or indirectly, immediately after the Corporate Transaction by a Group that includes the Executive; and

(ii) to the extent that any Award constitutes a deferral of compensation subject to Code Section 409A, and if that Award provides for a change in the time or form of payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in Section 3(d) unless the event would also constitute a change in ownership or effective control of, or

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a change in the ownership of a substantial portion of the assets of, the Company under Code Section 409A.

(e) “Code” means the Internal Revenue Code of 1986, as amended and in effect from time to time, and the regulations promulgated thereunder.

(f) “Committee” means the Human Resources and Compensation Committee of the Company’s Board.

(g) “Company” means ValueVision Media, Inc., a Minnesota corporation, or any successor thereto.

(h) “Continuing Director” means an individual (1) who is, as of the effective date of the Plan, a director of the Company, or (2) who is elected as a director of the Company subsequent to the effective date of the Plan and whose initial election, or nomination for initial election by the Company’s shareholders, was approved by at least a majority of the then Continuing Directors, but excluding, for purposes of this clause (2), any such individual whose initial assumption of office occurs as a result of an actual proxy contest.

(i) “Corporate Transaction” means a reorganization, merger or consolidation of the Company, a statutory exchange of outstanding Company Voting Securities, or a sale or disposition (in one or a series of transactions) of all or substantially all of the assets of the Company.

(a) “Executive” means those individuals eligible to participate in the Plan, who are expressly limited to the those persons in Section 3(j)(1), Section 3(j)(2) or Section 4(b). At all times, the Chief Executive Officer of the Company (the “CEO”), who has a separate and independent agreement with the Company, shall not be considered an Executive for purposes of this Plan:

(1) Current officers of the Company; and

(2) Any additional employees designated by name to participate in the Plan by the Compensation Committee of the Board (“Committee”), or recommended by the CEO and approved by the Committee (“Designated Employees”).

A current list of the members of Officers, and a list of the individuals described in this Section 3(j), shall be maintained by the Benefits Administrator, and kept on file with the Corporate Secretary.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as amended and in effect from time to time.

(l) “Good Reason” means, without the Executive’s written consent:

(1) an adverse and material change in the Executive’s status, positions or responsibilities as compared to the Executive’s status, position or responsibilities as in effect prior to such change. Notwithstanding the foregoing, neither an increase in the scope or number of an Executive’s responsibilities, nor a change in the Executive’s reporting relationships (e.g. a change with respect to the person or position to whom the Executive reports or the individual(s) or position(s) who report to the Executive) shall be considered an adverse and material change in the Executive’s status or position;

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(2) a material reduction in the amount of either the Executive's annual base salary or target annual incentive program ("Annual Bonus") opportunity as in effect on the date she or he became a participant in the Plan, or as the same may be increased from time to time during the term of the Executive's participation in this Plan. Notwithstanding the foregoing, an across-the-board compensation or benefit plan or Annual Bonus reduction applicable on a similar basis to all other Executives of the Company shall not be considered a material reduction in the Executive's annual base salary or Annual Bonus;

(3) the failure to provide or continue in effect materially similar compensation and benefits, in accordance with the plans, practices, policies and programs of the Company and its Affiliates in effect for the Executive at any time during the 120-day period immediately preceding the Change in Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates; provided, however, that broad-based changes to the benefit plans of the Company and its Affiliates, affecting a significant portion of the employees of the Company and its Affiliates, shall not be deemed "Good Reason" under this Section 3(1)(3);

(4) the failure of any successor or assign of the Company to assume and expressly agree to perform the obligations under this Plan;

(5) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination and a resolution satisfying the requirements of Section 6(e) below; and for purposes of this Plan, no such purported termination shall be effective; or

(6) any request by the Company that the Executive participate in an unlawful act.

(m) "Group" means two or more persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an entity.

(n) "Notice of Termination" means a written notice which (1) indicates the specific termination provision relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (3) if the date of termination is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder, or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(o) "Parent" means a "parent corporation," as defined in Code Section 424(e).

(p) "Plan" means this ValueVision Media, Inc. Executive Severance Benefit Plan, as effective March 28, 2014 and in effect from time to time.

(q) "Share" means a share of Stock.

(r) "Stock" means the common stock of the Company.

(s) "Subsidiary" means a "subsidiary corporation," as defined in Code Section 424(f), of the Company.

(t) "Voting Securities" of an entity means the outstanding securities entitled to vote generally in the election of directors (or comparable equity interests) of such entity.

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**Section 4 . Termination of Participation .** Except as provided in Section 4(b) below, upon termination of participation in the Plan, the Executive shall thereafter lose entitlement to any benefits under the Plan and all rights hereunder shall be forfeited.

(a) ***Termination of Participation .*** Subject to Section 4(b) below, the following events, if occurring before a Change in Control, will result in the termination of an Executive's participation in the Plan: (i) the date the Executive separates from service with the Company and its Affiliates, (ii) the date the Executive ceases to be an Officer without being added as a "Designated Employee" under Section 3(j)(2) above, or (iii) the date that an Executive, whose participation in the Plan was approved by the Committee, has his or her participation terminated by the Committee.

(b) ***Deemed Participation.*** Notwithstanding the foregoing, an Executive whose participation in the Plan was terminated shall nevertheless be deemed to have been a participant in the Plan on the date of a Change in Control and shall be eligible to receive benefits as provided under this Plan if both of the following requirements are met:

(1) The Executive's termination of participation results from: (A) involuntarily termination from service with the Company, other than for Cause; (B) removal as an Officer; or (C) removal by the Committee; and

(2) The Executive's termination of participation occurs within the 6-month period immediately preceding the occurrence of a Change in Control.

**Section 5. Cash Severance Benefits.**

(a) ***Payments Upon a Change in Control.*** In the event Executive's employment terminates as a result of a Change in Control, the amount of the cash severance benefit paid under this Plan shall be in the case of all Executives, with the exception of the CEO, (1) an amount equal to one and one half (1 ½) times the Executive's highest annual rate of base salary during the 12 month period immediately preceding the date that the Executive Separates from Service (the "Base Salary"), and (2) one and one-half (1 1/2 ) times the target annual incentive bonus determine from such Base Salary.

(b) ***Cash Severance Payment For Reasons Other Than a Change in Control.*** In the event Executive's employment terminates for reasons other than a Change in Control and either (i) at the initiation of the Company for reasons other than Cause, or (ii) at the initiation of the Executive for Good Reason, the amount of the cash severance benefit paid under this Plan shall be in the case of all Executives with the exception of the CEO who has a separate and independent agreement with the Company, (1) an amount equal to one (1) times the Executive's highest Base Salary and (2) one (1) times the target annual incentive bonus determine from such Base Salary.

**Section 6. Payment of Severance Benefits.**

(a) ***Payments Upon a Change in Control.*** If within a two-year period commencing on the date of a Change in Control (the "Benefit Period"), (i) the Company terminates the employment of an Executive for any reason other than Cause, death, or the Executive's becoming Disabled, or (ii) the Executive terminates his employment for Good Reason, the Executive shall be entitled to benefits under the Plan. An Executive who is deemed to be a participant in the Plan on the date of the Change in Control pursuant to Section 4(b) shall also be entitled to benefits under the Plan if the Executive's employment is terminated by the Company during the Benefit Period or the immediately preceding six (6) months. For purposes of this Plan, "Disabled" means that the Executive has been determined to be disabled as defined in the ValueVision Media, Inc. 2011 Omnibus Plan.

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If an Executive is entitled to benefits under the Plan, the Executive's cash severance payment described in Section 5(a) shall be paid in a lump sum within 30 calendar days of the later of the date that the Executive Separates from Service (within the meaning of Code section 409A) or the date of the Change in Control. Notwithstanding the foregoing, if the amount is payable upon an Executive's Separation from Service and the Executive is a Key Employee as of his or her Separation from Service, the lump sum payment will be made on the date that is six (6) months after the Separation from Service (or, if earlier, the date of death of the Key Employee). For this purpose, "Key Employee" means an Executive treated as a "specified employee" under Code section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof). Key Employees shall be determined in accordance with Code section 409A using December 31<sup>st</sup> as the identification date. A listing of Key Employees as of an identification date shall be effective for the 12-month period beginning on the April 1<sup>st</sup> following the identification date.

(b) ***Payments For Reasons Other Than a Change in Control.*** If the Executive's employment terminates for reasons other than a Change in Control and either (i) at the initiation of the Company for any reason other than Cause, death, or the Executive's becoming Disabled, or (ii) at the initiation of the Executive for Good Reason, the Executive shall be entitled to benefits under Section 5(b) and Section 7 of the Plan. For purposes of this Plan, "Disabled" means that the Executive has been determined to be disabled as defined in the ValueVision Media, Inc. 2011 Omnibus Plan.

If an Executive is entitled to benefits under the Plan, the Executive's cash severance payment described in Section 5(b) shall be paid in a lump sum within 30 calendar days of the later of the date that the Executive Separates from Service (within the meaning of Code section 409A) or the date of the Change in Control. Notwithstanding the foregoing, if the amount is payable upon an Executive's Separation from Service and the Executive is a Key Employee as of his or her Separation from Service, the lump sum payment will be made on the date that is six (6) months after the Separation from Service (or, if earlier, the date of death of the Key Employee). For this purpose, "Key Employee" means an Executive treated as a "specified employee" under Code section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof). Key Employees shall be determined in accordance with Code section 409A using December 31<sup>st</sup> as the identification date. A listing of Key Employees as of an identification date shall be effective for the 12-month period beginning on the April 1<sup>st</sup> following the identification date.

(c) ***Termination for Cause*** . The Company may terminate an Executive for Cause during the Benefit Period.

(d) ***Termination for Good Reason.*** The Executive may initiate the termination of his or her employment for Good Reason during the Benefit Period.

(e) ***Notice of Termination.*** Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party given by hand delivery, registered or certified mail, return receipt requested, postage prepaid, to the last known home address of the Executive or to the address of the principal office of the Company, copy to the General Counsel.

(f) ***Future Covenants.*** As a condition to the receipt of any payments or benefits under this Plan, the Executive must sign a release of claims in favor of the Company, all applicable consideration periods, revocation periods, and rescission periods provided by law shall have expired. Additionally, the Executive must use his or her best efforts and utmost diligence to guard and protect such confidential information and trade secrets acquired during his or her tenure with the Company and its Affiliates. Furthermore, the Executive agrees that, for a period of eighteen (18) months following his or her termination date, that the Executive will not directly or indirectly hire, manage, solicit or recruit any financial planners, agents, salespeople, financial advisors or employees of the

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Company or its Affiliates; *provided, however*, nothing “solicit” shall not include general newspaper or similar advertisements for employment opportunities with the Executive or with any subsequent employer of Executive. Finally, the Executive agrees not to disparage the Company or its Affiliates, or any of its financial planners, agents, salespeople, financial advisors or employees.

**Section 7. Benefit Enhancements & Coordination with Other Plans.**

(a) ***Upon a Change in Control***. In the event benefits are payable under this Plan to an Executive in accordance with Section 5(a) above, provided the Executive elects continuation of coverage pursuant to COBRA or similar state laws and also timely returns to the Company the documents and payments required for such election, the Company shall reimburse the Executive a portion of the premium amount equal to the amount paid by other similarly situated Executives who have not been terminated and receive similar group health, dental and life insurance benefits to the extent such benefits were in effect for Executive and his or her dependents. The Company shall provide such reimbursement for that election for a period of eighteen (18) months after the Executive’s employment terminates subject to the Executive’s timely payment of his or her share of the applicable premiums.

(b) ***For Reasons Other Than a Change in Control***. In the event benefits are payable under this Plan to an Executive in accordance with Section 5(b) above, provided the Executive elects continuation of coverage pursuant to COBRA or similar state laws and also timely returns to the Company the documents and payments required for such election, the Company shall reimburse the Executive a portion of the premium amount equal to the amount paid by other similarly situated Executives who have not been terminated and receive similar group health, dental and life insurance benefits to the extent such benefits were in effect for Executive and his or her dependents. The Company shall provide such reimbursement for that election for a period of twelve (12) months after the Executive’s employment terminates subject to the Executive’s timely payment of his or her share of the applicable premiums.

(c) No Executive receiving any benefit under this Plan shall be entitled to receive any severance payment under any other severance plan, severance program, severance arrangement or employment agreement sponsored by or entered into by the Company, except to the extent the plan, program, agreement or arrangement specifically provides otherwise.

(d) Except as otherwise provided in this Section 7, the Executive’s rights under any other benefit plan maintained by the Company (or successor) shall be governed by the terms of that plan as in effect on the day immediately preceding the Change in Control.

**Section 8. Limitation on Parachute Payments.**

(a) Notwithstanding any provision to the contrary set forth in this Plan, if any of the payments or benefits provided or to be provided by the Company to Executive or for Executive’s benefit pursuant to the terms of the Plan constitute parachute payments (“Parachute Payments”) within the meaning of Section 280G of the Code and would, but for this Section 8 be subject to the excise tax imposed under Section 4999 of the code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the “Excise Tax”), then the Covered Payments shall be payable either (i) in full or (ii) reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax, whichever of the foregoing (i) or (ii) results in the Executive’s receipt on an after-tax basis of the greatest amount of benefits after taking into account the applicable federal, state, local and foreign income, employment and excise taxes (including the Excise Tax).

(b) The Covered Payments shall be reduced in a manner that maximizes Executive’s economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction by

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payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

(c) Any determination required under this Section 8(c) shall be made in writing in good faith by an accounting firm selected by the Company (the "Accountants"), which shall provide detailed supporting calculations to the Company and the Executive as required by the Company or the Executive. The Company and the Executive shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under this Section 8(c). The Company shall be responsible for all fees and expenses of the Accountants.

(d) It is possible that after the determinations and selections made pursuant to this Section 8 the Executive will receive Covered Payments that are in the aggregate more than the amount provided under this Section 8 ("Overpayment") or less than the amount provided under this Section 8 ("Underpayment").

(i) In the event that: (A) the Accountants determine, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or Executive which the Accountants believe has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then Executive shall pay any such Overpayment to the Company.

(ii) In the event that: (A) the Accountants, based upon controlling precedent or substantial authority, determine that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment will be paid promptly by the Company to or for the benefit of the Executive.

(e) Any payment made to or on behalf of an Executive under this Section 8 shall be made in compliance with Code section 409A and by the end of the year following the year that the related taxes are remitted to the applicable taxing authority.

**Section 9. Confidential Information.** Each Executive who receives a severance benefit under this Plan agrees to retain in confidence any secret or confidential information known to him or her relating to the Company, its Affiliates and their respective businesses, which shall have been obtained by the Executive during his or her employment by the Company or any of its Affiliates and shall not be or become public knowledge (other than by acts of the Executive or a representative of the Executive in violation of this Plan). After termination of the Executive's employment with the Company or any of its Affiliates, the Executive shall not, without prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall a violation or an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Plan.

**Section 10. Binding Plan.** The obligations under this Plan shall be binding upon and inure to the benefit of an Executive, his or her beneficiary or estate, the Company and any successor to the Company.

**Section 11. Amendment, Suspension or Termination of Plan.** This Plan may be amended at any time and from time to time by and on behalf of the Company by the Board, but no amendment shall operate to give the Executive, either directly or indirectly, any interest whatsoever in any funds or assets of the Company, except the right upon fulfillment of all terms and conditions hereof, as such terms and conditions may be amended, to receive the payments herein provided. No amendment, suspension or termination of this Plan shall operate in any way to reduce, diminish, or adversely affect any of the benefits provided to any Executive if such amendment, suspension or termination (i) arose by action of the Company in connection with or anticipation of a Change in Control, (ii) occurs coincident with a Change in Control, or (iii) occurs after a Change in Control has occurred. Any such amendment, suspension, or termination that occurs within the six

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(6) month period before a Change in Control is presumed to have been in anticipation of such Change in Control.

**Section 12 . Plan Administrator .** The Plan shall be administered by the Benefits Administrator. The Benefits Administrator shall be the Company's current or acting Chief Operating Officer, unless and until the Board delegates this authority elsewhere. The Benefits Administrator shall have full authority to interpret the Plan, resolve issues pertaining to Plan eligibility, determine benefits payable under the Plan, and take whatever actions are, in the sole discretion of the Benefits Administrator, necessary to or desirable for such administration, including, but not limited to: (a) establishing administrative rules consistent with the provisions of the Plan, (b) delegating the responsibilities of the Benefits Administrator to other persons, and (c) retaining the services of lawyers, accountants, or other third parties to assist with the administration of the Plan.

**Section 13. Claim Procedure.**

(a) If an Executive's claim for benefits is denied, the Benefits Administrator will furnish written notice of denial to the Executive making the claim (the "Claimant") within sixty (60) days of the date the claim is received, unless special circumstances require an extension of time for processing the claim. This extension will not exceed sixty (60) days, and the Claimant must receive written notice stating the grounds for the extension and the length of the extension within the initial sixty (60) day review period. If the Benefits Administrator does not provide written notice, the Claimant may deem the claim denied and seek review according to the appeals procedures set forth below.

(b) **Denial Notice .** The notice of denial to the Claimant shall state:

- (i) the specific reasons for the denial;
- (ii) specific references to pertinent provisions of the Plan upon which the denial was based;
- (iii) a description of any additional material or information needed for the Claimant to perfect his or her claim and an explanation of why the material or information is needed; and
- (iv) a statement that the Claimant may request a review upon written application to the Benefits Administrator, review pertinent Plan documents, and submit issues and comments in writing, and that any appeal that the Claimant wishes to make of the adverse determination must be in writing to the Benefits Administrator within ninety (90) days after the Claimant receives notice of denial of benefits.

The notice of denial of benefits shall notify the Claimant of his or her right to appeal the denial through binding arbitration with the American Arbitration Association ("AAA") and subject to AAA's rules and procedures, and such arbitration shall be conducted by a single arbitrator as mutually agreed to by the Company and Executive and, if no such mutual agreement can be reached, before an arbitrator assigned by the AAA. The notice may state that failure to appeal the action to the Benefits Administrator in writing within the ninety (90) day period will render the determination final, binding and conclusive. Notice of the arbitrator's decision shall be given within sixty (60) days after close of the arbitration, unless additional time is required due to special circumstances. In no event shall the Arbitrator render a decision on an appeal later than one hundred twenty (120) days after the close of arbitration.

**Section 14. No Waiver .** Neither the failure nor the delay on the part of the Executive in exercising any right, power or privilege hereunder shall operate as a waiver of such right, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any

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other right, power or privilege hereunder. No remedy conferred hereunder is intended to be exclusive of any other remedy and each shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity.

**Section 15. Rules of Construction.** This Plan may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. The headings in this Plan are for purposes of reference only and shall not limit or otherwise affect any of the terms hereof.

**Section 16. Governing Law.** To the extent not preempted by ERISA, the terms of the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota, including all matters of construction, validity and performance.

**Section 17. Employment at Will.** Nothing contained herein shall confer upon any Executive the right to be retained in the service of the Company nor limit the right of the Company to discharge or otherwise deal with any Executive with regard to the existence of the Plan.

**Section 18. Unfunded.** The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Company or an Affiliate for payment of any Severance Payment hereunder. No Executive or any other person shall have any interest in any particular assets of the Company or an Affiliate by reason of the right to receive benefits under this Plan and any such Participant or any other person shall have only the rights of a general unsecured creditor of the Company or an Affiliate with respect to any rights under the Plan.

#### **Appendix A**

## CERTIFICATION

I, Keith R. Stewart, certify that:

1. I have reviewed this report on Form 10-Q of ValueVision Media, 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: June 6, 2014

*/s/ Keith R. Stewart*

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Keith R. Stewart

Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATION

I, William McGrath, certify that:

1. I have reviewed this report on Form 10-Q of ValueVision Media, 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: June 6, 2014

*/s/ William McGrath*

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William McGrath

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 ValueVision Media, Inc., a Minnesota corporation (the "Company"), for the quarter ended May 3, 2014, 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: June 6, 2014

*/s/ Keith R. Stewart*

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Keith R. Stewart

Chief Executive Officer

Date: June 6, 2014

*/s/ William McGrath*

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William McGrath

Executive Vice President and Chief Financial Officer