

# VALUEVISION MEDIA INC

## FORM 10-Q (Quarterly Report)

Filed 12/14/2000 For Period Ending 10/31/2000

Address	6740 SHADY OAK RD MINNEAPOLIS, Minnesota 55344-3433
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CIK	0000870826
Industry	Retail (Catalog & Mail Order)
Sector	Services
Fiscal Year	01/31

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

**FORM 10-Q**

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

For the quarterly period ended October 31, 2000

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number 0-20243*

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**VALUEVISION INTERNATIONAL, 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, Minneapolis, MN 55344  
(Address of principal executive offices)

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

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

YES  NO

As of December 12, 2000, there were 38,675,401 shares of the Registrant's common stock, \$.01 par value per share, outstanding.

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**VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES**

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OCTOBER 31, 2000

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

(In thousands, except share data)

	OCTOBER 31, 2000	JANUARY 31, 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 96,495	\$ 138,221
Short-term investments	170,946	156,422
Accounts receivable, net	59,141	49,070
Inventories, net	31,667	22,677
Prepaid expenses and other	8,087	4,888
Income taxes receivable	12,004	9,626
Deferred income taxes	1,950	1,950
	-----	-----
Total current assets	380,290	382,854
PROPERTY AND EQUIPMENT, NET	31,705	14,350
CABLE DISTRIBUTION AND MARKETING AGREEMENT, NET	5,874	6,394
MONTGOMERY WARD OPERATING AGREEMENT AND LICENSES, NET	1,530	1,679
INVESTMENTS AND OTHER ASSETS, NET	29,196	66,578
	-----	-----
	\$ 448,595	\$471,855
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 47,733	\$ 34,937
Accrued liabilities	23,102	16,650
	-----	-----
Total current liabilities	70,835	51,587
DEFERRED INCOME TAXES	853	6,725
SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK, \$.01 PER SHARE PAR VALUE, 5,339,500 SHARES AUTHORIZED; 5,339,500 SHARES ISSUED AND OUTSTANDING	41,831	41,622
SHAREHOLDERS' EQUITY:		
Common stock, \$.01 per share par value, 100,000,000 shares authorized; 38,675,401 and 38,192,164 shares issued and outstanding	387	382
Warrants to purchase 1,854,760 shares of common stock	13,610	13,610
Additional paid-in capital	284,351	280,578
Accumulated other comprehensive income (losses)	(689)	8,891
Note receivable from officer	(515)	-
Retained earnings	37,932	68,460
	-----	-----
Total shareholders' equity	335,076	371,921
	-----	-----
	\$ 448,595	\$471,855
	=====	=====

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

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

(In thousands, except percentages, share and per share data)

	FOR THE THREE MONTHS ENDED OCTOBER 31,		FOR THE NINE MONTHS ENDED OCTOBER 31,	
	2000	1999	2000	1999
NET SALES	\$ 95,241	\$ 76,575	\$ 261,920	\$ 187,592
COST OF SALES	59,879	45,965	162,880	111,988
Gross profit	35,362	30,610	99,040	75,604
Margin %	37.1%	40.0%	37.8%	40.3%
OPERATING EXPENSES:				
Distribution and selling	25,347	24,866	75,333	61,258
General and administrative	3,879	3,364	11,075	8,857
Depreciation and amortization	1,948	1,278	4,666	3,733
Total operating expenses	31,174	29,508	91,074	73,848
OPERATING INCOME	4,188	1,102	7,966	1,756
OTHER INCOME (EXPENSE):				
Write-down of investments	(54,564)	(1,741)	(55,147)	(1,741)
Gain on sale of broadcast stations	-	23,250	-	33,230
Gain (loss) on sale of property and investments	(2)	2,036	(8)	2,172
Unrealized loss on trading securities	(30)	(94)	(94)	(888)
Equity in earnings (losses) of affiliates	(1,288)	6	(1,694)	2
Interest income	3,848	3,694	11,335	5,921
Other, net	(11)	(11)	(34)	(39)
Total other income (expense)	(52,047)	27,140	(45,642)	38,657
INCOME (LOSS) BEFORE INCOME TAXES	(47,859)	28,242	(37,676)	40,413
INCOME TAX PROVISION (BENEFIT)	(11,124)	11,007	(7,356)	15,762
NET INCOME (LOSS)	(36,735)	17,235	(30,320)	24,651
ACCRETION OF REDEEMABLE PREFERRED STOCK	(70)	(69)	(208)	(138)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ (36,805)	\$ 17,166	\$ (30,528)	\$ 24,513
NET INCOME (LOSS) PER COMMON SHARE	\$ (0.95)	\$ 0.46	\$ (0.79)	\$ 0.79
NET INCOME (LOSS) PER COMMON SHARE - ASSUMING DILUTION	\$ (0.95)	\$ 0.37	\$ (0.79)	\$ 0.65
Weighted average number of common shares outstanding:				
Basic	38,643,778	37,044,121	38,541,342	30,903,466
Diluted	38,643,778	46,295,031	38,541,342	37,939,517

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

**VALUEVISION INTERNATIONAL, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED OCTOBER 31, 2000**  
(Unaudited)

(In thousands, except share data)

	COMPREHENSIVE INCOME (LOSS)	COMMON STOCK		COMMON STOCK PURCHASE WARRANTS	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSSES)	NOTE RECEIVABLE FROM OFFICER	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
		NUMBER OF SHARES	PAR VALUE						
BALANCE, JANUARY 31, 2000		38,192,164	\$ 382	\$13,610	\$ 280,578	\$ 8,891	\$ -	\$68,460	\$ 371,921
Comprehensive income (loss):									
Net loss	\$ (30,320)	-	-	-	-	-	-	(30,320)	(30,320)
Other comprehensive loss, net of tax:									
Unrealized losses on securities, net of tax of \$13,293	(21,687)								
Write-down of securities to net realizable value, net of tax of \$7,421	12,107								
Other comprehensive loss	(9,580)	-	-	-	-	(9,580)	-	-	(9,580)
Comprehensive loss	\$ (39,900)								
Officer note receivable		-	-	-	-	-	(515)	-	(515)
Exercise of stock options		483,237	5	-	3,773	-	-	-	3,778
Accretion on redeemable preferred stock		-	-	-	-	-	-	(208)	(208)
BALANCE, OCTOBER 31, 2000		38,675,401	\$ 387	\$13,610	\$ 284,351	\$ (689)	\$ (515)	\$37,932	\$ 335,076

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

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

(In thousands, except share data)

	FOR THE NINE MONTHS ENDED OCTOBER 31, 2000	1999
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (30,320)	\$ 24,651
Adjustments to reconcile net income (loss) to net cash provided by operating activities-		
Depreciation and amortization	4,666	3,733
Deferred taxes	-	(140)
Gain on sale of broadcast stations	-	(33,230)
Loss (gain) on sale of property and investments	8	(2,172)
Unrealized loss on trading securities	94	888
Equity in losses (earnings) of affiliates	1,694	(2)
Write-down of investments	55,147	1,741
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,071)	(17,492)
Inventories, net	(8,990)	(5,379)
Prepaid expenses and other	(3,326)	(1,484)
Accounts payable and accrued liabilities	19,146	22,125
Income taxes payable (receivable), net	(2,378)	7,139
Net cash provided by operating activities	25,670	378
<b>INVESTING ACTIVITIES:</b>		
Property and equipment additions	(20,380)	(2,369)
Proceeds from sale of investments and property	335	12,054
Proceeds from sale of broadcast stations	-	38,130
Purchase of short-term investments	(166,992)	(299,609)
Proceeds from sale of short-term investments	152,374	279,275
Payment for investments and other assets	(36,336)	(5,719)
Issuance of officer note receivable	(500)	-
Proceeds from notes receivable	325	1,436
Net cash provided by (used for) investing activities	(71,174)	23,198
<b>FINANCING ACTIVITIES:</b>		
Proceeds from issuance of Series A Preferred Stock	-	44,265
Proceeds from exercise of stock options and warrants	3,778	181,938
Payment of long-term obligations	-	(155)
Net cash provided by financing activities	3,778	226,048
Net increase (decrease) in cash and cash equivalents	(41,726)	249,624
BEGINNING CASH AND CASH EQUIVALENTS	138,221	44,264
ENDING CASH AND CASH EQUIVALENTS	\$ 96,495	\$293,888
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 34	\$ 47
Income taxes paid	\$ 22	\$ 8,447
<b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Issuance of 1,450,000 warrants in connection with NBC Distribution and Marketing Agreement	\$ -	\$ 6,931
Accretion on redeemable preferred stock	\$ 208	\$ 138

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

# VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2000

(Unaudited)

### (1) GENERAL

ValueVision International, Inc. and its Subsidiaries ("ValueVision" or the "Company") is an integrated direct marketing company, which markets its products directly to consumers through various forms of electronic media. The Company's operating strategy incorporates television home shopping, Internet e-commerce, vendor programming and fulfillment services.

The Company's television home shopping business uses recognized on-air television home shopping personalities to market brand name merchandise and proprietary and private label consumer products at competitive or discount prices. The Company's live 24-hour per day television home shopping programming is distributed primarily through long-term cable affiliation agreements and the purchase of month-to-month full- and part-time block lease agreements of cable and broadcast television time. In addition, the Company distributes its programming to satellite dish owners and through Company owned low power television ("LPTV") stations. The Company also complements its television home shopping business by the sale of merchandise through its Internet shopping website ([www.vvtv.com](http://www.vvtv.com)) which is broadcast live over the Internet 24 hours a day, 7 days a week.

The Company intends to rebrand its growing home shopping network and companion Internet shopping website in fiscal 2002 as part of a wide-ranging direct marketing strategy the Company is pursuing in conjunction with its various strategic partners. These moves are intended to position ValueVision as a leader in the evolving convergence of television and the Internet, combining the promotional and selling power of television with the purely digital world of e-commerce. On November 21, 2000, the Company announced that it had entered into a licensing agreement dated November 16, 2000 with National Broadcasting Company, Inc. ("NBC") to rebrand the ValueVision home shopping network and its companion Internet shopping website using an NBC-branded name. Under the terms of the licensing agreement, NBC has granted ValueVision worldwide use of an NBC-branded name and the Peacock image for ten years. The new name will be unveiled as part of a wide-ranging marketing campaign that the Company intends to launch in spring 2001. ValueVision's original intent was to re-launch its television network and companion Internet website under the SnapTV and SnapTV.com brand names, respectively, in conjunction with NBC Internet, Inc. ("NBCi"). On June 12, 2000, NBCi announced a strategy to integrate all of its consumer properties under the single NBCi.com brand, effectively abandoning the Snap name. In mid-1999, the Company founded ValueVision Interactive, Inc. as a wholly-owned subsidiary of the Company, to manage and develop the Company's Internet e-commerce initiatives as well as to manage the Company's e-commerce investment strategies and portfolio.

The Company, through its wholly-owned subsidiary, ValueVision Direct Marketing Company, Inc., was a direct-mail marketer of a broad range of general merchandise, which was sold to consumers through direct-mail catalogs and other direct marketing solicitations. In the second half of fiscal 2000, the Company sold its remaining direct-mail catalog subsidiaries and exited from the direct marketing catalog business.

### (2) BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. 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 such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its fiscal 2000 Annual Report on Form 10-K. Operating results for the nine-month period ended October 31, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2001.



### (3) NET INCOME (LOSS) PER COMMON SHARE

The Company calculates earnings per share ("EPS") in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). Basic EPS is computed by dividing reported earnings by the weighted average number of common shares outstanding for the reported period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock of the Company during reported periods.

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

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	2000	1999	2000	1999
Net income (loss) available to common shareholders	\$ (36,805,000)	\$ 17,166,000	\$ (30,528,000)	\$ 24,513,000
Weighted average number of common shares outstanding - Basic	38,644,000	37,044,000	38,541,000	30,903,000
Dilutive effect of convertible preferred stock	-	5,340,000	-	3,578,000
Dilutive effect of stock options and warrants	-	3,911,000	-	3,459,000
Weighted average number of common shares outstanding - Diluted	38,644,000	46,295,000	38,541,000	37,940,000
Net income (loss) per common share	\$ (0.95)	\$ 0.46	\$ (0.79)	\$ 0.79
Net income (loss) per common share - assuming dilution	\$ (0.95)	\$ 0.37	\$ (0.79)	\$ 0.65

For the quarters ended October 31, 2000 and 1999, respectively, 12,937,000 and 223,000 potentially dilutive common shares have been excluded from the computation of diluted earnings per share, as required under SFAS No. 128, as the effect of their inclusion would be antidilutive.

In connection with the November 16, 2000 Trademark License Agreement entered into with NBC, the Company issued to NBC warrants to purchase 6,000,000 additional shares of the Company's common stock in consideration for a ten-year exclusive, worldwide license to use certain NBC trademarks, service marks and domain names to rebrand the Company's business. If dilutive, these shares will be reflected in diluted earnings per share in future periods. See Note 10 for further discussion concerning the NBC Trademark License Agreement.

### (4) COMPREHENSIVE INCOME (LOSS)

The Company reports comprehensive income (loss) in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting in the financial statements all changes in equity during a period, except those resulting from investments by and distributions to owners. For the Company, comprehensive income (loss) includes net income (loss) and other comprehensive income (loss), which consists of unrealized holding gains and losses from equity investments classified as "available-for-sale". Total comprehensive income (loss) was (\$26,742,000) and \$18,385,000 for the three months ended October 31, 2000 and 1999, respectively. Total comprehensive income (loss) was (\$39,900,000) and \$27,179,000 for the nine months ended October 31, 2000 and 1999, respectively.

### (5) SEGMENT DISCLOSURES

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131"), requires the disclosure of certain information about operating segments in financial statements. The Company's reportable segments are based on the Company's method of internal reporting, which generally segregates the strategic business units into two segments: electronic media, consisting primarily of the Company's television home shopping business, and print media, whereby merchandise is sold to consumers through direct-mail catalogs and other direct marketing solicitations. In fiscal 2000, the

Company sold its remaining direct-mail catalog subsidiaries and exited from the direct marketing catalog business. Segment information included in the accompanying consolidated balance sheets as of October 31 and included in the consolidated statements of operations for the three and nine-month periods then ended is as follows (in thousands):

THREE MONTHS ENDED OCTOBER 31, 2000	ELECTRONIC MEDIA	PRINT MEDIA	CORPORATE	TOTAL
Revenues	\$ 95,241	\$ -	\$ -	\$ 95,241
Operating income	4,188	-	-	4,188
Net loss	(36,735)	-	-	(36,735)
Identifiable assets	420,815	-	27,780 (a)	448,595
THREE MONTHS ENDED OCTOBER 31, 1999				
Revenues	67,177	9,398	-	76,575
Operating income	957	145	-	1,102
Net income (loss)	17,290	(55)	-	17,235
Identifiable assets	403,289	13,106	11,452 (a)	427,847
NINE MONTHS ENDED OCTOBER 31, 2000				
Revenues	261,920	-	-	261,920
Operating income	7,966	-	-	7,966
Net loss	(30,320)	-	-	(30,320)
Identifiable assets	420,815	-	27,780 (a)	448,595
NINE MONTHS ENDED OCTOBER 31, 1999				
Revenues	163,552	24,040	-	187,592
Operating income	1,748	8	-	1,756
Net income (loss)	25,083	(432)	-	24,651
Identifiable assets	403,289	13,106	11,452 (a)	427,847

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

#### (6) RALPH LAUREN MEDIA, LLC ELECTRONIC COMMERCE ALLIANCE

Effective February 7, 2000, the Company entered into a new electronic commerce strategic alliance with Polo Ralph Lauren Corporation ("Polo Ralph Lauren"), NBC, NBCi and CNBC.com LLC ("CNBC") whereby the parties created Ralph Lauren Media, LLC ("Ralph Lauren Media"), a joint venture formed for the purpose of bringing the Polo Ralph Lauren American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Ralph Lauren Media is owned 50% by Polo Ralph Lauren, 25% by NBC, 12.5% by the Company, 10% by NBCi and 2.5% by CNBC. In exchange for their ownership interest in Ralph Lauren Media, NBC agreed to contribute \$110 million of television and online advertising on NBC and CNBC properties, NBCi agreed to contribute \$40 million in online distribution and promotion and the Company has contributed a cash funding commitment of up to \$50 million, of which approximately \$13 million has been funded through October 31, 2000. Ralph Lauren Media's premier initiative will be Polo.com, an Internet website dedicated to the American lifestyle that will include original content, commerce and a strong community component. Polo.com officially launched in the November 2000 and includes an assortment of men's, women's and children's products across the Ralph Lauren family of brands as well as unique gift items. Polo.com has received anchor shopping tenancies on NBCi's Internet portal service. In connection with the formation of Ralph Lauren

Media, the Company entered into various agreements setting forth the manner in which certain aspects of the business of Ralph Lauren Media are to be managed and certain of the members' rights, duties and obligations with respect to Ralph Lauren Media, including the following:

#### **AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF RALPH LAUREN MEDIA**

Each of Polo Ralph Lauren, NBC, NBCi, CNBC and the Company executed a Second Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"), pursuant to which certain terms and conditions regarding operations of Ralph Lauren Media and certain rights and obligations of its members are set forth, including but not limited to: (a) certain customary demand and piggyback registration rights with respect to equity of Ralph Lauren Media held by the members after its initial public offering, if any; (b) procedures for resolving deadlocks among managers or members of Ralph Lauren Media; (c) rights of each of Polo Ralph Lauren on the one hand and NBC, the Company, NBCi and CNBC, on the other hand, to purchase or sell, as the case may be, all of their membership interests in Ralph Lauren Media to the other in the event of certain material deadlocks and certain changes of control of either Polo Ralph Lauren and/or its affiliates or NBC or certain of its affiliates, at a price and on terms and conditions set forth in the LLC Agreement; (d) rights of Polo Ralph Lauren to purchase all of the outstanding membership interests of Ralph Lauren Media from and after its 12th anniversary, at a price and on terms and conditions set forth in the LLC Agreement; (e) rights of certain of the members to require Ralph Lauren Media to consummate an initial public offering of securities; (f) restrictions on Polo Ralph Lauren from participating in the business of Ralph Lauren Media under certain circumstances; (g) number and composition of the management committee of Ralph Lauren Media, and certain voting requirements; (h) composition and duties of officers of Ralph Lauren Media; (i) requirements regarding meetings of members and voting requirements; (j) management of capital contributions and capital accounts; (k) provisions governing allocations of profits and losses and distributions to members; (l) tax matters; (m) restrictions on transfers of membership interests; (n) rights and responsibilities of the members in connection with the dissolution, liquidation or winding up of Ralph Lauren Media; and (o) certain other customary miscellaneous provisions.

#### **AGREEMENT FOR SERVICES**

Ralph Lauren Media and VVI Fulfillment Center, Inc., a Minnesota corporation and wholly-owned subsidiary of the Company ("VVIFC"), entered into an Agreement for Services under which VVIFC agreed to provide to Ralph Lauren Media, on a cost plus basis, certain telemarketing services, order and record services, and merchandise and warehouse services. The telemarketing services to be provided by VVIFC consist of receiving and processing telephone orders and telephone inquiries regarding merchandise, and developing and maintaining a related telemarketing system. The order and record services to be provided by VVIFC consist of receiving and processing orders for merchandise by telephone, mail, facsimile and electronic mail, providing records of such orders and related customer-service functions, and developing and maintaining a records system for such purposes. The merchandise and warehouse services consist of receiving and shipping merchandise, providing warehousing functions and merchandise management functions and developing a system for such purposes. The term of this agreement continues until June 30, 2010, subject to one-year renewal periods, under certain conditions.

#### **(7) EQUITY INVESTMENTS**

As of October 31, 2000, the Company had equity investments totaling approximately \$26,381,000 of which \$11,354,000 related to the Company's investment in the Ralph Lauren Media joint venture after adjusting for the Company's equity share of Ralph Lauren Media losses under the equity method of accounting. At October 31, 2000, investments in the accompanying consolidated balance sheet also include approximately \$8,210,000 related to equity investments made in companies whose shares are traded on a public exchange. These equity investments were made primarily in conjunction with the Company's strategy of investing in e-commerce, Internet strategic alliances and the launching and re-branding of the Company's television home shopping network. These investments are classified as "available-for-sale" investments and are accounted for under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No.115"). In addition to the Company's investment in Ralph Lauren Media, Inc., investments at October 31, 2000 include certain other nonmarketable equity investments in private and other enterprises totaling approximately \$6,817,000 which are carried at the lower of cost or net realizable value.

The Company evaluates the carrying values of its investments using recent financing and securities transactions, present value and other pricing models, as well as by evaluating financial condition, liquidity prospects, cash flow forecasts and comparing operating results to plan. Impairment losses are recorded if events or circumstances indicate that such investments may be impaired and the decline in value is other than temporary. In the third quarter ended October 31, 2000, the Company recorded a pre-tax loss of \$54,564,000 relating to the write-down of investments made primarily in a number of Internet retailers whose decline in fair value was determined by the Company to be other than temporary. The decline in fair value of these companies was driven by their large

operating losses and negative cash flow accompanied by an environment not conducive to raising new financing. The major investment components of the write-down included minority equity investments made in NBCi.com, Petopia.com, SelfCare.com, Roxy.com and BigStar Entertainment, Inc. In accordance with SFAS No. 115, public company investments were written down and recorded at the respective entity's fair market value as of October 31, 2000. In the second quarter ended July 31, 2000, the Company recorded a pre-tax loss of \$583,000 relating to an investment made in 1998.

#### (8) RELATED PARTY TRANSACTION

At October 31, 2000 the Company held a \$500,000 note receivable (the "Note") from an officer of the Company for a loan made in connection with loan provisions as stipulated in the officer's employment agreement. The Note is reflected as a reduction of shareholders' equity in the accompanying consolidated balance sheet as the Note is collateralized by a security interest in vested stock options and in shares of the Company's common stock to be acquired by the officer upon the exercise of such vested stock options.

#### (9) RECENT ACCOUNTING PRONOUNCEMENTS

In September 2000, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached a final consensus on EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." The consensus requires that all amounts billed to a customer in a sale transaction related to shipping and handling, if any, represent revenue and should be classified as revenue. With respect to the classification of costs related to shipping and handling incurred by the seller, the EITF determined that the classification of such costs is an accounting policy decision that should be disclosed. The Company has historically classified shipping charges to customers and related shipping and handling costs on a net basis as components of distribution and selling expense in the statement of operations. The Company plans to adopt the consensus reached by the EITF relating to Issue No. 00-10 in the fourth quarter of fiscal 2001 as required and plans to reflect amounts collected from customers as revenue and to include shipping and handling costs as a component of cost of sales. Upon adoption of EITF Issue No. 00-10, comparative financial statements for prior periods will be reclassified to comply with the new classification guidelines.

#### (10) SUBSEQUENT EVENT

On November 21, 2000, the Company announced that it had entered into a Trademark License Agreement dated as of November 16, 2000 (the "License Agreement") with NBC pursuant to which NBC granted the Company an exclusive, worldwide license (the "License") for a term of 10 years to use certain NBC trademarks, service marks and domain names to rebrand the Company's business and corporate name on the terms and conditions set forth in the License Agreement. The new name will be unveiled as part of a wide-ranging marketing campaign that will launch in spring 2001. In connection with the License Agreement, the Company issued to NBC warrants (the "Warrants") to purchase 6,000,000 shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), with an exercise price of \$17.375 per share, the closing price of a share of Common Stock on the Nasdaq National Market on November 16, 2000. The agreement also includes a provision for a potential cashless exercise of the Warrants under certain circumstances. The Warrants vest in one-third increments, with one-third exercisable immediately, and the remaining Warrants vesting in equal amounts on each of the first two anniversaries of the License Agreement. Additionally, the Company agreed to accelerate the vesting of warrants to purchase 1,450,000 shares of Common Stock granted to NBC in connection with that certain Distribution and Marketing Agreement dated as of March 8, 1999 between NBC and the Company.

The Company has also agreed under the License Agreement to (i) restrictions on using (including sublicensing) any trademarks, service marks, domain names, logos or other source indicators owned or controlled by NBC or its affiliates in connection with certain permitted businesses (the "Permitted Businesses") before the agreement of NBC to such use, (ii) the loss of its rights under the grant of the License with respect to specific territories outside of the United States in the event the Company fails to achieve and maintain certain performance targets, (iii) amend and restate the current Registration Rights Agreement dated as of April 15, 1999 among the Company, NBC and GE Capital Equity Investments, Inc. ("GE Equity") so as to increase the demand rights held by NBC and GE Equity from four to five, among other things, (iv) not, either directly or indirectly, own, operate, acquire or expand its business to include any businesses other than the Permitted Businesses without NBC's prior consent for so long as the Company's corporate name includes the trademarks or service marks owned or controlled by NBC, (v) strictly comply with NBC's privacy policies and standards and practices, and (vi) until the earlier of the termination of the License Agreement or the lapse of certain contractual restrictions on NBC, either directly or indirectly, not own, operate, acquire or expand the Company's business such that one third or more of the Company's revenues or its aggregate value is attributable to certain services provided over the Internet. The License Agreement also grants to NBC the right to terminate the License Agreement at any time upon certain changes of control of the Company, the failure by NBC to own a certain minimum percentage of the outstanding capital stock of the Company on a fully-diluted basis, the failure of NBC and the Company to agree on new trademarks, service marks or related intellectual property rights, and certain other related matters. In certain events, the termination by NBC of the License Agreement may result in the acceleration of vesting of the Warrants.

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

### INTRODUCTION

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's accompanying unaudited condensed consolidated financial statements and notes included herein and the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2000.

### SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

	DOLLAR AMOUNT AS A PERCENTAGE OF NET SALES FOR THE THREE MONTHS ENDED OCTOBER 31,		DOLLAR AMOUNT AS A PERCENTAGE OF NET SALES FOR THE NINE MONTHS ENDED OCTOBER 31,	
	2000	1999	2000	1999
NET SALES	100.0%	100.0%	100.0%	100.0%
GROSS MARGIN	37.1%	40.0%	37.8%	40.3%
Operating expenses:				
Distribution and selling	26.6%	32.5%	28.8%	32.7%
General and administrative	4.1%	4.4%	4.2%	4.7%
Depreciation and amortization	2.0%	1.7%	1.8%	2.0%
	32.7%	38.6%	34.8%	39.4%
Operating income	4.4%	1.4%	3.0%	0.9%

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

## OVERVIEW

ValueVision International, Inc. and its Subsidiaries ("ValueVision" or the "Company") is an integrated direct marketing company, which markets its products directly to consumers through various forms of electronic media. The Company's operating strategy incorporates television home shopping, Internet e-commerce, vendor programming and fulfillment services.

The Company's television home shopping business uses recognized on-air television home shopping personalities to market brand name merchandise and proprietary and private label consumer products at competitive or discount prices. The Company's live 24-hour per day television home shopping programming is distributed primarily through long-term cable affiliation agreements and the purchase of month-to-month full- and part-time block lease agreements of cable and broadcast television time. In addition, the Company distributes its programming to satellite dish owners and through Company owned low power television ("LPTV") stations. The Company also complements its television home shopping business by the sale of merchandise through its Internet shopping website (www.vvtv.com) which is broadcast live over the Internet 24 hours a day and 7 days a week.

The Company intends to rebrand its growing home shopping network and companion Internet shopping website in fiscal 2002 as part of a wide-ranging direct marketing strategy the Company is pursuing in conjunction with its various strategic partners. These moves are intended to position ValueVision as a leader in the evolving convergence of television and the Internet, combining the promotional and selling power of television with the purely digital world of e-commerce. On November 21, 2000, the Company announced that it had entered into a licensing agreement dated November 16, 2000 with National Broadcasting Company, Inc. ("NBC") to rebrand the ValueVision home shopping network and its companion Internet shopping website using an NBC-branded name. Under the terms of the licensing agreement, NBC has granted ValueVision worldwide use of an NBC-branded name and the Peacock image for ten years. The new name will be unveiled as part of a wide-ranging marketing campaign that the Company intends to launch in spring 2001. ValueVision's original intent was to re-launch its television network and companion Internet website under the SnapTV and SnapTV.com brand names, respectively, in conjunction with NBCi. On June 12, 2000, NBCi announced a strategy to integrate all of its consumer properties under the single NBCi.com brand, effectively abandoning the Snap name. In mid-1999, the Company founded ValueVision Interactive, Inc. as a wholly-owned subsidiary of the Company, to manage and develop the Company's Internet e-commerce initiatives as well as to manage the Company's e-commerce investment strategies and portfolio.

The Company, through its wholly-owned subsidiary, VVDM, was a direct-mail marketer of a broad range of general merchandise, which was sold to consumers through direct-mail catalogs and other direct marketing solicitations. In the second half of fiscal 2000, the Company sold its remaining direct-mail catalog subsidiaries and exited from the direct marketing catalog business.

## POLO RALPH LAUREN/RALPH LAUREN MEDIA ELECTRONIC COMMERCE ALLIANCE

Effective February 7, 2000, the Company entered into a new electronic commerce strategic alliance with Polo Ralph Lauren, NBC, NBCi, and CNBC whereby the parties created Ralph Lauren Media, a joint venture formed for the purpose of bringing the Polo Ralph Lauren American lifestyle experience to consumers via multiple media platforms, including the Internet, broadcast, cable and print. Ralph Lauren Media is owned 50% by Polo Ralph Lauren, 25% by NBC, 12.5% by the Company, 10% by NBCi and 2.5% by CNBC. In exchange for their ownership interest in Ralph Lauren Media, NBC agreed to contribute \$110 million of television and online advertising on NBC and CNBC properties, NBCi agreed to contribute \$40 million in online distribution and promotion and the Company has contributed a cash funding commitment of up to \$50 million, of which approximately \$13 million has been funded through October 31, 2000. Ralph Lauren Media's premier initiative will be Polo.com, an internet web site dedicated to the American lifestyle that will include original content, commerce and a strong community component. Polo.com officially launched in November 2000 and includes an assortment of men's, women's and children's products across the Ralph Lauren family of brands as well as unique gift items. Polo.com will also receive anchor shopping tenancies on NBCi's Internet portal service. In connection with the formation of Ralph Lauren media, the Company entered into various agreements setting forth the manner in which certain aspects of the business of Ralph Lauren Media are to be managed and certain of the members' rights, duties and obligations with respect to Ralph Lauren Media. In addition, Ralph Lauren Media and VVIFC, a wholly-owned subsidiary of the Company, entered into an Agreement for Services under which VVIFC agreed to provide all telemarketing, fulfillment and distribution services to Ralph Lauren Media. See Note 6 to Notes To Condensed Consolidated Financial Statements for additional information.

## **NBC REBRANDING AND TRADEMARK LICENSE AGREEMENT**

On November 21, 2000, the Company announced that it had entered into a Trademark License Agreement dated as of November 16, 2000 (the "License Agreement") with NBC pursuant to which NBC granted the Company an exclusive, worldwide license (the "License") for a term of 10 years to use certain NBC trademarks, service marks and domain names to rebrand the Company's business and corporate name on the terms and conditions set forth in the License Agreement. The new name will be unveiled as part of a wide-ranging marketing campaign that will launch in spring 2001. In connection with the License Agreement, the Company issued to NBC warrants (the "Warrants") to purchase 6,000,000 shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), with an exercise price of \$17.375 per share, the closing price of a share of Common Stock on the Nasdaq National Market on November 16, 2000. The Warrants vest in one-third increments, with one-third exercisable immediately, and the remaining Warrants vesting on each of the first two anniversaries of the License Agreement. Additionally, the Company agreed to accelerate the vesting of warrants to purchase 1,450,000 shares of Common Stock granted to NBC in connection with that certain Distribution and Marketing Agreement dated as of March 8, 1999 between NBC and the Company. See Note 10 to Notes To Condensed Consolidated Financial Statements for additional information.

## **YAHOO! INC. LICENSE AND PROMOTION AGREEMENT**

On November 20, 2000, Yahoo! Inc. ("Yahoo!"), a leading global Internet communications, commerce and media company, announced and unveiled Yahoo! Shopping Vision (<http://shoppingvision.yahoo.com>), a rich media extension of Yahoo! Shopping (<http://shopping.yahoo.com>). Designed to give consumers a dynamic new way to buy products conveniently on the Internet, Yahoo! ShoppingVision lets consumers view streaming video content and simultaneously purchase relevant merchandise through a single interface. As part of the Yahoo! ShoppingVision launch, Yahoo! has signed a content distribution and marketing agreement with the Company. As part of its relationship with Yahoo!, ValueVision will be a featured content provider with a fixed graphic link on the Yahoo! ShoppingVision player, and has agreed to provide live programming, 24 hours a day, seven days a week, in addition to archived video content. As people see products in the streaming video window, information and links to merchandise that is being displayed will simultaneously appear in the window adjoining the video stream, allowing consumers to immediately purchase the products being viewed. The Company will also advertise throughout Yahoo! Shopping, and in the jewelry and watches, and computers and electronics categories of Yahoo! Auctions. Additionally, the Company will be promoted on broadcast-related modules in My Yahoo! and throughout the Yahoo! network of properties.

## **WRITE-DOWN OF INVESTMENTS**

In the third quarter ended October 31, 2000, the Company recorded a pre-tax loss of \$54,564,000 relating to the write-down of investments made primarily in a number of Internet retailers whose decline in fair value was determined by the Company to be other than temporary. The decline in fair value of these companies was driven by their large operating losses and negative cash flow accompanied by an environment not conducive to raising new financing. The major components of the write-down included minority equity investments made in NBCi.com, Petopia.com, SelfCare.com, Roxy.com and BigStar Entertainment, Inc. See Note 7 to Notes To Condensed Consolidated Financial Statements for additional information.

## **RESULTS OF OPERATIONS**

### **NET SALES**

Net sales for the three months ended October 31, 2000 (fiscal 2001) were \$95,241,000 compared with net sales of \$76,575,000 for the three months ended October 31, 1999 (fiscal 2000), a 24% increase. Net sales for the nine months ended October 31, 2000 were \$261,920,000 compared with \$187,592,000 for the nine months ended October 31, 1999, a 40% increase. The increase in net sales is directly attributable to the continued improvement in and increased sales from the Company's television home shopping and Internet operations, which have reported greater than 40% sales increases, over the respective prior year quarters, for the past eight quarters in a row and reported its largest total revenue quarter in the Company's history. Sales attributed to the Company's television home shopping and Internet businesses increased 42% to \$95,241,000 for the quarter ended October 31, 2000 from \$67,177,000 for the comparable prior year period on a 23% increase in average full-time equivalent ("FTE") subscriber homes able to receive the Company's television home shopping programming. On a year-to-date basis, sales attributed to the Company's television home shopping and Internet businesses increased 60% to \$261,920,000 for the nine months ended October 31, 2000 from \$163,552,000 for the comparable prior year period on a 46% increase in average FTE subscriber homes. The growth in home shopping net sales is primarily attributable to the growth in FTE homes receiving the Company's television programming. During the 12-month period ended October 31, 2000 the Company added approximately 4.9 million FTE subscriber homes, a 21% increase. In addition to new FTE subscriber homes, television home shopping and Internet sales increased due to the continued addition of new customers from

households already receiving the Company's television home shopping programming, as well as an increase in repeat sales to existing customers, an increase in the average order size and a 749% year-to-date increase in Internet sales over the prior year. The increase in repeat sales to existing customers experienced during fiscal 2001 was due, in part, to a strengthened merchandising effort under the leadership of ValueVision - TV's general management and the effects of continued testing of certain merchandising and programming strategies. The Company intends to continue to test and change its merchandising and programming strategies with the goal of improving its television home shopping sales results. However, while the Company is optimistic that television home shopping sales results will continue to improve, there can be no assurance that such changes in strategy will achieve the intended results. There were no sales attributed to direct-mail catalog operations in fiscal 2001 as the Company divested its remaining mail order catalog operations in the fourth quarter of fiscal 2000. Sales attributed to direct-mail catalog operations totaled \$9,398,000 or 12% of total net sales for the quarter ended October 31, 1999 and \$24,040,000 or 13% of total net sales for the nine months ended October 31, 1999.

## **GROSS PROFITS**

Gross profits for the third quarter ended October 31, 2000 and 1999 were \$35,362,000 and \$30,610,000, respectively, an increase of \$4,752,000 or 16%. Gross margins for the three months ended October 31, 2000 and 1999 were 37.1% and 40.0%, respectively. Gross profits for the nine months ended October 31, 2000 and 1999 were \$99,040,000 and \$75,604,000, respectively, an increase of \$23,436,000 or 31%. The principal reason for the increase in gross profits was the increased sales volume from the Company's television home shopping and Internet businesses, offset by a decrease in direct mail-order gross profits resulting from the fiscal 2000 divestiture of the Company's remaining direct mail-order catalog operations. Television and Internet gross margins as a percent of net sales for the three months ended October 31, 2000 and 1999 were 37.1% for each period. Television and Internet gross margins as a percent of net sales for the nine months ended October 31, 2000 and 1999 were 37.8% and 37.6%, respectively. Gross margins for the Company's direct mail-order operations for the three and nine months ended October 31, 1999 were 60.6% and 58.4%, respectively. Overall, third quarter and year-to-date television and Internet gross margins remained flat; however, television home shopping merchandise gross margins between comparable periods decreased slightly from prior year primarily as a result of a decrease in the mix of higher margin jewelry merchandise offset by an increase in gross margin percentages in the electronics product category and the addition of airtime sales revenue in fiscal 2001.

## **OPERATING EXPENSES**

Total operating expenses for the three and nine months ended October 31, 2000 were \$31,174,000 and \$91,074,000, respectively, versus \$29,508,000 and \$73,848,000 for the comparable prior year periods. Distribution and selling expense increased \$481,000 or 2% to \$25,347,000 or 27% of net sales during the third quarter of fiscal 2001 compared to \$24,866,000 or 32% of net sales for the comparable prior-year period. Distribution and selling expense increased \$14,075,000 or 23% to \$75,333,000 or 29% of net sales during for the nine months ended October 31, 2000 compared to \$61,258,000 or 33% of net sales for the comparable prior-year period. Distribution and selling expense increased primarily as a result of increases in net cable access fees due to a 46% year-to-date increase in the number of average FTE subscribers over the prior year, increased marketing and advertising fees, and increased costs associated with credit card processing, telemarketing and the Company's ValuePay program primarily resulting from increased sales, offset by decreases in distribution and selling expenses associated with the divestiture of the Company's catalog operations. Distribution and selling expense decreased as a percentage of net sales over the prior year as a result of expenses growing at a slower rate than the increase in television home shopping and Internet net sales over the prior year.

General and administrative expense for the three months ended October 31, 2000 increased \$515,000 or 15% to \$3,879,000 or 4% of net sales compared to \$3,364,000 or 4% of net sales for the three months ended October 31, 1999. For the nine months ended October 31, 2000, general and administrative expense increased \$2,218,000 or 25% to \$11,075,000 or 4% of net sales compared to \$8,857,000 or 5% of net sales for the nine months ended October 31, 1999. General and administrative expense increased from the prior year primarily as a result of increases in personnel costs, travel and information systems costs, including increased consulting and placement fees. General and administrative expense decreased as a percentage of net sales as a result of the increase in net sales over the prior year.

Depreciation and amortization expense for the three months ended October 31, 2000 was \$1,948,000 versus \$1,278,000, representing an increase of \$670,000 or 52% from the comparable prior-year period. Depreciation and amortization expense for the nine months ended October 31, 2000 was \$4,666,000 versus \$3,733,000, representing an increase of \$933,000 or 25% from the comparable prior-year period. Depreciation and amortization expense as a percentage of net sales was 2% for the three and nine-month periods ended October 31, 2000 and 1999. The dollar increase is primarily due to increased depreciation on fixed assets and increased amortization over the prior year associated with the Company's NBC cable distribution and marketing agreement, offset by a reduction in depreciation expense in connection with the divestiture of the Company's direct-mail catalog operations and divested television broadcast stations.



## OPERATING INCOME

For the three months ended October 31, 2000, the Company reported operating income of \$4,188,000 compared to operating income of \$1,102,000 for the three months ended October 31, 1999, an improvement of \$3,086,000 or 280%. For the nine months ended October 31, 2000, the Company reported operating income of \$7,966,000 compared to operating income of \$1,756,000 for the nine months ended October 31, 1999, an improvement of \$6,210,000 or 354%. The improvement in quarterly and year-to-date operating income over the prior year is directly attributed to the overall operating improvements in the Company's television home shopping and Internet businesses which improved by approximately \$3,234,000 or 338% and \$6,235,000 or 357% for the three and nine months ended October 31, 2000, respectively. These improvements were slightly offset by reductions in operating income for the same respective periods of \$148,000 and \$25,000 related to the Company's divested catalog operations. Operating income improved as a result of increased sales and gross profits from the Company's television home shopping and Internet businesses with a minor positive contribution due to a decrease in operating expenses over prior year resulting from the divestiture of the Company's direct-mail catalog businesses. These operating income improvements were offset by increased distribution and selling expense, increased general and administrative expense associated with the Company's e-commerce initiatives, increases in fixed asset depreciation associated primarily with newly implemented computer systems and the increased amortization expense associated with the Company's NBC cable distribution and marketing agreement.

## NET INCOME (LOSS)

For the three months ended October 31, 2000, the Company reported a net loss available to common shareholders of (\$36,805,000) or (\$.95) per share on 38,644,000 weighted average common shares outstanding compared with net income available to common shareholders of \$17,166,000 or \$.37 per share on 46,295,000 diluted weighted average common shares outstanding (\$.46 per share on 37,044,000 basic shares) for the quarter ended October 31, 1999. The net loss available to common shareholders for the quarter ended October 31, 2000 includes a pre-tax loss of \$54,564,000 related to the write-down of investments made primarily in a number of Internet retailers whose decline in fair value was determined by the Company to be other than temporary and pre-tax losses totaling \$32,000 recorded on the sale and holdings of the Company's property and investments. Net income available to common shareholders for the quarter ended October 31, 1999 includes a pre-tax gain of \$23,250,000 from the sale of two television stations serving the Houston, Texas market, a \$1,741,000 pre-tax loss related to an investment made in 1997 and a net pre-tax gain totaling \$1,942,000 recorded on the sale and holdings of the Company's property and investments. For the quarter ended October 31, 2000, the net loss also included a pre-tax loss of \$1,288,000 related primarily to the Company's equity interest in Ralph Lauren Media LLC and interest income totaling \$3,848,000 earned on the Company's cash and short-term investments.

Excluding the net gains/losses on the sale and holdings of property and investments and other one-time charges, net income available to common shareholders for the quarter ended October 31, 2000 totaled \$4,174,000, or \$.09 per diluted share (\$.11 per basic share), compared to net income available to common shareholders of \$2,854,000, or \$.06 per diluted share (\$.08 per basic share) for the quarter ended October 31, 1999, an improvement of \$1,320,000 or 46%.

For the nine months ended October 31, 2000, the Company reported a net loss available to common shareholders of (\$30,528,000) or (\$.79) per share on 38,541,000 weighted average common shares outstanding compared with net income available to common shareholders of \$24,513,000 or \$.65 per share on 37,940,000 diluted weighted average common shares outstanding (\$.79 per share on 30,903,000 basic shares) for the nine months ended October 31, 1999. Net loss available to common shareholders for the nine months ended October 31, 2000 includes a pre-tax loss of \$55,147,000 related to the write-down of investments made primarily in a number of Internet retailers whose decline in fair value was determined by the Company to be other than temporary and pre-tax losses totaling \$102,000 recorded on the sale and holdings of the Company's property and investments. Net income available to common shareholders for the nine months ended October 31, 1999 includes a pre-tax gain of approximately \$23,250,000 relating to the sale of two television stations serving the Houston, Texas market, a pre-tax gain of \$9,980,000 relating to the receipt of a contingent payment in connection with the Company's sale of a television stations in March 1998, a net pre-tax gain of \$1,284,000 recorded on the sale and holdings of the Company's property and investments and a pre-tax loss of \$1,741,000 related to an investment made in 1997. For the nine-month period ended October 31, 2000, the net loss also included a pre-tax loss of \$1,694,000 related primarily to the Company's equity interest in Ralph Lauren Media LLC and interest income totaling \$11,335,000 earned on the Company's cash and short-term investments.

Excluding the net gains/losses on the sale and holdings of property and investments and other one-time charges, net income available to common shareholders for the nine months ended October 31, 2000 totaled \$10,863,000, or \$.23 per diluted share (\$.28 per basic share), compared to net income available to common shareholders of \$4,522,000, or \$.12 per diluted share (\$.15 per basic share) for the nine months ended October 31, 1999, an improvement of \$6,341,000 or 140%.

For the nine months ended October 31, 2000 and 1999, net income (loss) reflects an income tax provision (benefit) at an effective tax rate of 19.5% and 39%, respectively. The lower effective tax rate for fiscal 2001 results primarily from the timing of future tax benefits relating to certain public investments included in the third quarter investment write-down and an increase in the mix of interest income generated from tax-free, short-term investments over prior year.

### **PROGRAM DISTRIBUTION**

The Company's television home-shopping programming was available to approximately 35.5 million homes as of October 31, 2000, as compared to 33.1 million homes as of January 31, 2000 and to 31.0 million homes as of October 31, 1999. The Company's programming is currently available through affiliation and time-block purchase agreements with approximately 350 cable or satellite systems. In addition, the Company's programming is available unscrambled to homes equipped with satellite dishes and is broadcast full-time over eleven Company-owned, low-power television stations in major markets. As of October 31, 2000 and 1999, the Company's programming was available to approximately 27.9 million and 23.0 million FTE households, respectively. As of January 31, 2000, the Company's programming was available to 25.0 million FTE households. Approximately 23.3 million and 15.8 million households at October 31, 2000 and 1999, respectively, received the Company's programming on a full-time basis. Homes that receive the Company's television home shopping programming 24 hours per day are counted as one FTE each and homes that receive the Company's programming for any period less than 24 hours are counted based upon an analysis of time of day and day of week. The Company's television home shopping programming is also broadcast live 24 hours a day, 7 days a week through its Internet shopping website ([www.vtv.com](http://www.vtv.com)) which is not included in total FTE households.

### **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

As of October 31, 2000, cash and cash equivalents and short-term investments were \$267,441,000, compared to \$294,643,000 as of January 31, 2000, a \$27,202,000 decrease. For the nine months ended October 31, 2000, working capital decreased \$21,812,000 to \$309,455,000 driven primarily from the reduction in cash and cash equivalents and short-term investments. The current ratio was 5.4 at October 31, 2000 compared to 7.4 at January 31, 2000. At October 31, 2000, short-term investments and cash equivalents were invested primarily in money market funds, high quality commercial paper with original maturity dates of less than two hundred and seventy (270) days and investment grade corporate and municipal bonds and other tax advantaged certificates with original maturity dates and/or tender option terms ranging from one month to two years. The average maturity of the Company's investment portfolio is approximately 40 days.

Total assets at October 31, 2000 were \$448,595,000, compared to \$471,855,000 at January 31, 2000. Shareholders' equity was \$335,076,000 at October 31, 2000, compared to \$371,921,000 at January 31, 2000, a \$36,845,000 decrease. The decrease in shareholders' equity for the nine-month period ended October 31, 2000 resulted primarily from the recording of the \$30,320,000 net loss for the nine-month period, which was caused specifically by the pretax investment write-down of \$54,564,000, recorded in the third quarter. In addition, shareholders' equity decreased as a result of recording unrealized losses on investments classified as "available-for-sale" totaling \$9,580,000, notes receivable from officers of \$515,000 and accretion on redeemable preferred stock of \$208,000. These decreases were offset by proceeds received of \$3,778,000 related to the exercise of stock options.

For the nine-month period ended October 31, 2000, net cash provided by operating activities totaled \$25,670,000 compared to net cash provided by operating activities of \$378,000 for the nine-month period ended October 31, 1999. Cash flows from operations before consideration of changes in working capital items and investing and financing activities was a positive \$12,632,000 for the nine months ended October 31, 2000, compared to a positive \$5,489,000 for the same prior-year period. Net cash provided by operating activities for the nine months ended October 31, 2000 reflects net loss, as adjusted for depreciation and amortization, unrealized losses on trading securities, equity in losses of affiliates and gains (losses) on the sale of property and investments. In addition, net cash provided by operating activities for the nine months ended October 31, 2000 reflects increases in accounts receivable, inventories, prepaid expenses and income taxes receivable, offset by an increase in accounts payable and accrued liabilities. Accounts receivable increased primarily due to the increase in net sales. Inventories increased from year-end to support increased sales volume, to prepare for the fourth quarter holiday season and as a result of the timing of merchandise receipts. Prepaid expenses increased primarily as a result of the timing of prepaid cable access fees and increases in prepaid advertising. The increase in accounts payable and accrued liabilities is a direct result of the increase in inventory levels and the timing of vendor payments. The increase in income taxes receivable is a result of the year-to-date net loss recorded.

Net cash used for investing activities totaled \$71,174,000 for the nine months ended October 31, 2000 compared to net cash provided by investing activities of \$23,198,000 for the same period of fiscal 2000. For the nine months ended October 31, 2000 and

1999, expenditures for property and equipment were \$20,380,000 and \$2,369,000, respectively. Expenditures for property and equipment during the periods ended October 31, 2000 and 1999 primarily include capital expenditures made for the Company's distribution facility and new customer service and call center site in connection with the Ralph Lauren Media service agreement, the upgrade and conversion of new computer software, related computer equipment and other office equipment, web page development costs, warehouse equipment, production equipment and expenditures on leasehold improvements. Principal future capital expenditures include the upgrade of television production and transmission equipment and the upgrade and replacement of computer software, systems and related computer equipment associated with the expansion of the Company's home shopping business and e-commerce initiatives. Included in property expenditures for the nine months ended October 31, 2000, is approximately \$13,000,000 of additional investments made to the Company's Bowling Green, Kentucky distribution facility and new customer service and call center site in preparation for its Ralph Lauren Media service agreement obligations. In the first nine months of fiscal 2001, the Company invested \$166,992,000 in various short-term investments, received proceeds of \$152,374,000 from the sale of short-term investments, received proceeds of \$335,000 from the sale of property and investments, made disbursements of \$36,336,000 for certain investments and other long-term assets including approximately \$13,000,000 for the Company's equity interest in Ralph Lauren Media, made a \$515,000 loan to an officer of the Company and received \$325,000 in connection with the repayment of outstanding notes receivable. During fiscal 2000, the Company received \$28,130,000 in proceeds from the sale of its full-power television station KVVV-TV and K53 FV low-power station to Pappas Telecasting Companies. During fiscal 2000, the Company also received a contingent payment of \$10,000,000 relating to the sale of television station KBGE-TV and two low power television stations. In addition, during the first nine months of fiscal 2000, the Company invested \$299,609,000 in various short-term investments, received proceeds of \$279,275,000 from the sale of short-term investments, received \$1,436,000 in connection with the repayment of outstanding notes receivable, made disbursements of \$5,719,000 for certain investments and other assets and received proceeds of \$12,054,000 from the sale of property and other investments.

Net cash provided by financing activities totaled \$3,778,000 for the nine months ended October 31, 2000 and related to proceeds received from the exercise of stock options. Net cash provided by financing activities totaled \$226,048,000 for the nine months ended October 31, 1999 and primarily related to \$178,370,000 of proceeds received from GE Equity on the issuance of 10,674,000 shares of common stock and \$44,265,000 of proceeds received from the issuance of Series A Redeemable Convertible Preferred Stock in conjunction with the Company's strategic alliance with GE Equity. In addition, the Company also received proceeds of \$3,568,000 from the exercise of stock options and made payments of \$155,000 in connection with its capital lease obligations.

Management believes that funds currently held by the Company will be sufficient to fund the Company's operations, anticipated capital expenditures, strategic investments and cable launch fees through fiscal 2001.

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

#### **PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

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

In addition to any specific risks and uncertainties discussed in this Form 10-Q, the risks and uncertainties discussed in detail in the Company's Form 10-K for the fiscal year ended January 31, 2000, specifically under the caption entitled "Risk Factors", provide information which should be considered in evaluating any of the Company's forward-looking statements. In addition, the facts and circumstances that exist when any forward-looking statements are made and on which those forward-looking statements are based may significantly change in the future, thereby rendering obsolete the forward-looking statements on which such facts and circumstances were based.

## VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

### PART II OTHER INFORMATION

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Amendment No. 1 to Amendment and Restated Employment Agreement dated October 9, 2000 between the Registrant and Mr. McCaffery. +

10.2 Trademark License Agreement, dated as of November 16, 2000 between the Registrant and NBC.

10.3 Warrant Purchase Agreement dated as of November 16, 2000 between the Registrant and NBC.

10.4 Common Stock Purchase Warrant dated November 16, 2000 issued to NBC to purchase shares of the Registrant.

27 Financial Data Schedule (electronic filing only).

(b) Reports on Form 8-K

(i) The Registrant filed a Form 8-K on November 16, 2000 reporting under Item 5, that the Registrant announced that effective November 16, 2000, the Company had entered into a Trademark License Agreement with NBC pursuant to which NBC granted the Company an exclusive, worldwide license for a term of 10 years to use certain NBC trademarks, service marks and domain names to rebrand the Company's business and corporate name. In connection with the License Agreement, the Company issued to NBC warrants to purchase 6,000,000 shares of the Company's common stock at an exercise price of \$17.375 per share.

+ Management compensatory plan / arrangement

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

*/s/ Gene McCaffery*

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*Gene McCaffery*  
*Chief Executive Officer*  
*(Principal Executive Officer)*

*/s/ Richard D. Barnes*

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

*December 13, 2000*

**EXHIBIT 10.1**

**AMENDMENT NO. 1 TO  
AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

THIS AMENDMENT NO. 1, dated as of October 9, 2000 ("Amendment No. 1"), to the Amended and Restated Employment Agreement, dated as of December 2, 1999 (the "Agreement"), by and between ValueVision International, Inc., a Minnesota corporation ("Employer") and Gene McCaffery ("Employee"). All capitalized terms not defined in this Amendment No. 1 shall have the meaning given such term in the Agreement, unless the context requires otherwise.

**WITNESSETH:**

WHEREAS, Employer and Employee previously entered into the Agreement, pursuant to which Employer currently employs Employee pursuant to the terms and conditions of the Agreement;

WHEREAS, Employer and Employee each have determined that it would be to the advantage and best interest of Employer and Employee to enter into this Amendment No. 1 to extend the term of the Agreement and to supplement and modify certain of Employer's and Employee's obligations and responsibilities under the Amendment;

WHEREAS, this Amendment No. 1 supplements, modifies and amends certain provisions of the Agreement, but except as specifically so amended herein, the Agreement shall continue in full force and effect including, without limitation, the grant of stock options in the amount of 100,000 shares of Employer's common stock pursuant to section 4(e) of the Agreement, which options have vested in accordance with their terms; and

WHEREAS, as provided in the Agreement, the Original Options shall not be superseded by the Agreement or this Amendment No. 1 and shall be in effect as provided in the Original Agreement, such Original Options being heretofore vested for all purposes of Section 4.e. of the Original Agreement.

NOW, THEREFORE, in consideration of the premises and mutual promises contained in this Amendment No. 1, the parties hereto agree as follows:

1. Extended Term of Employment. Section 2, "Term", of the Agreement is amended by deleting the first sentence of the Section and replacing it with the following:

"Employee's employment under this Agreement, as amended by Amendment No. 1, in lieu of the Original Agreement shall commence on December 2, 1999 and shall continue on a full-time basis until April 1, 2004 (the "Term"), unless earlier terminated as hereinafter provided. The period from December 2, 1999 until March 31, 2001 is referred to as the "Initial Term", and the period from April 1, 2001 until April 1, 2004 is referred to as the "Extended Term".

2. Compensation - Base Salary. Section 4.a., "Compensation - Base Salary" is amended by deleting the sentence and replacing it with the following:

"Employee shall receive a base salary of Seven Hundred Fifty Thousand and no/100 Dollars (\$750,000) during each year of the Initial Term. Commencing on the first day of the Extended Term, Employee's base salary shall increase by Fifty Thousand and no/100 Dollars (\$50,000), and shall increase by an additional Fifty Thousand and no/100 Dollars (\$50,000) on each of the first anniversary and the second anniversary of the commencement of the Extended Term. The base salary that Employee is receiving at any given time shall be referred to as the "Base Salary" for purposes of computing Bonus Salary and other benefits hereunder from time to time. All Base Salary shall be payable in accordance with Employer's normal payment schedule for its executive employees."

3. Compensation - Signing Bonus. Section 4.b., "Compensation - Signing Bonus", is amended by adding the following sentences following the first sentence in Section 4.b.:

"Upon execution of this Amendment No. 1, Employee shall be entitled to receive a payment of Five Hundred Thousand and no/100 Dollars (\$500,000) (the "Extended Term Signing Bonus"). In the event that Employee voluntarily terminates his employment during the Employment Period pursuant to Section 6.c. of the Agreement, other than pursuant to Section 6.e. or Section 6.f., then Employee shall repay to the Employer a pro rata portion of the Extended Term Signing Bonus based on the remaining period of the Extended Term at the time of such voluntary termination."

4. Stock Options. A new subsection (ii) shall be added as set forth below, and the existing subsection (ii) shall be redesignated as subsection (iii):

"(ii) As of the date of this Amendment No. 1, Employer shall grant to Employee, employee stock options to purchase an aggregate of Four Hundred and Fifty Thousand and no/100 (450,000) shares of the Employer's Common Stock (the "Extended Period Options"). The Extended Period Options shall be granted under an option agreement between Employer and Employee dated as of the date of this Amendment No. 1, and shall vest and become exercisable by Employee as follows: on each July 1st, October 1st, January 1st and April 1st during the

Extended Term, commencing on July 1st 2001 and ending on April 1st, 2004, options to purchase Thirty-Seven Thousand Five Hundred (37,500) shares shall vest and become exercisable. The Extended Period Options shall have a term of ten (10) years, provided that upon the termination of Employee's employment with Employer, Employee shall have six months from the date of such termination to exercise any such Options. The Extended Period Options shall have a per share exercise price equal to \$22.50, the closing price of one share of common stock of Employer as of the closing price of the Employer's common stock on the last trading day immediately prior to the date of this Amendment No.1.

5. Retention Bonus. The following changes are made to paragraph 4(f) of the Agreement, "Compensation - Retention Bonus". In the first sentence of that paragraph, the word "Term" is changed to "Initial Term"; and the following sentence is added to the end of the paragraph:

"As an additional incentive to retain Employee through the end of the Extended Term, Employer shall pay Employee an additional amount equal to One Million and no/100 Dollars (\$1,000,000) (the "Extended Term Retention Bonus") if (i) Employee remains employed with Employer through the last day of the Extended Term, (ii) Employee is discharged without Cause pursuant to Section 6.f. or (iii) Employee resigns following a Change of Control pursuant to Section 6.f., or (iv) Employee resigns for Employer cause pursuant to Section 6.e. For the avoidance of doubt, the Extended Term Retention Bonus is payable in addition to, and not in lieu of, the Retention Bonus payable to Employee in respect of the Initial Term under the provisions of the first sentence of Section 4.f. hereof."

6. Other Benefits during the Employment Period. The following new section is added as section 5.d. to the end of Section 5, "Other Benefits during the Employment Period":

"5.d. Legal Expenses. Employer shall pay the legal fees and expenses incurred by Employee in connection with the negotiation and preparation of this Amendment No. 1, up to a maximum of Twenty-Eight Thousand Dollars (\$28,000)."

7. Continued Effect of Agreement. Except as specifically amended by this Amendment No. 1, the terms and provisions of the Agreement remain unchanged and the Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Amendment No. 1 to be executed as of the day, month and year first above written.



EMPLOYER:

VALUEVISION INTERNATIONAL, INC.

By: /s/ Marshall S. Geller

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Marshall S. Geller  
Chairman of the Compensation  
Committee

EMPLOYEE:

/s/ Gene McCaffery

-----  
Gene McCaffery

## EXHIBIT 10.2

### TRADEMARK LICENSE AGREEMENT

This Trademark License Agreement ("Agreement") is entered into as of November 16, 2000, between National Broadcasting Company, Inc., a Delaware corporation ("NBC"), and ValueVision International, Inc., a Minnesota corporation ("VV").

WHEREAS, NBC owns rights in and to certain trademarks, service marks and domain names, including without limitation "NBC" and the "NBC Peacock" logo;

WHEREAS, VV currently operates a 24 hour/7 day per week cable television program service, consisting primarily of home shopping and transactional television and an Internet web site which offers for sale products substantially similar to those advertised on such cable television program service;

WHEREAS, NBC desires to grant, and VV desires to obtain, a license to use certain NBC trademarks, service marks and domain names to rebrand its businesses and corporate name, subject to the terms and conditions set forth herein; and

WHEREAS, VV agrees that this Agreement is not intended to adversely impact NBC's core businesses, including without limitation broadcast and Multichannel Television (as defined herein) and the online distribution of content, even if the economic model for such businesses evolves over time from customary advertising to a more direct response or product placement model;

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

#### SECTION 1 - DEFINITIONS

For purposes of this Agreement, in addition to the capitalized terms defined elsewhere herein, the following terms shall have the following respective meanings:

1.1 Advertising. (a) Communications, content and materials in any current or future medium, manner or form that intend to raise consumer or trade awareness and are disseminated by any means of advertising, marketing, publicity, promotion, or identification, whether on a paid basis or free of charge, including, but not limited to, magazines, newspapers, point of purchase, outdoor and transit billboards and signage, speaker podiums, building and other signage, packaging, direct mail materials, commercials, publicity and print materials, public relations materials, press kits, television (including infomercials), radio and other audio and video outlets (including home video), computer, online and interactive services and networks (including click-throughs, banner ads and direct response advertising), theatre, on-air graphics (including channel identification or interstitial elements), classified advertisements; and (b) any other medium or vehicle used for advertisement, publicity or promotion now known or hereafter created that is reasonably acceptable to NBC and consistent with the terms and conditions herein. Advertise shall mean to disseminate, display, distribute or publish Advertising.

1.2 Advertising Materials. Shall have the meaning set forth in Section 6.1.

1.3 Affiliate. With respect to any Person, any Person, directly or indirectly, Controlling, Controlled by or under common Control with such first Person.

1.4 Cable Shopping Service. A nationally-distributed, full-time Multichannel Television service that has as its exclusive or predominant purpose the retail sale to consumers of a broad range of products and shopping-related services across numerous categories from a variety of sources/producers (i.e., at least as many categories and sources/producers as offered via the current VV Cable Shopping Service), including any converged Online Shopping Service.

1.5 Change of Control. The occurrence of any of the following with respect to VV:

(a) Any Person or group (within the meaning of Rule 13d-1 under the Securities Exchange Act of 1934) becomes the beneficial owner of securities representing more than 40% of the aggregate voting power of VV's then outstanding voting securities, as a result of a tender offer or exchange offer, open market purchases, privately negotiated purchases or otherwise;

(b) Any NBC Competitor becomes the beneficial owner of VV securities representing greater aggregate voting power than the VV securities beneficially owned by NBC at such time, whether as a result of a tender offer or exchange offer, open market purchases, privately negotiated purchases or otherwise; provided, however, that if, during the period from the effective date hereof to the date of calculation, NBC (or any Affiliate of NBC to whom NBC has transferred shares of VV capital stock ("NBC Transferred Shares")) disposes of more VV shares (or in the case of an NBC Affiliate, only NBC Transferred Shares) than it acquires, the difference between the shares disposed and the shares acquired shall be added back to NBC's holdings for purposes of determining beneficial ownership pursuant to this clause (b);

(c) Any merger, consolidation or other transaction immediately following which the holder of common equity securities of such Person immediately prior to such transaction does not own securities representing more than 50% of the aggregate voting power of the outstanding voting securities of the resulting or surviving entity; or

(d) A majority of VV's Board of Directors consists at any time of individuals other than (x) the current directors and (y) Persons recommended to become a director by a majority of the current directors or by directors so recommended; or

(e) The sale, exchange or other disposition of all or substantially all of VV's assets.

1.6 Control. With respect to a Person: (A) having the power to elect or appoint, through ownership, membership or otherwise, either directly or indirectly, a majority of such Person's governing body, (B) owning or controlling the right to vote a majority number of the shares of such Person's voting stock or other voting interest, or (C) having the right to direct the general management of the affairs of such Person by contract or otherwise.

1.7 Excluded Affiliates. (i) the CNBC cable networks worldwide, CNBC.com, MSNBC Cable, MSNBC.com; provided, however, that any such entity shall be an Excluded Affiliate only for so long as such entity does not engage in the retail sale of products and shopping-related services to consumers as the exclusive or predominant portion of its business

(excluding financial, business, insurance and related services); (ii) NBC's owned and operated television stations; provided, however, that each such station shall be an Excluded Affiliate only for so long as each station's website or other online activities of each station are directed predominantly at such station's local market; (iii) NBC Sports; (iv) the online site for NBC's bricks and mortar retail business; and (v) NBC Internet, Inc. ("NBCi").

1.8 Exhibition. Shall have the meaning set forth in Section 2.1.

1.9 Interactive Delivery. The delivery of content for use by an end user to a monitor or viewing screen, whereby such delivery occurs by means of telephone lines, cable television systems, optical fiber connections, cellular phones, satellites, electronic media, wireless broadcast or other means of transmission now known or hereafter devised, provided that the end user has the ability to effect substantive content changes during its use via voluntary, selective manipulation. By way of example, "Interactive Delivery" includes the Internet, because a user can selectively manipulate which Internet pages to view within a site, but excludes network television, in the case where a user cannot affect the substantive content being broadcast by a station at a particular time.

1.10 Law. Any foreign, international, multinational, federal, state or local law, rule, regulation, directive, injunction, standard, code, limitation, restriction, condition, prohibition, notice, demand or other requirement, determination, decision, order or ruling of a court, other governmental authority.

1.11 Licensed Advertising. Shall have the meaning set forth in Section 6.2.

1.12 Licensed Services. Cable Shopping Services and the Online Shopping Services.

1.13 Multichannel Television. Any transmission of video and audio to individual or multiple television receivers by cable, wire or fiber, cable television, master antenna, satellite master antenna, multi-channel multi-point distribution services or microwave system, or direct-to-home or direct broadcast satellite services; provided, however, that Multichannel Television shall not include transmission by Interactive Delivery.

1.14 NBC Competitor. Any Person, division or operation (and all Affiliates thereof) in which NBC does not have direct or indirect ownership of 5% or more, a principal business of which is the distribution of (i) broad-based audio and/or visual content and or (ii) video content, in each case through a monitor or viewing device (whether the distribution is through broadcast or cable, optical fiber connections, satellite, wireless broadcast or any other means of transmission now known or hereafter devised), and whether on one or more channels, across several different types of content (such as news, business news/finance, sports, comedies, talk shows, movies, dramas or children's programming) on a scale and in a territory such that the business could reasonably be considered to compete with NBC and its Affiliates. The parties agree that, as of the date hereof, the NBC Competitors include (a) Time Warner, CBS/Viacom, News Corp., Disney, and USA Networks, and (b) America Online, Microsoft, Lycos and Yahoo; provided, however, if NBC's ownership of NBCi or any successor, falls below 15% on a fully diluted basis, America Online, Lycos, Yahoo and/or any other Person, division or operation whose principal business is the online distribution of original content shall no longer be deemed

"NBC Competitors" unless at that time they fall within definition (ii) referenced in sentence one of this paragraph.

1.15 NBC Marks. The trademarks and service marks "NBC" in block letters, the NBC Peacock logo and the NBC Chimes.

1.16 New Marks. The trademarks, service marks, logos, corporate names, trade names and/or domain names specifically set forth on Schedule A and as otherwise mutually and reasonably agreed by NBC and VV from time to time after the date hereof for use in connection with the VV Permitted Businesses.

1.17 Online Shopping Service. A nationally-targeted, full-service (i.e. consumer interface, inventory and fulfillment), online destination that has as its exclusive or predominant purpose the retail sale to consumers of a broad range of products and shopping-related services across numerous categories from a variety of sources/producers (i.e., at least as many categories and sources/producers as offered via the current VV Online Shopping Services and competing online home shopping services), including any converged Cable Shopping Service.

1.18 Permitted Businesses. Cable Shopping Services, Online Shopping Services and any other permitted lines of businesses set forth on Schedule B hereto.

1.19 Person. Any individual, corporation, limited liability company, general or limited partnership, joint venture, association, joint stock company, trust, unincorporated business or organization, government or agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

1.20 Standards and Practices. NBC's Broadcast Standards and Practices as in effect from time to time and as determined by NBC in its sole discretion, in each case as NBC would apply to any material or content that is broadcast on NBC Television Network or delivered over the Internet, as the case may be.

1.21 Term. Shall have the meaning set forth in Section 9.1.

1.22 Territory. The world, subject to Section 3.

1.23 VV Cable Shopping Service. The Cable Shopping Service that is presently known as "ValueVision Television" and is to be rebranded with the New Mark hereunder, and including (i) part-time carriage of ValueVision Television and (ii) programs produced by ValueVision Television, and any segments or extensions of ValueVision Television.

1.24 VV Online Shopping Service. The Online Shopping Service that is currently known as VVTV.com and currently located on the World Wide Web of the Internet at vvtv.com.

1.25 VV Permitted Businesses. The VV Cable Shopping Service, the VV Online Shopping Service and VV's operation of the permitted lines of businesses set forth on Schedule B.

## SECTION 2 - GRANT OF LICENSE

2.1 Grant. Subject to the terms and conditions contained herein, NBC hereby grants to VV, and VV hereby accepts from NBC an exclusive, non-transferable (except as provided in Section 12.1) license in the Territory (the "License") to use the New Marks: (a) in connection with the dissemination, display, distribution, exhibition, transmission and other publication, Licensed Advertising, marketing and promotion ("Exhibition") of the VV Permitted Businesses; (b) in connection with the sale of goods and services as part of VV's conduct of the Permitted Businesses; (c) as VV's new corporate and trade name; and (d) as part of new domain name (s) and URL(s). After the date hereof, the parties shall mutually agree on the selection of the New Marks, and VV shall not use any trademarks, service marks, domain names, logos or other source indicators owned or controlled by NBC or its Affiliates in connection with the VV Permitted Businesses before such mutual agreement. Notwithstanding anything to the contrary set forth herein, VV agrees that this Agreement is not intended to have any restrictive effect on or to limit in any way NBC's or its business operations.

2.2 Sublicenses. (a) Subject to the terms and conditions contained herein and the prior written consent of NBC (which shall not be unreasonably withheld or delayed), during the Term, VV may sublicense the License only as follows: (i) as required to create Licensed Advertising; (ii) to use the New Marks in connection with VV's conduct of VV Permitted Businesses, without any changes thereto, and (iii) in any program guide or other channel listing containing the VV Cable Shopping Service.

(b) Any purported sublicense granted without NBC's prior approval shall be null and void ab initio and of no force and effect. To fulfill its obligations regarding NBC's approval, VV and NBC shall cooperate in good faith to create a form of sublicense agreement to be used with authorized sublicensees. If NBC approves such form, VV need not resubmit the form for approval when it is executed with new sublicensees; provided that no non-trivial changes are made to such form and provided further that VV provides NBC with all executed sublicenses promptly thereafter.

2.3 Restrictions. (a) VV shall not use (i) the New Marks other than as expressly authorized hereunder, and (ii) any marks owned or controlled by NBC, including the NBC Mark, other than the New Marks as expressly authorized hereunder. Without limiting the generality of the foregoing, without the prior written consent of NBC, which may be withheld in its sole discretion, VV shall not use the New Marks (i) in connection with any goods, services or programs other than the VV Permitted Businesses, (ii) on or in connection with any specific goods or merchandise; (iii) for any other branding, merchandising or related activities and/or (iv) in connection with sponsoring or hosting, either directly or indirectly, any online auction, market, bazaar or any other forum in which consumers, not established retail businesses, are the source of sold merchandise.

(b) VV further agrees that it will not enter into any Co-Branding Agreement using the New Marks without NBC's written consent, which may be withheld in its sole discretion. For purposes of this Section 2.3(b) alone, a "Co-Branding Agreement" shall mean an

arrangement pursuant to which one party authorizes another party to use the brands or trademarks of the first party in connection with the other party's property, products or services. Notwithstanding the foregoing, the parties understand and agree that the distribution (including, without limitation, video streaming) and promotion of solely the content of the Licensed Services on the Internet, or any successor technology, through a third party distributor does not constitute a Co-Branding Agreement, so long as VV does not grant to any such third party distributor any use of the NBC Marks other than for the limited purpose of distributing and promoting through customary promotional technologies and techniques now or hereafter developed the content of the Licensed Services and the properties on which they appear, but only to the extent such promotion relates directly to the availability of the Licensed Services on such properties.

(c) VV agrees to use the New Marks exactly as such words, terms or logos appear on Schedule A, and not to modify, stylize, translate or combine them with other trademarks, service marks, domain names, logos or source indicators without NBC's prior written consent, which may be withheld in its sole discretion.

2.4 Retention of Rights. All rights not expressly granted to VV herein are expressly reserved to NBC. Without limiting the generality of the foregoing and except as provided in Section 3:

(a) NBC and its Affiliates retain the right to engage in any business anywhere in the world; provided, however, that NBC and its Affiliates (other than the Excluded Affiliates) shall not use the New Marks in connection with the Permitted Businesses during the Term. This right shall include, without limitation the right to use the NBC Mark (but not the New Marks) anywhere in the world for any and all purposes other than branding Licensed Services, including:

(i) Advertising products and services, (ii) creating, producing, licensing or Exhibiting television, online or interactive programming, including interactive and enhanced television, and (iii) engaging in other electronic commerce, other Online Shopping Services and "brick and mortar" retail services. For the avoidance of doubt, VV acknowledges that NBC and its Affiliates (excluding the Excluded Affiliates) may use the NBC Mark (but not the New Mark) to sell, offer to sell, or Advertise proprietary or third-party merchandise on television (including enhanced or interactive television) or online, and that such activities shall not violate the exclusivity of the License provided that such activities are not actually Licensed Services.

(b) For the avoidance of doubt, without limiting the generality of the foregoing, the Excluded Affiliates may use the NBC Mark (but not the New Marks) for any legitimate business purpose, including in connection with Licensed Services, anywhere in the world.

### SECTION 3 -TERRITORY

3.1 Territory. The territory of this License shall be worldwide.

3.2 Territory Outside the United States. (a) During the Term, in any Territory which falls outside the United States where VV conducts a Licensed Service, VV and NBC agree that VV must meet certain minimum performance targets, which shall be mutually agreed on by the parties for any given country or jurisdiction as further described below. If (i) VV is not engaged

in a Licensed Service or is engaged in a Licensed Service which does not meet the applicable performance targets in a jurisdiction (other than a jurisdiction in the United States) within 12 months of the date of the parties' mutual agreement on such performance target for such country or jurisdiction, and (ii) NBC has a proposed bona fide use for the NBC Marks branding a Licensed Service in such jurisdiction or has received a bona fide offer from a third party to use the NBC Marks branding a Licensed Service in such jurisdiction, and (iii) NBC desires to use the NBC Marks for such use in such jurisdiction or license the NBC Marks to such third party in such jurisdiction, then NBC may provide written notice to VV describing in reasonable detail such proposed use or such proposed license of the NBC Marks. VV shall have 30 days to notify NBC that VV has a proposed bona fide use and can demonstrate in reasonable detail a business plan for use of the New Marks in such jurisdiction within four months from the date of such notice. Upon such notice, the parties shall mutually agree on minimum performance targets and dates for VV's operation there and execute an agreement with respect thereto (the "Performance Targets"). If VV does not timely notify NBC in this regard, if the two parties cannot negotiate such agreement in good faith in a reasonable time, or as otherwise pursuant to such negotiated agreement, such country or jurisdiction shall be removed from the definition of "Territory" hereunder and NBC shall have the right (but not the obligation) to use or allow others to use the NBC Marks to engage in any Licensed Service in such new country or jurisdiction. The provisions of this Section 3 shall not be construed so as to limit or qualify in any manner the retention of rights set forth in Section 2.4 herein with respect to the Excluded Affiliates. If VV does not respond to NBC within 30 days of receiving NBC's written notice of proposed use, or the proposed license of the NBC Marks within the jurisdiction, then NBC shall be entitled to use the NBC Marks, or license the NBC Marks, within such jurisdiction as proposed in the notice to VV.

(b) In the event that a country or jurisdiction has been removed from the definition of "Territory" hereunder pursuant to operation of Section 3.2(a) (a "Removed Territory"), and VV subsequently has a proposed bona fide use of the New Marks for Licensed Services in such Removed Territory and can demonstrate in reasonable detail a reasonable business plan for such use within the next twelve (12) months, then VV may provide written notice to NBC of such proposed use. NBC shall then be required to demonstrate to VV that the users of the NBC Marks engaging in Licensed Services in such Removed Territory, no later than 12 months following the date of receipt of written notice from VV, are meeting the applicable minimum performance targets for such Removed Territory as were mutually agreed between VV and NBC prior to such Removed Territory being removed from the definition of Territory; or, if no minimum performance targets were mutually agreed between NBC and VV prior to such removal, then the applicable performance target for purposes of this subsection 3.2 (b) shall be the last performance target that had been proposed by NBC prior to the determination to remove the Removed Territory from the definition of Territory. If NBC is unable to demonstrate that either NBC or the applicable users of the NBC Marks in the Removed Territory are meeting the applicable minimum performance targets at the end of the 12-month period, then the Removed Territory shall be again included in the definition of Territory, and VV shall have the rights with respect to such formerly Removed Territory as otherwise set forth in this Agreement, including without limitation, Section 3.2(a).

#### SECTION 4 - CONSIDERATION



As consideration for the License, NBC (i) shall receive, inter alia, a warrant to purchase six million (6,000,000) shares of common stock, par value \$0.01 per share, of VV at a price of \$17.375 per share, and (ii) NBC and VV shall enter into the Warrant Purchase Agreement in the form attached hereto as Exhibit A, Amended and Restated Registration Rights Agreement in the form attached hereto as Exhibit B, and Amendment No. 1 to the Shareholder Agreement dated as of April 15, 1999 among VV, NBC and GE Capital Equity Investments, Inc. ("GECEI") in the form attached hereto as Exhibit C. No additional royalties shall be due to NBC hereunder.

## SECTION 5 - VV'S OBLIGATIONS

5.1 Licensed Services. VV and NBC agree that (i) the VV Cable Shopping Service shall consist of at least one full-time, 7 day per week Multichannel Television programming service, (ii) the VV Online Shopping Service shall consist of a continuously broadcast Online Shopping Service that complies with the service level standards set forth on Schedule D, and (iii) from and after the date on which VV commences commercial use of the New Marks, VV shall use only the New Marks for branding any Licensed Services, and shall have the right, but not the obligation to use the New Marks in connection with other VV Permitted Businesses. For so long as the VV corporate name includes the New Marks, without the prior written consent of NBC, which may be withheld at its sole discretion, VV shall not, either directly or indirectly, own, operate, acquire or expand its business to include any businesses other than the VV Permitted Businesses.

5.2 Compliance. VV shall, at its sole expense, ensure that the operation of the VV Permitted Businesses (including the Advertising and Exhibition of all proprietary and third-party content therein) complies at all times with (a) all Laws materially affecting the Licensed Services or the VV Permitted Businesses that VV is conducting at the time; and (b) sound industry practice, including those respecting (i) intellectual property rights (including copyrights, patents and trademarks, moral rights, publicity and privacy rights); (ii) obscenity, pornography, profane and indecent material; (iii) illegal, abusive, threatening or harassing speech or content; (iv) advertising, sweepstakes, lotteries and gambling; (v) defamation, libel, slander and disparagement; and (vi) consumer protection, fraud, trade practices, direct marketing and solicitation in any media (including facsimile, telephone and mail) and consumer data, disclosure and privacy; and (c) the GE Integrity Policy, NBC's Privacy Policies and Standards and Practices (each of which are set forth on Schedule E) and (d) following reasonable prior notice to VV, any other related NBC guidelines or policies issued from time to time in its reasonable discretion that are generally applicable to NBC and its Affiliates.

5.3 Quality of Services. VV shall (i) operate first-class VV Permitted Businesses (including the sale of products and services, Advertising and Exhibition of content) at a level of quality, performance, customer satisfaction and utility consistent with the current reputation of NBC; (ii) Exhibit and sell only the highest quality products from reputable manufacturers and create only the highest quality Advertising Materials; (iii) not Exhibit or sell products or create Advertising Materials which, taken as a whole, are of lesser quality than those products currently sold on, or the Advertising Materials currently affiliated with, the VV Cable Shopping Service and VV Online Shopping Service; (iv) maintain the highest standards of customer support and

fulfillment (including any set forth in a separate agreement between the parties or on Schedule C); and (v) ensure all Advertising Materials, advertisers, co-sponsors, affiliates and other third parties publicly affiliated with the VV Permitted Businesses shall be consistent with NBC's reputation as a first-class media and entertainment company. NBC acknowledges that the current operation of the VV Cable Shopping Service and the VV Online Shopping Service as of the date hereof satisfies all of VV's obligations under this Section 5.3.

5.4 Prohibited Services. Without limiting the generality of Section 5.3, VV shall not Advertise, Exhibit or sell any: (i) products or services that are prohibited by, do not comply or are inconsistent with the Standards and Practices (which are included in Schedule E) or any other NBC guidelines or policies as described in Section 5.2(d); (ii) weapons or ammunition of any kind, including handguns; (iii) pornography, obscenity, sexually explicit or sexually themed materials; (iv) materials offensive to reasonable persons due to concerns based upon race, creed, gender, sexual orientation, ethnicity, religion or national origin; (v) hard liquor; (vi) cigarettes and other tobacco products and paraphernalia associated with the use of illegal drugs; (vii) goods or services associated with gambling or lotteries; provided, however, that VV may Exhibit or sell vacations to legal gaming sites, such as Las Vegas, and engage in similar promotional activities, including, but not limited to, promotional sweepstakes consistent with VV's past business practices, consistent with the policies and guidelines set forth in Section 5.2 and Schedule D; and/or (viii) other goods or services which would not be accepted for advertising on the NBC Television Network according to the then-current guidelines and policies.

5.5 Trademark Standards. VV agrees to use the New Marks in good faith and in a manner that (i) complies with the Standards and Practices and any other NBC guidelines or policies as described in Section 5.2(d) issued from time to time in its reasonable discretion; (ii) is consistent with NBC's reputation as a first-class media and entertainment company; (iii) is consistent with good trademark practice in the applicable country or jurisdiction.

5.6 Notice. VV agrees to include on all Exhibitions of the New Marks all notices and legends required by applicable Laws to preserve their validity and NBC's rights therein, including those notices and legends requested by NBC.

5.7 Internet Business. From the date hereof until the earlier of (a) the expiration of this Agreement, or (b) the termination or expiration of all restrictions on NBC and its subsidiaries existing as of the date hereof with respect to the operation of any Internet Business, VV shall not, either directly or indirectly, own, operate, acquire or expand its business such that its Primary Business is to operate an Internet Business. For purposes of this

Section 5.7, (i) the "Primary Business" of a Person means a business that (a) generates at least one third of that Person's revenues and more revenues than any subsidiary, other business, division or operation of such Person or (b) accounts for at least one third of that Person's value and more value than any other subsidiary, business, division or operation of such Person; and (ii) "Internet Business" means (a) an information, navigation and content aggregation service distributed, all or substantially all, through the Internet that provides, across more than six topics of general interest that do not relate to each other or to a common topic, a combination of all or substantially all of the following: Internet searching, content aggregation, topical interest categories and web directories, (b) a broad-based community service distributed, all or substantially all, through the

Internet that offers its members homepages, e-mail and chat rooms and may offer, in some cases, message boards, clip art, software libraries and/or online greeting cards; or (c) a service of direct marketing a broad range of third party products and services through Internet e-mail to registered members of such service.

## SECTION 6 - ADVERTISING

6.1 Right to Review. VV shall notify NBC in advance of the proposed Exhibition of any new (i) series or groups of Advertisements to consumers or the trade; (ii) media or press kits; or (iii) sales presentations or templates therefor, in any form or media and shall have prepared to submit to NBC fair and reasonable representative samples of all materials and content in any form or media to be used in connection with any such Advertising (e.g., trade gifts, Internet site content, scripts, story boards, promotional items, sales sheets, binders and press kits) ("Advertising Materials"). NBC has the right, but not the obligation, to review in advance any proposed Advertising relating to the VV Permitted Businesses.

6.2. Approval. NBC shall notify VV within ten (10) days of its receipt of written notice from VV in accordance with Section 6.1 if NBC wishes to review any such Advertising Materials. NBC shall be deemed to approve automatically any of the foregoing that it declines to review hereunder. NBC shall approve or disapprove any submitted Advertising Materials, or notify VV that it needs additional time to consider the request, within ten (10) days of its receipt thereof, or such submissions shall be deemed approved automatically; provided, however, that such Advertising Materials comply with all terms and conditions hereof, including those in Section 5 herein. Notwithstanding the foregoing, if VV requests expedited review of such submitted Advertising Materials due to extraordinary circumstances, NBC shall use all commercially reasonable efforts to approve or disapprove of any such submitted Advertising Materials within the next 24 hours of the standard business week (i.e., Monday-Friday, 9 a.m.-5 p.m. local time). Advertising Materials approved (or deemed to be approved) by NBC pursuant to this Section 6.1 shall be deemed "Licensed Advertising" hereunder and need not be resubmitted for approval, unless they are materially changed and/or NBC later revokes such approval for any reason. Any such revocation shall not be retroactive and shall be effective upon ten (10) days written notice to

VV. VV shall not exhibit any Advertising Materials with respect to the VV Permitted Businesses that are not Licensed Advertising. It is agreed and understood that NBC's approval of Advertising Materials, so long as the Advertising Materials are in full compliance with the standards and provisions set forth in Section 5 hereof and the use of the New Mark(s) in such Advertising Materials is in full compliance with Section 2.3 (b) hereof, shall not be unreasonably withheld (and in particular shall not be unreasonably withheld on the basis of creative differences between NBC and VV).

6.3 Samples. Upon NBC's reasonable request, VV, at its sole cost and expense, shall deliver to NBC within five (5) business days (or sooner, if justified under the circumstances) reasonable samples of applicable Licensed Advertising as Exhibited to the public.

6.4 NBC's Obligations. NBC shall use commercially reasonable efforts to support VV's overall advertising and marketing plans, in terms of providing general advice to VV from time to time. VV shall reimburse NBC's reasonable out-of-pocket expenses in this regard. NBC

and VV shall explore in good faith other opportunities to integrate and cross-promote their respective programming. To the extent VV requests further advertising assistance from NBC beyond the above general advice, the parties shall use commercially reasonable efforts to negotiate a separate agreement, pursuant to which NBC shall provide such assistance to VV for additional consideration. If such negotiations fail to result in an executed agreement, NBC shall have no further obligations to VV with respect to advertising assistance for the VV Permitted Businesses, except as provided herein.

## SECTION 7 - OWNERSHIP

7.1 Ownership. VV agrees that NBC is the sole and exclusive owner of all right, title and interest in the NBC Mark and the New Marks. VV agrees not to directly or indirectly question, attack, contest or in any other manner impugn the validity of the NBC Mark or New Marks or NBC's rights therein, including without limitation thereto, in any action in which enforcement of a provision hereof is sought, nor shall VV willingly become a party adverse to NBC in any claim, action, suit, arbitration, litigation or other proceeding ("Action") in which a third party contests the validity of the NBC Mark or the New Marks or NBC's rights therein.

7.2 No Adoption. VV shall at no time adopt, use, reserve, register or attempt to register (or allow others to do same) any NBC Mark or New Mark or any trademark, service mark, domain name, logo or other indicator of origin confusingly similar thereto, except as expressly authorized herein with respect to the New Marks. VV agrees to abandon promptly its federal trademark application for "SnapTV" and "SnapShopTV," and upon the request of NBC, abandon or transfer to NBC any future applications or domain name reservations that violate the preceding sentence. If VV requests to coin or create a new trademark, service mark, domain name, logo or other indicator of origin that is the same or confusingly similar to a New Mark, NBC Mark or any other trademark or service mark owned by NBC, VV shall provide written notice to NBC thereof. NBC may withhold consent to VV's request at its sole discretion. If NBC consents to such request, such new trademark, service mark, domain name, logo or other indicator of origin shall be owned by NBC and included in definition of New Marks hereunder.

7.3 Goodwill. VV and NBC intend that any and all goodwill arising from VV's use of the New Marks hereunder shall inure solely to the benefit of NBC as rightful owner, and neither during nor after the expiration or termination hereof shall VV assert any claim to the New Marks or the related goodwill. VV shall not take any action that could be detrimental to the value, validity, or NBC's rights in the NBC Mark or New Marks or related goodwill.

## SECTION 8 - TRADEMARK PROTECTION

8.1 Maintenance. NBC shall have the sole right, but not the obligation, to apply to register, prosecute, maintain and renew any New Mark (whether as a trademark registration, domain name, or otherwise) anywhere in the Territory. At NBC's request, VV shall cooperate fully with NBC to assist NBC in such activities, including signing documents and maintaining evidence of its use of the New Marks. VV may notify NBC of any request that NBC apply for a new registration for a New Mark (whether a trademark, domain name, or otherwise) anywhere in the Territory. Within 20 days of receipt of such notice, subject to Section 8.2, NBC shall decide

either to apply for such registration or to designate VV to file and prosecute such application, to be approved in final form before submission by NBC, in NBC's name at VV's expense. In the latter case, NBC shall cooperate as required by applicable Law to allow VV to file and prosecute such application. All registrations (whether a trademark, domain name, or otherwise) shall be owned by NBC and licensed to VV as New Marks hereunder.

8.2 Refusals. Notwithstanding Section 8.1, NBC may refuse to apply to register, prosecute, maintain and renew any New Mark (whether as a trademark registration, domain name, or otherwise) in any country or jurisdiction, if NBC reasonably believes that (i) the registration cannot be obtained there; (ii) a third party may claim that VV's proposed registration infringes or violates its rights; and/or (iii) such registration may conflict with any prior agreement to which NBC or an Affiliate is a party.

8.3 Infringement. VV agrees to notify NBC immediately after it becomes aware of any actual or threatened infringement, dilution or other violation or impairment of the New Marks. NBC shall decide whether to assert or file an Action against such activities at its sole discretion. If such activities have occurred in the Territory, at NBC's sole option, NBC may prosecute the Action or may notify VV that VV may prosecute the Action in its own name. If VV then chooses to prosecute the Action, VV shall pay all expenses and fees (including attorneys' fees and expenses and costs of investigation and litigation) incurred in connection therewith, and shall retain any judgments, proceeds, damages or settlements resulting therefrom. VV may not compromise or settle any such Action without NBC's consent, which may be withheld in its sole discretion. Each of NBC and VV agrees to cooperate with each other as necessary, in any such Action, at the expense of the party prosecuting such Action.

## SECTION 9 - TERM

9.1 Term. The term of this Agreement (the "Term") commences on the date hereof and continues until November 16, 2010; unless termination occurs pursuant to Sections 9.2 or 9.3. No later than eighteen (18) months prior to the expiration hereof, the parties shall begin commercially reasonable, good faith efforts to negotiate a renewal hereof, such renewal to provide additional consideration to NBC. If such negotiations fail to result in an executed agreement, the parties shall have no further obligations to each other with respect to renewing the Term; provided, however, that NBC shall not use or license the New Marks in use by VV at such time in connection with any of the Licensed Services for a period of nine (9) months after expiration of the Term.

9.2 Prompt Termination. (a) NBC has the right to terminate this Agreement, effective immediately upon written notice to VV, at any time after the occurrence of any of the following:

(i) VV commits a material breach of or default under its obligations herein, including without limitation any breach of or default under Sections 5 or 6.2, and fails to cure such breach or default within thirty (30) days after receiving written notice of such breach or default from NBC; provided, however, that VV shall not be entitled to a cure period if such breach is not reasonably subject to cure.

- (ii) Control of VV is acquired by a Person that is or becomes an NBC Competitor (including, without limitation, pursuant to Section 1.5 (b)).
- (iii) (A) VV makes an assignment for the benefit of creditors; (B) VV admits in writing its inability to pay debts as they mature; (C) a trustee or receiver (or local equivalent) is appointed for a substantial part of VV's assets; (D) to the extent termination is enforceable under applicable bankruptcy (or local equivalent) laws, a proceeding in bankruptcy (or local equivalent) is instituted against VV which is acquiesced in, is not dismissed within 120 days, or results in an adjudication of bankruptcy (or local equivalent); (E) any material assets, rights or shares of VV are nationalized, impounded, seized or sequestered; provided, however, that the termination right pursuant to this clause (E) shall apply only to such jurisdiction(s) in which material assets, rights or shares of VV are nationalized, impounded, seized or sequestered, and shall not affect the License in any other jurisdiction.
- (iv) NBC reasonably determines that a VV Permitted Business is operating in material violation, or in a manner that is reasonably likely to constitute a material violation, of (A) a Law and/or (B) third-party rights in one or more countries or jurisdictions; provided, however, that the termination right pursuant to this clause (iv) shall apply only to the relevant jurisdiction(s) and, with respect to any third-party rights, those specific New Marks in the relevant jurisdiction(s); and shall not affect the License in any other jurisdiction.
- (v) VV engages in any illegal conduct that materially affects any VV Permitted Business then being conducted and/or VV violates the Standards and Practices, and VV fails to cure such conduct or such violation within thirty (30) days after receiving written notice from NBC; provided that NBC may terminate this Agreement immediately upon written notice if any such conduct or violation reasonably justifies termination under the circumstances.
- (vi) The parties using all good-faith efforts have not agreed on the New Marks within ninety (90) days after the date hereof.
- (b) VV has the right to terminate this Agreement, effective immediately upon written notice to NBC, at any time after the occurrence of any of the following:
- (i) NBC commits a material breach of or default under its obligations herein, such that VV could reasonably claim that rescission of the License had occurred, and fails to cure such breach or default within thirty (30) days after receiving written notice of such breach or default from VV; provided, however, that NBC shall not be entitled to a cure period if such breach is not reasonably subject to cure.
- (ii) (A) NBC makes an assignment for the benefit of creditors; (B) NBC admits in writing its inability to pay debts as they mature; (C) a trustee or receiver (or local equivalent) is appointed for a substantial part of NBC's assets; (D) to the extent termination is enforceable under applicable bankruptcy (or local equivalent) laws, a proceeding in bankruptcy is instituted against NBC which is acquiesced in, is not dismissed within 120 days, or results in an adjudication of bankruptcy; (E) any material assets, rights or shares of NBC are nationalized, impounded, seized or sequestered;

(iii) The parties using all good-faith efforts have not agreed on the New Marks within ninety (90) days after the date hereof.

(iv) The expiration of the thirty (30) day period after written notice by VV to NBC that VV has determined to relinquish voluntarily all of its rights under this Agreement.

9.3 Six Months' Termination. NBC has the right to terminate this Agreement, effective upon one hundred eighty (180) days written notice to VV, at any time after the occurrence of any of the following events and VV fails to cure such event within 30 days after receiving written notice of the occurrence of such event from NBC:

(a) Control of VV is acquired by, or VV or its Affiliates or senior officers make a prominent public affiliation or sponsorship with, a (i) Person who engages in a transaction that is not approved by VV's board of directors;

(ii) by a Person materially engaged in a business which is (a) weapons or ammunition, (b) pornography, obscenity, sexually explicit or sexually themed materials, (c) offensive to a reasonable person based on issues of race, creed, gender, sexual orientation, ethnicity, religion or national origin, (d) hard liquor, (e) cigarettes and other tobacco products, (f) paraphernalia associated with the use of illegal drugs, and (g) goods or services associated with gambling, or (iii) a Person who has a criminal or similarly unsavory background, provided that NBC may announce such future termination immediately after such decision is reached.

(b) NBC or GECEI ceases to have a representative on VV's board of directors for any reason other than (i) NBC's failure to own beneficially sufficient common shares as set forth in the Shareholder Agreement, dated as of April 15, 1999 between the Company, NBC and GECEI, or (ii) by NBC's together with its Affiliates', decision to relinquish such board seat(s) either voluntarily or as otherwise required by law.

(c) NBC fails to own, directly or indirectly, fifteen percent (15%), on a fully-diluted basis of the outstanding shares of VV's capital stock; provided, however, that if, prior to the date of such calculation, NBC (or any Affiliate of NBC to whom NBC has transferred VV Transferred Shares) actively disposes of more share of VV's capital stock, together with any other securities convertible into shares of VV's capital stock (or in the case of an NBC Affiliate, only NBC Transferred Shares) than it subsequently acquires, such threshold shall be reduced pro rata to reflect such net disposition in the same proportion that the number of shares of VV capital stock so transferred, together with any securities convertible into shares of VV's capital stock (or in the case of an NBC Affiliate, only NBC Transferred Shares) so transferred bears to the total number of shares of VV capital stock owned by NBC directly or indirectly on a fully-diluted basis immediately prior to such transfer.

9.4 Post-Termination. Upon expiration or termination hereof, (i) VV and NBC shall cooperate so as best to preserve the value of the NBC Marks; and (ii) VV shall immediately discontinue all use of the NBC Marks, and at NBC's request, destroy or return all physical materials (including Advertising Materials) bearing same and delete all intangible (e.g.,

electronic) copies of same. Upon the decision to terminate this Agreement, NBC shall have the immediate right to announce the termination of this Agreement.

## SECTION 10 - REPRESENTATIONS/WARRANTIES

10.1 By Each Party. Each party represents and warrants to the other party that (i) it has taken all corporate actions necessary to authorize its execution and delivery of this Agreement and performance of the transactions or obligations contemplated hereby; (ii) this Agreement has been duly executed and delivered by each party and constitutes the legal, valid and binding obligation of such, enforceable against such in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity; and (iii) it has entered and will enter into no agreements with third parties that conflict with its obligations hereunder.

10.2 By NBC. NBC represents and warrants to VV that (x) NBC is the owner of all right, title and interest in and to the New Marks in the United States, and (y) the New Marks do not infringe any trademark, service mark, trade name or other similar intellectual property right of any other Person in the United States.

10.3 By VV. VV represents and warrants to NBC that:

(a) as of the date of this Agreement VV has no understanding, arrangement or agreement with Yahoo regarding the distribution, promotion and streaming of the Licensed Services other than the commercial relationship and arrangement between Yahoo and VV to be announced on November 20, 2000 (the "VV-Yahoo Distribution Deal") regarding the inclusion of the Licensed Services within Yahoo and affiliated-branded properties (the "Yahoo Shopping Site"); and

(b) the VV-Yahoo Distribution Deal: (i) provides Yahoo with the right to distribute and promote solely the content of the Licensed Services (which may contain the NBC Marks after the completion of the integration of the NBC brands is complete) only on the Yahoo Shopping Site, and (ii) does not grant to Yahoo any use of the NBC Marks, other than in connection with the distribution, promotion (excluding co-branding) and streaming of the content of the Licensed Services as set forth in the preceding (i); provided, however, that solely as and to the extent represented herein, NBC hereby approves of the use by VV of the New Marks in connection with the VV-Yahoo Distribution Deal; provided, further, that VV shall obtain NBC's prior written consent to renew the VV-Yahoo Distribution Deal, in whole or in part, and NBC shall not unreasonably withhold such consent.

## SECTION 11 - INDEMNITY

11.1 By NBC. NBC hereby indemnifies, defends, and holds harmless VV and its Affiliates, successors and assigns and their respective directors, officers, employees, representatives and agents of each ("Related Parties") from and against any claims, actions, suits, assessments, losses, damages, awards, settlements, interest, penalties, judgments, liabilities, costs, expenses (including reasonable attorneys' fees and costs of litigation) (collectively,



"Losses") asserted against, resulting to, imposed upon, or incurred by any of them, solely to the extent such Losses arise out of: (i) the operation of NBC's business; (ii) any breach by NBC of a representation, warranty, covenant or agreement herein; and (iii) VV's use of the New Marks in the United States as expressly authorized hereunder.

11.2 By VV. VV hereby indemnifies, defends, and holds harmless NBC and its Related Parties from and against any Losses asserted against, resulting to, imposed upon, or incurred by any of them, solely to the extent such Losses arise out of: (i) the operation of VV's business and the sale of any products by or via VV (including any personal injury or other claims relating to such products); (ii) any breach by VV of a representation, warranty, covenant or agreement herein; and (iii) VV's use of the New Marks and the NBC Marks other than as expressly authorized hereunder.

11.3 Notice of Claim. The party seeking indemnification hereunder (the "Claimant") shall promptly deliver to the other party (the "Obligor") notice in writing of any potential indemnified claim ("Claim"); provided, however, that the failure to provide such notice shall not limit Claimant's right to indemnification hereunder except to the extent that Obligor is materially prejudiced thereby. Obligor shall promptly notify Claimant of its acknowledgment of its obligation of indemnity and its assumption of the defense of such Claim and any litigation resulting therefrom (and any prosecution by way of counterclaim or third party complaint arising out of or relating to such Claim) or of any dispute regarding such obligation. Obligor and Claimant shall cooperate fully in the defense of any Claim.

11.4 Defense. (a) After Obligor notifies Claimant of its assumption of defense of a Claim, Obligor shall not be liable for any costs or expenses subsequently incurred by Claimant in connection with the Claim without Obligor's prior written consent; provided, however, that Obligor shall be responsible for all such reasonable costs and expenses prior to such notification.

(b) Obligor may defend a Claim with reasonable counsel of its own choosing; provided, that Claimant may participate in its own defense, with reasonable counsel of its own choosing, at its own expense; and provided further, that Claimant may participate in its own defense, with reasonable counsel of its own choosing, at Obligor's expense if Claimant can reasonably establish that Obligor's defense is reasonably likely to prejudice Claimant due to the nature of any claims or counterclaims presented or conflict of interest issues.

(c) If Obligor, after receiving due notice of a Claim, fails to assume its defense within a reasonable time so as reasonably to avoid prejudicing the rights of Claimant, then until Obligor makes such assumption, Claimant may participate in its own defense, with reasonable counsel of its own choosing, without Obligor's consent. Such defense shall be at Obligor's cost if Obligor subsequently assumes such defense, or if it is subsequently determined that Obligor was obligated to do so.

(d) Obligor or Claimant may compromise or settle any Claim in its reasonable discretion, except that neither party may compromise or settle any Claim that compromises the other party's rights or imposes additional obligations upon such party without such party's prior

written consent. Obligor's consent is not required hereunder in cases where Obligor has not acknowledged its obligation of indemnity for such Claim.

## SECTION 12 - MISCELLANEOUS

12.1 Assignment. Neither party may assign or otherwise transfer this Agreement without the prior written consent of the other party, except that (i) NBC may transfer this Agreement to an Affiliate of NBC without consent, and (ii) VV may assign this Agreement to any party that is a successor to VV by merger or by way of an acquisition of substantially all of VV's assets or capital stock, subject to NBC's rights under Section 9. Any purported assignment made in contravention of this Section 12.1 shall be null and void ab initio and of no force or effect. In the event of a permitted assignment, this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and assigns of the parties hereto.

12.2 Amendment. Only a written instrument duly executed by both parties hereto may amend this Agreement.

12.3 Waiver. Any failure of a party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof by a written instrument signed by waiving party. Such waiver shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

12.4 Notices. All notices and other communications provided for hereunder shall be in writing and delivered by hand or sent by first class mail or overnight carrier or sent by facsimile (with such facsimile to be confirmed promptly in writing sent by first class mail or overnight carrier) as follows:

If to NBC, addressed to:  
National Broadcasting Company, Inc.  
30 Rockefeller Plaza  
New York, New York 10112  
Attention: Trademark Counsel  
Fax: (212) 957-3213

With a copy to:

Simpson Thacher & Bartlett  
425 Lexington Avenue  
New York, NY 10017-3954  
Attention: Casey Cogut  
Fax: (212) 455-2502

If to VV, addressed to:

ValueVision International, Inc.  
6740 Shady Oak Road

Eden Prairie, Minnesota 55344-3433  
Attention: General Counsel  
Fax: (612) 947-0188

With a copy to:

Latham & Watkins  
633 West Fifth Street, Suite 4000  
Los Angeles, California 90071  
Attention: James P. Beaubien  
Fax: (213) 891-8763

and

Faegre & Benson LLP  
2200 Norwest Center  
90 South Seventh Street  
Minneapolis, MN 55402  
Attention: Andrew Humphrey  
Fax: (612) 336-3026

or to such other address or addresses or facsimile number or numbers as any of the parties hereto may most recently have designated in writing to the other parties hereto by such notice. All such communications shall be deemed to have been given or made when so delivered by hand or sent by facsimile or one business day after being sent by an overnight carrier or three business days after being sent by first class mail.

12.5 Entire Agreement. This Agreement (including the Schedules referred to herein) contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral and written agreements and understandings between the parties hereto with regard to such subject matter.

12.6 Confidentiality. (a) In connection with the activities contemplated by this Agreement, each party may have access to non-public, confidential or proprietary information of the other party, including (i) proposals, ideas or research related to possible new products or services; (ii) financial, business and technical statements and other information; (iii) any information marked as confidential; and (vi) the material terms of this Agreement and the relationship between the parties (collectively, "Confidential Information").

(b) Each party will take reasonable precautions to protect the confidentiality of the other party's Confidential Information at least equivalent to those taken by such party to protect its own Confidential Information. Except as required by law or as necessary to perform under this Agreement, neither party will disclose the Confidential Information of the other party or use such Confidential Information for its any unauthorized purpose.

(c) "Confidential Information" shall not include any information that the receiving party ("Recipient") can document (i) was in the public domain before or at the time it was

communicated to the Recipient by the disclosing party ("Discloser") through no fault of Recipient; (ii) was rightfully in Recipient's possession free of any obligation of confidence before or at the time it was communicated to Recipient by Discloser; (iii) is or was developed or acquired by Recipient independently of and without reference to any Confidential Information disclosed by Discloser; (iv) was communicated by Discloser to an unaffiliated third party free of any obligation of confidence; or (v) was in response to a valid order by a court or other governmental body, was otherwise required by Law (including regulations of the Securities and Exchange Commission) or was necessary to establish the rights of either party under this Agreement; provided that the Recipient informs Discloser of its need to disclose under this subsection (v) as promptly as possible and either cooperates with all efforts by Discloser to obtain a protective order or confidential treatment, as the case may be, or at the sole option of the Discloser, uses its own best efforts to obtain a protective order, or confidential treatment, as the case may be.

12.7 Cumulative Remedies. The rights and remedies provided by this Agreement are cumulative, and the use of any one right or remedy by any party shall not preclude or waive its right to seek any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law.

12.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts executed and to be performed entirely in such state.

(b) Each party irrevocably and unconditionally submits, to the exclusive jurisdiction of any state or federal court sitting in the County of New York, New York, in any Action arising out of or relating to this Agreement and for recognition or enforcement of any judgment relating thereto. Each party irrevocably and unconditionally (i) waives any objection which it may now or hereafter have to the laying of venue in such jurisdiction of any such Action and (ii) accepts, with regard to any such Action, the personal jurisdiction of such New York courts and waives any defense or objection that it might otherwise have to such courts' exercise of personal jurisdiction with respect to it. Any and all service of process shall be effective against any party if given by registered or certified mail, return receipt requested, or by any other means of mail which requires a signed receipt, postage prepaid.

(c) The parties hereto agree that NBC shall suffer irreparable harm in the event of a breach or default by VV relating to the NBC Marks, and that notwithstanding Section 12.9(b), NBC has the right, in addition to all other remedies at law or in equity, to seek an injunction to enjoin any such breach in any court of competent jurisdiction.

12.9 Service of Process; Dispute Resolution. (a) Each of the parties hereto irrevocably consents to the service of process, pleading, notices or other papers by the mailing of copies thereof by registered, certified or first class mail, postage prepaid, to such party at such party's address set forth herein, or by any other method provided or permitted under New York law.

(b) Any and all disputes, controversies or differences arising from or in connection with this Agreement shall be settled by mutual consultation between the parties hereto in good faith as promptly as possible, but failing an amicable settlement shall be resolved by arbitration before a panel of three arbitrators (unless a single arbitrator can be agreed upon by the parties) in the

County of New York, New York, in accordance with the Commercial Dispute Resolution Procedures (as amended and effective on January 1, 1999) of the American Arbitration Association ("AAA"). The parties expressly adopt AAA's Optional Rules for Emergency Measures Protection. The panel shall render a final opinion and award in writing stating the reasons therefore, and the award shall be final and binding upon the parties hereto. In the event such final opinion and award was issued in connection with a material breach or default as provided for in Section 9.2(a)(i) or (b)(i), the party held to have been in material breach or default shall be able to cure such breach or default within thirty (30) days after receipt of such final opinion and award prior to entry of judgment thereon. Thereafter judgment upon the award may be entered in any court of applicable jurisdiction. Any proceeding to obtain a judgment upon the award shall be brought in the federal courts of the United States of America in the City and County of New York, New York or in any court of general jurisdiction in the County of New York. Each party irrevocably consents to the jurisdiction and venue of any such court in any such suit, action or proceeding, and waives any objection which such party may have to the laying of venue of any such suit, action or proceeding in any such court.

(c) The parties hereto agree that NBC shall suffer irreparable harm in the event of a breach or default by VV relating to the New Marks, and that notwithstanding Section 12.9(b), NBC has the right, in addition to all other remedies at law or in equity, to seek an injunction to enjoin any such breach in any court of competent jurisdiction.

12.10 Severability. In the event that any of the provisions of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions will not be affected thereby.

12.11 Construction. The Section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement shall be construed as if it was drafted jointly by the parties. Unless otherwise expressly provided herein or unless the context shall otherwise require, any provision hereof using an undefined term relating to television programming shall have the meaning customarily ascribed thereto in the television industry in the applicable territory. The words "include(s)" and "including" shall be deemed to be followed by "without limitation." All references to "party(ies)" shall be deemed references to the parties hereto unless the context shall otherwise require.

12.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

*By: /s/ Nathan Fagre*

-----  
*Name: Nathan Fagre*  
*Title: Senior Vice President,*  
*General Counsel and Secretary*

**NATIONAL BROADCASTING COMPANY, INC.**

*By: /s/ Brandon Burgess*

-----  
*Name: Brandon Burgess*  
*Title: Senior Vice President*

## EXHIBIT 10.3

### WARRANT PURCHASE AGREEMENT

This Warrant Purchase Agreement (the "Warrant Purchase Agreement" or the "Agreement") is made and entered into as of November 16, 2000 (the "Effective Date") by and between ValueVision International, Inc., a Minnesota corporation (the "Company"), and National Broadcasting Company, Inc., a Delaware corporation ("NBC" or the "Holder").

1. Issuance of Warrants. As consideration for the execution by NBC of the Trademark License Agreement dated as of the date hereof (the "License Agreement") between NBC and the Company, the Company hereby agrees to issue to NBC six million (6,000,000) warrants (the "Warrants"), each of which entitles the Holder to purchase from the Company one fully paid, duly authorized and nonassessable share of common stock, par value \$.01 per share, of the Company (the "Common Stock"), subject to the terms and conditions set forth in the warrant certificate, a form of which is attached to this agreement as Exhibit A (the "Warrant Certificate"). At the closing of the transactions contemplated by this Agreement (the "Closing"), the Company shall deliver the Warrant Certificate to NBC. The Closing shall take place simultaneously with the closing of the transactions contemplated by the License Agreement (the "Closing Date").

2. Representations and Warranties of the Company. The Company hereby represents and warrants to NBC as of the date hereof as follows:

2.1 Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as they are now being conducted. The Company is duly licensed or qualified as a foreign corporation to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the ownership or leasing of its properties makes such qualification and being in good standing necessary, other than where the failure to be so qualified and in good standing would not have a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries taken as a whole (a "Company Material Adverse Effect").

2.2 Capitalization.

(a) As of November 16, 2000, the authorized capital stock of the Company consists of 10,000,000 shares of Common Stock, \$.01 par value per share (the "Common Stock"), 38,675,401 of which are issued and outstanding and 5,339,500 shares of Series A Redeemable Convertible Preferred Stock, par value \$.01 per share (the "Preferred Stock"), all of which are issued and outstanding. All outstanding shares are duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights created by statute, the Company's Restated Articles of Incorporation or By-Laws or any agreement to which the Company is a party or is bound. The Company has reserved (i) 5,339,500 shares of Common

Stock for issuance upon conversion of the Preferred Stock, (ii) 1,854,760 shares of Common Stock for issuance upon exercise of outstanding warrants (excluding the Warrants) issued or to be issued and (iii) 4,250,000 shares of Common Stock for issuance pursuant to the Company's 1990 Stock Option Plan and the Company's 1994 Executive Stock Option Plan. There are no options, warrants or other rights (including registration rights), agreements, restrictions on transfer, arrangements or commitments of any character to which the Company is a party relating to the issued or unissued capital stock of, or other equity interests in, the Company, by sale, lease, license or otherwise, except (x) as disclosed in the Company SEC Reports (as defined in Section 2.5) or otherwise as set forth in this Section 2.2, (y) for the Company's existing stock option plans described in the Company SEC Reports to the extent stock options thereunder have not yet been granted and (z) as set forth above.

(b) 6,000,000 shares of Common Stock have been reserved for issuance upon exercise of the Warrants (the "Warrant Shares"). When issued, the Warrant Shares will be duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights created by statute, the Company's Restated Articles of Incorporation or By-Laws or any agreement to which the Company is a party or is bound.

2.3 Authority. The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby to be consummated by the Company. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery hereof by NBC, constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited or affected by (a) applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, arrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (b) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunction relief, and (c) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

2.4 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by the Company does not, and the performance by the Company of its obligations hereunder will not, (i) conflict with, breach or violate the Restated Articles of Incorporation or By-Laws of the Company, (ii) conflict with or violate any laws in effect as of the date of this Agreement applicable to the Company or any of its subsidiaries or by which any of their respective properties or assets is bound or (iii) result in any breach of, constitute a default (or an event that with notice or lapse of time or both would become a default) under, give to any other entity any right of termination, amendment, acceleration or cancellation of, require payment under, or result in the creation of a lien or



encumbrance on any of the properties or assets of the Company or any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties or assets is bound except, in the case of clauses (ii) and (iii) above, such conflicts, breaches, defaults, terminations, amendments, accelerations, payments or liens or encumbrances which would not have a Company Material Adverse Effect or a material adverse effect on the Warrants.

(b) The execution and delivery of this Agreement by the Company does not, and the performance by the Company of its obligations hereunder will not, require the Company to obtain any consent, registration, approval, authorization or permit of, to make any filing with, or to give notification to, any person, including any governmental entities, based on any law in effect as of the date of this Agreement, except (i) those which have been or will be timely obtained, made or given, (ii) such filings as may be required under the Federal securities laws and the blue sky laws of the various states, and (iii) such consents, registrations, approvals, authorizations, permits, or notifications of which the failure to make or obtain would not have a Company Material Adverse Effect or a material adverse effect on the Warrants.

## 2.5 Reports; Financial Statements.

(a) Copies of all reports, registration statements and other filings, together with any amendments thereto, filed by the Company with the Securities and Exchange Commission (the "SEC") since December 31, 1998 through the date of this Agreement (the "Company SEC Reports"), have been made available to NBC. As of the respective dates of their filing with the SEC, after giving effect to any amendments and supplements thereto filed prior to the date hereof, the Company SEC Reports complied, and all such reports, registration statements and other filings to be filed by the Company with the SEC prior to the Closing Date will comply, in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC promulgated thereunder, and did not at the time they were filed with the SEC, after giving effect to any amendments and supplements thereto filed prior to the date hereof, or will not at the time they are filed with the SEC, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(b) The consolidated financial statements (including, in each case, any related notes thereto) contained in the Company SEC Reports and in any such reports, registration statements and other filings to be filed by the Company with the SEC prior to the Closing Date (i) have been or will be prepared in accordance with the published rules and regulations of the SEC and generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC, or for normal year-end adjustments) and (ii) fairly present or will fairly present in all material respects the consolidated financial position of the Company and its subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for the periods indicated, except that any

unaudited interim financial statements were or will be subject to normal and recurring year-end adjustments and may omit footnote disclosure as permitted by regulations of the SEC.

2.6 No Brokers. The Company has not retained any broker, finder or investment banker in connection with the issuance of the Warrants provided for in this Agreement.

3. Representations and Warranties of NBC. NBC hereby represents and warrants to the Company as of the date hereof as follows:

3.1 Organization and Qualification. NBC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as they are now being conducted. NBC is duly licensed or qualified as a foreign corporation to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the ownership or leasing of its properties makes such qualification and being in good standing necessary, other than where the failure to be so qualified and in good standing would not have a material adverse effect on NBC and its subsidiaries taken as a whole, their business, financial condition or results of operations.

3.2 Authority. NBC has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby to be consummated by NBC. The execution and delivery of this Agreement by NBC and the consummation by NBC of the transactions contemplated hereby have been duly authorized by all necessary corporate action and no other corporate proceedings on the part of NBC are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by NBC and, assuming the due authorization, execution and delivery hereof by the Company, constitutes the legal, valid and binding obligation of NBC enforceable against NBC in accordance with its terms, except as such enforceability may be limited or affected by (a) applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, arrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (b) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunction relief, and (c) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

3.3 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by NBC does not, and the performance by NBC of its obligations hereunder will not, (i) conflict with, breach or violate the Certificate of Incorporation or By-Laws of NBC, (ii) conflict with or violate any laws in effect as of the date of this Agreement applicable to NBC or any of its subsidiaries or by which any of their respective properties or assets is bound or (iii) result in any breach of, constitute a default (or an event that with notice or lapse of time or both would become a default) under, give to any other entity any right of termination, amendment, acceleration or cancellation of, require

payment under, or result in the creation of a lien or encumbrance on any of the properties or assets of NBC or any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, or other instrument or obligation to which NBC or any of its subsidiaries is a party or by which NBC or any of its subsidiaries or any of their respective properties or assets is bound.

(b) The execution and delivery of this Agreement by NBC does not, and the performance by NBC of its obligations hereunder will not, require NBC to obtain any consent, registration, approval, authorization or permit of, to make any filing with, or to give notification to, any person, including any governmental entities, based on any law in effect as of the date of this Agreement, except those which have been or will be timely obtained, made or given.

3.4 Acquisition of Securities for Investment. NBC has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the merits and risks of its acquisition of the Warrants hereunder and has so evaluated the merits and risks of such investment. NBC is an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act. NBC confirms that it has reviewed the Company SEC Reports, that it is able to bear the economic risk of such investment and that the Company has made available to NBC the opportunity to ask questions of the officers and management of the Company and to acquire additional information about the business and financial condition of the Company. NBC is acquiring the Warrants

(and if NBC acquires any Warrant Shares, NBC will acquire such Warrant Shares) solely for the purpose of investment and not with a view toward or for sale in connection with any distribution thereof in violation of any federal or state securities or "blue sky" laws, or with the present intention of distributing or selling such Warrants or Warrant Shares in violation of any federal or state securities or "blue sky" law. NBC understands and agrees that the Warrants and the Warrant Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act or pursuant to an exemption therefrom, and without compliance with state, local and foreign securities laws (in each case to the extent applicable). NBC understands and agrees that the Warrants are, and the Warrant Shares will be, "restricted securities" within the meaning of Rule 144 promulgated under the Securities Act and that, except as set forth in the Registration Rights Agreement dated as of April 15, 1999 (as amended from time to time, the "Registration Rights Agreement"), by and among the Company, NBC and GE Capital Equity Investments, Inc. ("GECEI"), the Company has no obligation or intention to register any of the Warrants or the Warrant Shares.

3.5 No Brokers. NBC has not retained any broker, finder or investment banker in connection with the acquisition of the Warrants by NBC.

4. Covenants of the Company. The Company hereby covenants that:

4.1 Listing of Shares. The Company shall comply with its obligations to list any Warrant Shares issued upon exercise of the Warrants in accordance with and pursuant to Section 5(l) of the Registration Rights Agreement.

4.2 Reservation of Shares of Common Stock. The Company shall keep reserved a sufficient number of shares of Common Stock solely for the purpose of issuance upon the exercise of all of the Warrants.

## 5. Conditions to Closing.

5.1 Conditions Precedent to Obligation of the Company. The obligation of the Company to consummate the Closing shall be subject to the satisfaction (or waiver by the Company) of the following conditions on or prior to the Closing Date: (i) the representations and warranties of NBC contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on, as of and with reference to the Closing Date (except to the extent such representations and warranties specifically relate to a prior date); and (ii) the Company shall have received the License Agreement, duly executed by NBC.

5.2 Conditions Precedent to Obligation of NBC. The obligation of NBC to consummate the Closing shall be subject to the satisfaction (or waiver by NBC) of the following conditions on or prior to the Closing Date: (i) the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on, as of and with reference to the Closing Date (except to the extent such representations and warranties specifically relate to a prior date) and (ii) NBC shall have received (a) the Warrant Certificate, duly executed by the Company, (b) the opinion of Faegre & Benson LLP, counsel to the Company, dated the Closing Date, in the form attached hereto as Exhibit B, (c) an Amended and Restated Registration Rights Agreement, in substantially the form of Exhibit D, duly executed by the Company and GECEI and (d) the License Agreement, duly executed by the Company.

## 6. Miscellaneous.

6.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given upon personal delivery to the party to be notified in person, by facsimile, or by overnight delivery service or four (4) calendar days after deposit with the United States mail, by registered or certified mail, postage prepaid, addressed (a) if to NBC, at 30 Rockefeller Plaza, New York, NY 10112, Attention: Law Department, (Fax: (212) 977-7165) or at such other address as NBC shall have furnished in writing to the Company or (b) if to the Company, at 6740 Shady Oak Road, Eden Prairie, Minnesota 55344-3433, Attention: General Counsel (Fax: (612) 947-0188) or at such other address as the Company shall have furnished to NBC in writing.

6.2. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of New York (excluding the laws regarding conflict of laws questions). The parties hereby submit to the exclusive jurisdiction of the federal and state courts located in the County of New York, and any action or suit under this Agreement shall only be brought by the parties in any federal or state court with appropriate jurisdiction over the subject matter established or settled in the County of New York. The parties shall not raise in connection

herewith, and hereby waive, trial by jury and/or other defenses based upon the venue, the inconvenience of the forum, the lack of personal jurisdiction, the sufficiency of service of process or the like in any action or suit brought pursuant to this Agreement.

6.3 Amendment. Neither this Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by a signed statement in writing by both parties.

6.4 Agreement. This Agreement, the Warrant, the Amended and Restated Registration Rights Agreement dated as of the date hereof among the Company, NBC and GE Capital Equity Investments, Inc., Amendment No. 1, the Letter Agreement dated the date hereof between NBC and the Company and the Trademark License Agreement constitute the full and entire understanding and agreement between the parties with regard to the subject matter of this Agreement and supersede any prior written or oral agreement relating to the same subject matter.

6.5. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be an original, and all of which together shall be deemed to constitute one instrument.

6.6. Successors and Assigns; Third Party Beneficiaries. Subject to applicable law and the following sentence, either party may assign its rights and obligations under this Agreement in whole or in part only to an Affiliate of such party, but no such assignment shall relieve the assigning party of its obligations hereunder. No party shall assign any rights or obligations under this Agreement to any Affiliate if such Affiliate does not expressly assume pursuant to a document in form and substance reasonably satisfactory to the other party all of the obligations of the assigning party hereunder. For purposes of this Section 6.6, "Affiliate" shall mean, with respect to any party, any other person that directly or indirectly controls, is controlled by, or is under common control with, such person. As used in this definition, "control" (including its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

6.7. Consent to Violation of Standstill; Amendment No. 1. The Company hereby consents to any possible violation by GECEI and NBC of the standstill agreement set forth in Section 4.1 of that certain Shareholder Agreement dated as of April 15, 1999 (the "Shareholder Agreement"), among the Company, GECEI, and NBC, in connection with the purchase of the Warrants or the issuance of the Warrant Shares upon the exercise thereof, and waives any rights in connection therewith. As soon as practicable after the date hereof, the Company, GECEI and NBC shall execute and deliver an amendment to the Shareholder Agreement, providing that consummation of the transactions contemplated hereby shall not result in a violation of Section 4.1 (Standstill Agreement) thereof, in form and substance substantially similar to the form of such amendment set forth in Exhibit C attached hereto.

IN WITNESS WHEREOF, the parties have executed this Warrant Purchase Agreement as of the date first above written.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ Nathan Fagre

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Name: Nathan Fagre  
Title: Senior Vice President,  
General Counsel and Secretary

**NATIONAL BROADCASTING COMPANY, INC.**

By: /s/ Brandon Burgess

-----  
Name: Brandon Burgess  
Title: Senior Vice President

#### EXHIBIT 10.4

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THE SECURITIES REPRESENTED HEREBY HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SHAREHOLDER AGREEMENT DATED AS OF APRIL 15, 1999, AMONG VALUEVISION INTERNATIONAL, INC., GE CAPITAL EQUITY INVESTMENTS, INC. AND NATIONAL BROADCASTING COMPANY, INC., AS THEREAFTER AMENDED FROM TIME TO TIME.

THE RESTATED ARTICLES OF INCORPORATION OF THE COMPANY (AS DEFINED BELOW), AS AMENDED, PROVIDE THAT, EXCEPT AS OTHERWISE PROVIDED BY LAW, SHARES OF STOCK IN THE COMPANY SHALL NOT BE TRANSFERRED TO "ALIENS" UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" WILL NOT EXCEED 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE COMPANY, AND THE AGGREGATE VOTING POWER OF SUCH SHARES WILL NOT EXCEED 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE COMPANY. NOT MORE THAN 20% OF THE AGGREGATE VOTING POWER OF ALL SHARES OUTSTANDING ENTITLED TO VOTE MAY BE VOTED BY OR FOR THE ACCOUNT OF "ALIENS." IF, NOTWITHSTANDING SUCH RESTRICTION ON TRANSFERS TO "ALIENS," THE AGGREGATE NUMBER OF SHARES OF STOCK OWNED BY OR FOR THE ACCOUNT OF "ALIENS" EXCEEDS 20% OF THE NUMBER OF SHARES OF OUTSTANDING STOCK OF THE COMPANY OR IF THE AGGREGATE VOTING POWER OF SUCH SHARES EXCEEDS 20% OF THE AGGREGATE VOTING POWER OF ALL OUTSTANDING SHARES OF VOTING STOCK OF THE COMPANY, THE COMPANY HAS THE RIGHT TO REDEEM SHARES OF ALL CLASSES OF CAPITAL STOCK, AT THEIR THEN FAIR MARKET VALUE, ON A PRO RATA BASIS, OWNED BY OR FOR THE ACCOUNT OF ALL "ALIENS" IN ORDER TO REDUCE THE NUMBER OF SHARES AND/OR PERCENTAGE OF VOTING POWER HELD BY OR FOR THE ACCOUNT OF "ALIENS" TO THE MAXIMUM NUMBER OR PERCENTAGE ALLOWED UNDER THE RESTATED ARTICLES OF INCORPORATION, AS AMENDED, OR AS OTHERWISE REQUIRED BY APPLICABLE FEDERAL LAW. AS USED HEREIN, "ALIENS" MEANS ALIENS AND THEIR REPRESENTATIVES, FOREIGN GOVERNMENTS AND THEIR REPRESENTATIVES, AND

CORPORATIONS ORGANIZED UNDER THE LAW OF A FOREIGN COUNTRY, AND THEIR REPRESENTATIVES. THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS, AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OR SERIES AUTHORIZED TO BE ISSUED, SO FAR AS THEY HAVE BEEN DETERMINED, AND THE AUTHORITY OF THE BOARD TO DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF SUBSEQUENT CLASSES OR SERIES.

No. W-3 6,000,000 Warrants Date of Issuance: November 16, 2000

### **COMMON STOCK PURCHASE WARRANTS**

Exercisable commencing November 16, 2000

Void after Expiration Time (as defined herein)

ValueVision International, Inc., a Minnesota corporation (the "Company"), hereby certifies that, for value received, National Broadcasting Company, Inc., a Delaware corporation (the "Initial Holder" or "NBC"), or registered assigns (in either case, the "Warrantholder"), is the owner of six million (6,000,000)

Warrants (as defined below), each of which entitles the Warrantholder to purchase from the Company one fully paid, duly authorized and nonassessable share of Common Stock, par value \$0.01 per share, of the Company (the "Common Stock") at any time or from time to time subject to the terms set forth herein, commencing on November 16, 2000 (the "Issue Date") and continuing up to the Expiration Time (as defined herein) at a per share exercise price determined according to the terms and subject to the conditions set forth in this certificate (the "Warrant Certificate"). The number of shares of Common Stock issuable upon exercise of each such Warrant and the exercise price per share of Common Stock are subject to adjustment from time to time pursuant to the provisions of Sections 8 and 9 of this Warrant Certificate. The Warrants evidenced by this Warrant Certificate (the "Warrants") are being issued pursuant to a Warrant Purchase Agreement, dated as of November 16, 2000 (as it may be amended, supplemented or otherwise modified from time to time, the "Warrant Purchase Agreement"), by and between the Company and the Initial Holder.

Section 1. Definitions. As used in this Warrant Certificate, the following terms shall have the meanings set forth below:

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. As used in this definition, "control" (including its correlative meanings,



"controlled by" and "under common control with") shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Articles of Incorporation" shall mean the Articles of Incorporation of the Company, as amended from time to time.

"Beneficially Own" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall be deemed to "Beneficially Own" all securities that such Person has a right to acquire, whether such right is exercisable immediately or only after the passage of time (and without any additional condition), provided that a Person shall not be deemed to "Beneficially Own" any shares of Common Stock which are issuable upon exercise of any Additional Warrants unless and until such Additional Warrants are actually issued and outstanding (at which time such Person shall be deemed to Beneficially Own all shares of Common Stock which are issuable upon exercise of such Additional Warrants, whether or not they are vested or unvested)

"Board of Directors" shall mean the board of directors of the Company.

"Business Day" shall mean any day, other than a Saturday, Sunday or a day on which commercial banks in New York, New York are authorized or obligated by law or executive order to close.

"Change in Control" shall mean any of the following: (i) a merger, consolidation or other business combination or transaction to which the Company is a party if the shareholders of the Company immediately prior to the effective date of such merger, consolidation or other business combination or transaction, as a result of such merger, consolidation or other business combination or transaction, do not have Beneficial Ownership of voting securities representing 50% or more of the Total Current Voting Power of the surviving corporation following such merger, consolidation or other business combination or transaction; (ii) an acquisition by any Person (other than the Restricted Parties and their Affiliates or any 13D Group to which any of them is a member) of Beneficial Ownership of Voting Stock of the Company representing 25% or more of the Total Current Voting Power of the Company, (iii) a sale of all or substantially all the consolidated assets of the Company to any Person or Persons (other than Restricted Parties and their Affiliates or any 13D Group to which any of them is a member); or (iv) a liquidation or dissolution of the Company.

"Common Stock" shall have the meaning set forth in the preamble hereto.

"Company" shall have the meaning set forth in the preamble hereto.

#### EXHIBIT 10.4

"Designated Entity" shall mean Home Shopping Network, Inc., QVC, Inc., Shop-At-Home, Inc. or Paxson Communications Corporation and any of their respective Affiliates.

"Election to Exercise" shall have the meaning set forth in Section 4.2(a) hereof.

"Equity Securities" shall mean, with respect to any Person, any and all common stock, preferred stock, any other class of capital stock and partnership or limited liability company interests of such Person or any other similar interests of any Person that is not a corporation, partnership or limited liability company.

"Exchange Act" shall mean the Securities Exchange act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exercise Price" shall have the meaning set forth in Section 8 hereof.

"Expiration Date" shall mean with respect to any Warrant represented hereunder, the sixth anniversary of the vesting date (as set forth in Schedule A hereto).

"Expiration Time" shall mean 5:00 P.M., New York City time, on the Expiration Date.

"expired" shall mean, with respect to a Warrant issued hereunder, that such Warrant has not been exercised prior to the Expiration Date for such Warrant.

"Fractional Warrant Share" shall mean any fraction of a whole share of Common Stock issued, or issuable upon, exercise of the Warrants.

"GE Capital" shall mean GE Capital Equity Investments, Inc., a Delaware corporation, together with its successors by operation of law.

"Governmental Entity" shall mean any federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign.

"Independent Expert" shall mean an investment banking firm mutually acceptable to the Company and the Warrantholder.

"Initial Holder" shall have the meaning set forth in the preamble hereto.

"Issue Date" shall have the meaning set forth in the preamble hereto.

"License Agreement" shall mean the Trademark License Agreement dated the date hereof between NBC and the Company, as it may be amended, supplemented or otherwise modified from time to time.

"License Agreement Termination Event" shall mean a termination of the License Agreement (i) (A) as a result of a material breach of the grant of License (as defined therein) by NBC such that the Company could reasonably claim that a rescission of the License had occurred and (B) the failure of NBC to cure such breach within thirty (30) days after receiving written notice of such breach from the Company; provided, however, that a termination by NBC pursuant to Section 9.2(a)(i), (ii), (iii), (iv) and (v), or 9.3 (a), (b) or (c) of the License Agreement shall not constitute a License Agreement Termination Event under any circumstances; (ii) by NBC pursuant to Section 9.2(a)(vi) of the License Agreement; or (iii) by the Company pursuant to Section 9.2(b)(i), (ii), or (iii) of the License Agreement.

"Market Price" shall mean, with respect to a share of Common Stock on any day, except as set forth below in the case that the shares of Common Stock are not publicly held or listed, the average of the "quoted prices" of the Common Stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question. The term "quoted prices" of the Common Stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Common Stock. Notwithstanding the foregoing, if the shares of Common Stock are not publicly held or so listed, quoted or publicly traded, the "Market Price" means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors; provided, however, that if the Warrantholder shall dispute the fair market value as determined by the Board, the Warrantholder and the Company may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive on the Company and the Warrantholder. All costs and expenses of the Independent Expert shall be borne

by the Warrantholder unless the determination of fair market value is more favorable to such Warrantholder by 5% or more, in which case, all such costs and expenses shall be borne by the Company.

"Nasdaq" shall mean The Nasdaq Stock Market's National Market.

"NBC" shall have the meaning set forth in the preamble hereto.

"Organic Change" shall mean, with respect to any Person, any transaction (including without limitation any recapitalization, capital reorganization or reclassification of any class or series of Equity Securities, any consolidation of such Person with, or merger of such Person into, any other Person, any merger of another Person into such Person (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of capital stock of such Person), and any sale or transfer or lease of all or substantially all of the assets of such Person, but not including any stock split, combination or subdivision which is the subject of Section 9.1 (b)) pursuant to which any class or series of Equity Securities of such Person is exchanged for, or converted into the right to receive other securities, cash or other property.

"Person" shall mean any individual, firm, corporation, company, limited liability company, association, partnership, joint venture, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

"Preferred Stock" shall mean the Series A Redeemable Convertible Preferred Stock, par value \$0.01 per share, of the Company.

"Purchased Shares" shall have the meaning set forth in Section 9.1(e) hereof.

"Record Date" shall have the meaning set forth in Section 9.1(a) hereof.

"Reference Date" shall have the meaning set forth in Section 9.1(d) hereof.

"Relevant Date" shall have the meaning set forth in Section 9.1(c) hereof.

"Restricted Parties" shall mean each of (i) NBC, its Ultimate Parent Entity (if any), each Subsidiary of NBC and each Subsidiary of its Ultimate Parent Entity and (ii) any Affiliate of any Person that is a Restricted Party if (and only if) such Restricted Party has the right or power (acting alone or solely with other Restricted Parties) to either cause such Affiliate to comply with or prevent such Affiliate from not complying with all of the terms of this Agreement that are applicable to Restricted Parties.

"Securities Act" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shareholder Agreement" shall mean the Shareholder Agreement, dated as of April 15, 1999, among GE Capital, NBC and the Company, as hereafter amended, restated or supplemented from time to time.

"Subsidiary" shall mean, as to any Person, a corporation, partnership, limited liability company, joint venture or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly through one or more intermediaries (including, without limitation, other Subsidiaries), or both, by such Person.

"13D Group" means any "group" (within the meaning of Section 13(d) of the Exchange Act) formed for the purpose of acquiring, holding, voting or disposing of Voting Stock.

"Total Current Voting Power" shall mean, with respect to any corporation the total number of votes which may be cast in the election of members of the Board of Directors of the corporation if all securities entitled to vote in the election of such directors (excluding shares of preferred stock that are entitled to elect directors only upon the occurrence of customary events of default) are present and voted (it being understood that the Preferred Stock will be included on an as converted basis in the calculation of Total Current Voting Power of the Company).

"Trading Day" shall mean any day on which Nasdaq is open for trading, or if the shares of Common Stock are not quoted on Nasdaq, any day on which the principal national securities exchange or national quotation system on which the shares of Common Stock are listed, admitted to trading or quoted is open for trading, or if the shares of Common Stock are not so listed, admitted to trading or quoted, any Business Day.

"Ultimate Parent Entity" shall mean, with respect to any Person (the "Subject Person"), the Person (if any) that (i) owns, directly or indirectly through one or more intermediaries, or both, shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of the Subject Person and (ii) is not itself a Subsidiary of any other Person or is a natural person.

"Voting Stock" shall mean shares of the Common Stock and Preferred Stock and any other securities of the Company having the ordinary power to vote in the election of members of the Board of Directors of the Company.

"Warrant" shall have the meaning set forth in the preamble hereto.

"Warrant Certificate" shall have the meaning set forth in the preamble hereto.

"Warrant Purchase Agreement" shall have the meaning set forth in the preamble hereto.

"Warrant Register" shall have meaning set forth in Section 2.2 hereof.

"Warrant Shares" shall mean the shares of Common Stock issued, or issuable upon, exercise of the Warrants.

"Warrantholder" shall have the meaning set forth in the preamble hereto.

## Section 2. Transferability.

2.1 Registration. The Warrants shall be issued only in registered form. The Company agrees to maintain, at its office or agency, books for the registration and transfer of the Warrants.

2.2 Transfer. Subject to the terms and conditions of the Shareholder Agreement, the Warrants evidenced by this Warrant Certificate may be sold or otherwise transferred at any time (except as such sale or transfer may be restricted pursuant to the regulations of the Federal Communications Commission, the Securities Act or any applicable state securities laws) with the prior written consent of the Company, which consent shall not be unreasonably withheld; provided, however, that the consent of the Company shall not be deemed to have been unreasonably withheld if the Company does not approve a transfer of such Warrants to any Designated Entity. Any such sale or transfer shall be effected on the books of the Company (the "Warrant Register") maintained at its principal executive offices upon surrender of this Warrant Certificate for registration of transfer duly endorsed by the Warrantholder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant Certificate or Certificates in appropriate denominations to the Person or Persons entitled thereto.

## Section 3. Exchange of Warrant Certificate.

Any Warrant Certificate may be exchanged for another certificate or certificates of like tenor entitling the Warrantholder to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitles such Warrantholder to purchase. Any Warrantholder desiring to exchange a Warrant certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the Person entitled thereto a new Warrant Certificate or Certificates as so requested.

#### Section 4. Term of Warrants; Exercise of Warrants.

4.1 Vesting and Duration of Warrants. Subject to the terms and conditions set forth in this Warrant Certificate, the Warrantholder may exercise the Warrants evidenced hereby, in whole or in part, at any time and from time to time after the Issue Date and before the Expiration Time of such Warrants; provided, however, that the number of Warrants which the Warrantholder will be entitled to exercise on any date will be equal to (a) the sum of the Warrants vested on or prior to such date pursuant to the vesting schedule attached as Schedule A hereto minus (b) the sum of (i) the total number of Warrants previously exercised hereunder and (ii) the total number of Warrants which have Expired; provided, further, that (X) upon the occurrence of a License Agreement Termination Event, notwithstanding the vesting schedule set forth in Schedule A hereto, any unvested Warrants hereunder as of such termination date shall cease to vest, but any Warrants which have vested prior to such termination date shall continue to be exercisable, subject to the provisions hereunder, (Y) upon a Change in Control or termination of the License Agreement by the Company pursuant to Section 9.2(b)(iv) thereof, notwithstanding the vesting schedule set forth in Schedule A hereto, any unvested Warrants hereunder shall immediately vest and become fully exercisable, subject to the provisions hereunder, and (Z) upon the occurrence of a License Agreement Termination Event, all of the unexercised Warrants hereunder, whether or not vested, shall terminate and become void, and all rights hereunder with respect to such Warrants shall thereupon cease. Any Warrant not exercised by the Expiration Time applicable to such Warrant shall become void, and all rights hereunder with respect to such Warrant shall thereupon cease.

#### 4.2 Exercise of Warrant.

(a) On the terms and subject to the conditions set forth in this Warrant Certificate, the Warrantholder may exercise the Warrants evidenced hereby, in whole or in part, by presentation and surrender to the Company of this Warrant Certificate together with the attached Election to Exercise (the "Election to Exercise") duly filled in and signed, and accompanied by payment to the Company of the Exercise Price for the number of Warrant Shares specified in such Election to Exercise. Payment of the aggregate Exercise Price (including payment made pursuant to a purchase under Section 9.3(a) hereof) shall be made (i) in cash in an amount equal to the aggregate Exercise Price; (ii) by certified or official

bank check in an amount equal to the aggregate Exercise Price; (iii) by the surrender (which surrender shall be evidenced by cancellation of the number of Warrants represented by any Warrant certificate presented in connection with a Cashless Exercise (as defined below)) of a Warrant or Warrants (represented by one or more relevant Warrant certificates), and without the payment of the Exercise Price in cash, in return for the delivery to the surrendering holder of such number of shares of Common Stock equal to the number of shares of Common Stock for which such Warrant is exercisable as of the date of exercise (if the Exercise Price were being paid in cash or certified or official bank check) reduced by that number of shares of Common Stock equal to the quotient obtained by dividing (x) the aggregate Exercise Price to be paid by (y) the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant; (iv) by the delivery of shares of Common Stock having a value (as defined by the next sentence) equal to the aggregate Exercise Price to be paid that are either held by the Holder or are acquired in connection with such exercise, and without payment of the Exercise Price in cash; or (v) by any combination of the foregoing. Any share of Common Stock delivered as payment of the Exercise Price in connection with an In-Kind Exercise (as defined below) shall be deemed to have a value equal to the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant. An exercise of a Warrant in accordance with clause (iii) is herein referred to as a "Cashless Exercise" and an exercise of a Warrant in accordance with clause (iv) is herein referred to as an "In-Kind Exercise."

(b) On the terms and subject to the conditions set forth in this Warrant Certificate, upon such presentation of a duly executed Election to Exercise and surrender of this Warrant Certificate and payment of such aggregate Exercise Price as set forth in paragraph (a) hereof, the Company shall promptly issue and cause to be delivered to the Warrantholder, or, subject to Section 2 hereunder, to such Persons as the Warrantholder may designate in writing, a certificate or certificates (in such name or names as the Warrantholder may designate in writing) for the specified number of duly authorized, fully paid and non-assessable Warrant Shares issuable upon exercise, and shall deliver to the Warrantholder cash, as provided in Section 10 hereof, with respect to any Fractional Warrant Shares otherwise issuable upon such surrender. In the event that the Warrants evidenced by this Warrant Certificate are exercised in part prior to the Expiration Time applicable to such Warrants, the Company shall issue and cause to be delivered to the Warrantholder, or, subject to Section 2 hereunder, to such Persons as the Warrantholder may designate in writing, a certificate or certificates (in such name or names as the Warrantholder may designate in writing) evidencing any remaining unexercised and un-Expired Warrants.

(c) Each Person in whose name any certificate for Warrant Shares is issued shall for all purposes be deemed to have become the holder of record of the Warrant Shares represented thereby on the first date on which both the Warrant Certificate evidencing the respective Warrants was surrendered, along with a duly executed Election to Exercise, and payment of the Exercise Price and any applicable taxes was made, irrespective of date of issue or delivery of such certificate.



4.3 Conditions to Exercise. Each exercise of the Warrants shall be subject to the following conditions:

- (a) Such exercise shall be consistent with the terms of Section 4.1 hereof; and
- (b) The purchase of the Warrant Shares issuable upon such exercise shall not be prohibited under applicable law.

Section 5. Payment of Taxes.

The Company shall pay any and all documentary, stamp or similar issue or transfer taxes and other governmental charges that may be imposed under the laws of the United States or any political subdivision or taxing authority thereof or therein in respect of any issue or delivery of Warrant Shares or of other securities or property deliverable upon exercise of the Warrants evidenced by this Warrant Certificate or certificates representing such shares or securities (other than income or withholding taxes imposed on the Warrantholder); provided, however, that the Company shall not be required to pay any tax or taxes which may be payable with respect to any transfer involving the issue of any Warrant Certificate or any certificates for Warrant Shares in a name other than that of the registered holders thereof, and the Company shall not be required to issue or deliver such Warrant Certificate or certificates for Warrant Shares unless and until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 6. Mutilated or Missing Warrant.

If any Warrant Certificate is lost, stolen, mutilated or destroyed, the Company shall issue in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, upon receipt of a proper affidavit or other evidence reasonably satisfactory to the Company (and surrender of any mutilated Warrant Certificate) and indemnity in form and amount reasonably satisfactory to the Company in each instance protecting the Company, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants as the Warrant Certificate so lost, stolen, mutilated or destroyed. Any such new Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant Certificate shall be at any time enforceable by anyone. An applicant for such substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe. All Warrant Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement of lost, stolen, mutilated or destroyed Warrant Certificates, and shall preclude any and all other

rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement of negotiable instruments or other securities without their surrender.

#### Section 7. Reservation of Shares.

The Company hereby agrees that, at all times until all of the Warrants issued hereunder (whether vested or unvested) have been exercised, expired or canceled, there shall be reserved for issuance and delivery upon exercise of this Warrant, free from preemptive rights, the number of shares of authorized but unissued shares of Common Stock as may be required at such time (adjusted from time to time for additional vesting of Warrants as well as for cancellation of exercised or Expired Warrants) for issuance or delivery upon exercise of the Warrants evidenced by this Warrant Certificate. The Company further agrees that it will not, by amendment of its Articles of Incorporation or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by the Company. Without limiting the generality of the foregoing, the Company shall from time to time take all such action that may be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at the Exercise Price as so adjusted.

#### Section 8. Exercise Price.

The price per share (the "Exercise Price") at which Warrant Shares shall be purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate shall be \$17.375, subject to adjustment pursuant to Section 9 hereof.

#### Section 9. Adjustment of Exercise Price and Number of Shares.

The number and kind of securities purchasable upon the exercise of the Warrants evidenced by this Warrant Certificate and the Exercise Price thereof shall be subject to adjustment from time to time after the date hereof upon the happening of certain events, as follows:

9.1 Adjustments to Exercise Price. The Exercise Price shall be subject to adjustment as follows:

(a) Stock Dividends. In case the Company shall, after the Issue Date, pay a dividend or make a distribution on its Common Stock or on any other class or series of capital stock of the Company which dividend or distribution includes or is convertible (without the payment of any consideration other than surrender of such

convertible security) into Common Stock, the Exercise Price in effect at the opening of business on the day following the date fixed for determination of the holders of Common Stock or capital stock entitled to such payment or distribution (the "Record Date") shall be reduced by multiplying such Exercise Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date and (B) the denominator shall be the sum of such number of shares and the total number of shares constituting or included in such dividend or other distribution (or in the case of a dividend consisting of securities convertible into Common Stock, the number of shares of Common Stock into which such securities are convertible), such reduction to become effective immediately after the opening of business on the day following the Record Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution price will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph.

(b) **Stock Splits and Reverse Splits.** In case the Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the holder of any Warrants thereafter surrendered for purchase of shares of Common Stock shall be entitled to receive the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of such events had such Warrants been surrendered for exercise immediately prior to such event. Such adjustment shall become effective at the close of business on the day upon which such subdivision or combination becomes effective.

(c) **Issuances Below Market.** In case the Company shall issue or sell (a) Common Stock, (b) rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Common Stock or (c) any security convertible into Common Stock, in each case at a price, or having an exercise or conversion price, per share less than the then-current Market Price per share of Common Stock on (x) the date of such issuance or sale or (y) in the case of a dividend or distribution of such rights, warrants, options or convertible securities to the holders of Common Stock, the date fixed for determination of the holders of such Common Stock entitled to such dividend or distribution (the date specified in clause (x) or (y) being the "Relevant Date") (excluding any issuance for which an appropriate and full adjustment has been made pursuant to Section 9.1(a)), the Exercise Price shall be reduced by multiplying the Exercise Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the open of business on the Relevant Date plus the number of shares of Common Stock which the aggregate consideration received or receivable (I) for the total number of shares of Common Stock, rights, warrants or options or convertible securities so issued or sold, and (II) upon the

exercise or conversion of all such rights, warrants, options or securities, would purchase at the then-current Market Price per share of Common Stock and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the Relevant Date plus (without duplication) the number of shares of Common Stock subject to all such rights, warrants, options and convertible securities, such reduction of the Exercise Price to be effective at the opening of business on the day following the Relevant Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph. The issuance of any shares of Common Stock or other rights, warrants, options or convertible securities pursuant to (a) any restricted stock or stock option plan or program of the Company involving the grant of options or rights solely to officers, directors, employees and/or consultants of the Company or its Subsidiaries at below the then-current Market Price per share of Common Stock (provided, that any such options or rights were initially granted with an exercise or conversion price of not less than 85% of the then-current Market Price per share of Common Stock), (b) any option, warrant, right, or convertible security outstanding as of the date hereof, (c) the terms of a firmly committed bona fide underwritten public offering, or (d) any merger, acquisition, consolidation, or similar transaction, shall not be deemed to constitute an issuance or sale to which this

Section 9.1(c) applies. Upon the expiration unexercised of any rights, warrants, options or rights to convert any convertible securities for which an adjustment has been made pursuant to this Section 9.1(c), the adjustments shall forthwith be reversed to effect such rate of conversion as would have been in effect at the time of such expiration or termination had such rights, warrants, options or rights to convertible securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(d) Special Dividends. Subject to the last sentence of this paragraph (d), in case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any shares of Common Stock, rights, warrants, options or convertible securities for which an appropriate and full adjustment has been made pursuant to paragraph (a) or

(c) above), the Exercise Price in effect on the day immediately preceding the date fixed for the payment of such distribution (the date fixed for payment being referred to as the "Reference Date") shall be reduced by multiplying such Exercise Price by a fraction of which the numerator shall be the current Market Price per share of the Common Stock on the Reference Date less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be mailed to the holders of the Warrants) on the Reference Date of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock, and the denominator shall be such current Market Price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on

the day following the Reference Date; provided, however, that if such dividend or distribution is rescinded and not paid, then the Exercise Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Exercise Price in effect prior to the adjustment made pursuant to this paragraph. If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph (d) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider, to the extent possible, the prices in such market over the same period used in computing the current Market Price per share of Common Stock pursuant to this Section 9.1. Notwithstanding the foregoing, if the holders of a majority of the outstanding unexercised and un-Expired Warrants (whether or not vested) shall dispute the fair market determination of the Board of Directors, an Independent Expert shall be selected to determine the fair market value of the Common Stock as of the Reference Date, and such Independent Expert's determination shall be final, binding and conclusive. All costs and expenses of such Independent Expert shall be borne by the holders of the then outstanding unexercised and un-Expired Warrants (whether or not vested) unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Company. For purposes of this paragraph (d), any dividend or distribution that also includes shares of Common Stock or rights, warrants or options to subscribe for or purchase shares of Common Stock shall be deemed to be (1) a dividend or distribution of the evidences of indebtedness, cash, assets or shares of capital stock other than such shares of Common Stock or rights, warrants, options or convertible securities (making any Exercise Price reduction required by this subparagraph (d)) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights, warrants, options or convertible securities (making any further Exercise Price reduction required by subparagraph (a) or (c) of this Section 9.1), except (A) the Reference Date of such dividend or distribution as defined in this subparagraph (d) shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution" and the "Relevant Date" within the meaning of subparagraphs (a) and (c) of this Section 9.1 and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (a) of this Section 9.1).

(e) Minimum Adjustment Requirement. No adjustment shall be required unless such adjustment would result in an increase or decrease of at least 1% in the Exercise Price then subject to adjustment; provided, however, that any adjustments that are not made by reason of this Section 9.1(e) shall be carried forward and taken into account in any subsequent adjustment. In case the Company shall at any time issue shares of Common Stock by way of dividend on any stock of the Company or subdivide or combine the outstanding shares of Common Stock, said 1% specified in the preceding sentence (as theretofore increased or decreased, if said amount shall have been adjusted in accordance with the provisions of this Section 9.1(e)) shall

forthwith be proportionately increased in the case of such a combination or decreased in the case of such a subdivision or stock dividend so as appropriately to reflect the same. No adjustment to the Exercise Price shall be required if the holders of the outstanding unexercised and unissued Warrants (whether or not vested) receive the dividend or distribution giving rise to such adjustment in respect of each such Warrant.

(f) Calculations. All calculations under this Section 9.1 shall be made to the nearest \$0.01.

(g) Other Reductions in Exercise Price. The Company from time to time may reduce the Exercise Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period, subject to any conditions that the Board of Directors may deem relevant, and the Board of Directors of the Company shall have made a determination that such reduction would be in the best interest of the Company, which determination shall be conclusive. Whenever the Exercise Price is reduced pursuant to the preceding sentence, the Company shall mail to the Warrantholder a notice of the reduction at least fifteen days prior to the date the reduced Exercise Price takes effect, and such notice shall state the reduced Exercise Price and the period it will be in effect. If the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to shareholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of shares of Common Stock issuable upon exercise granted by this Section 9.1 or in the Exercise Price then in effect shall be required by reason of the taking of such record.

(h) Exercise between Record and Payment Date. Anything in this Section 9.1 to the contrary notwithstanding, in the event that a record date is established for a dividend or distribution that gives rise to an adjustment to the Exercise Price pursuant to this Section 9.1, if any Warrant is exercised to purchase shares of Common Stock between such record date and the date such dividend or distribution is paid then (x) the number of shares of Common Stock issued at the time of such exercise will be determined by reference to the Exercise Price as in effect without taking into account the adjustment resulting from such dividend or distribution and (y) on the date that such dividend or distribution is actually paid there shall be issued in respect of such exercise such number of additional shares of Common Stock as is necessary to reflect the Exercise Price in effect after taking into account the adjustment resulting from the dividend or distribution.

(i) Certificate. Whenever an adjustment in the Exercise Price is made as required or permitted by the provisions of this Section 9.1, the Company shall promptly file a certificate of its chief financial officer setting forth (A) the adjusted Exercise Price as provided in this Section 9.1 and a brief statement of the facts

requiring such adjustment and the computation thereof and (B) the number of shares of Common Stock (or portions thereof) purchasable upon exercise of a Warrant after such adjustment in the Exercise Price in accordance with Section 9.2 hereof and the record date therefor, and promptly after such filing shall mail or cause to be mailed a notice of such adjustment to each Warrantholder at his or her last address as the same appears on the Warrant Register. Such certificate, in the absence of manifest error, shall be conclusive and final evidence of the correctness of such adjustment. The Company shall be entitled to rely upon such certificate, and shall be under no duty or responsibility with respect to any such certificate except to exhibit the same to any Warrantholder desiring inspection thereof.

(j) Notice. In case:

(i) the Company shall declare any dividend or any distribution of any kind or character (whether in cash, securities or other property) on or in respect of shares of Common Stock or to the shareholders of the Company (in their capacity as such), excluding a dividend payable in shares of Common Stock or any regular periodic cash dividend paid out of current or retained earnings (as such terms are used in generally accepted accounting principles); or

(ii) the Company shall authorize the granting to the holders of shares of Common Stock of rights to subscribe for or purchase any shares of capital stock or of any other right; or

(iii) of any reclassification of shares of Common Stock (other than a subdivision or combination of outstanding shares of Common Stock or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be mailed to each Warrantholder, at its last address as it shall appear upon the Warrant Register, at least 10 days prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or, if a record is not to be taken, the date as of which the holders of shares of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and, if applicable, the date as of which it is expected that holders of shares of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property

(including cash) deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice, or any defect therein, shall not affect the validity of the proceedings referred to in clauses (i), (ii), (iii) and (iv) above.

(l) Section 305. Anything in this Section 9.1 to the contrary notwithstanding, the Company shall be entitled, but not required, to make such reductions in the Exercise Price, in addition to those required by this Section 9.1, as it in its discretion shall determine to be advisable, including, without limitation, in order that any dividend in or distribution of shares of Common Stock or shares of capital stock of any class other than Common Stock, subdivision, reclassification or combination of shares of Common Stock, issuance of rights or warrants, or any other transaction having a similar effect, shall not be treated as a distribution of property by the Company to its shareholders under Section 305 of the Internal Revenue Code of 1986, as amended, or any successor provision and shall not be taxable to them.

#### 9.2 Adjustments to Number of Warrant Shares.

Upon each adjustment of the Exercise Price pursuant to Section 9.1 hereof, the number of Warrant Shares purchasable upon exercise of a Warrant outstanding prior to the effectiveness of such adjustment shall be adjusted to the number, calculated to the nearest one-hundredth of a share, obtained by (x) multiplying the number of Warrant Shares purchasable immediately prior to such adjustment upon the exercise of a Warrant by the Exercise Price in effect prior to such adjustment and (y) dividing the product so obtained by the Exercise Price in effect after such adjustment of the Exercise Price.

#### 9.3 Organic Change.

(a) Company Survives. Upon the consummation of an Organic Change (other than a transaction in which the Company is not the surviving entity), lawful provision shall be made as part of the terms of such transaction whereby the terms of the Warrant Certificates shall be modified, without payment of any additional consideration therefor, so as to provide that upon exercise of Warrants following the consummation of such Organic Change, the Warrantholder shall have the right to purchase for the Exercise Price the kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which such Warrants might have been exercised immediately prior to such Organic Change. Lawful provision also shall be made as part of the terms of the Organic Change so that all other terms of the Warrant Certificates shall remain in full force and effect following such an Organic Change. The provisions of this Section 9.3(a) shall similarly apply to successive Organic Changes.



(b) Company Does Not Survive. The Company shall not enter into an Organic Change that is a transaction in which the Company is not the surviving entity unless lawful provision shall be made as part of the terms of such transaction whereby the surviving entity shall issue new securities to each Warrantholder, without payment of any additional consideration therefor, with terms that provide that upon the exercise of the Warrants, the Warrantholder shall have the right to purchase the kind and amount of securities, cash and other property receivable upon such Organic Change by a holder of the number of Warrant Shares into which such Warrants might have been exercised immediately prior to such Organic Change.

9.4 Statement on Warrants. The form of Warrant Certificate need not be changed because of any adjustment made pursuant to Section 8, Section 9.1 or Section 9.2 hereof, and Warrants issued after such adjustment may state the same Exercise Price and the same number of Warrant Shares as are stated in this Warrant Certificate.

#### Section 10. Fractional Interests.

The Company shall not be required to issue Fractional Warrant Shares on the exercise of the Warrants evidenced by this Warrant Certificate. If Fractional Warrant Shares totaling more than one Warrant Share in the aggregate are presented for exercise at the same time by the Warrantholder, the number of full Warrant Shares which shall be issuable upon exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares so purchasable upon the exercise of the Warrants so presented. If any Fractional Warrant Share would but for the provisions of this Section 10 be issuable on the exercise of this Warrant (or specified portions thereof), the Company shall pay an amount in cash equal to the fraction of a Warrant Share represented by such Fractional Warrant Share multiplied by the Market Price on the day of such exercise.

#### Section 11. No Rights as Shareholder.

Nothing in this Warrant Certificate shall be construed as conferring upon the Warrantholder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder with respect to any meeting of shareholders for the election of directors of the Company or any other matter.

#### Section 12. Cooperation; Validity of Warrant.

The Company shall use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any Governmental Entity having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant. In addition, upon the request of Warrantholder, the Company will at any time

during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Warrantholder, the continuing validity of this Warrant and the obligations of the Company hereunder.

#### Section 13. Listing on Nasdaq or Securities Exchange.

The Company shall list any shares of Common Stock issuable upon exercise of the Warrants evidenced by this Warrant Certificate in accordance with and as required by Section 5(l) of the Registration Rights Agreement dated as of April 15, 1999 by and among the Company, NBC and GE Capital, as amended from time to time thereafter.

#### Section 14. Covenant Regarding Consent.

The Company hereby covenants to use its reasonable best efforts upon the request of the Warrantholder to seek any waivers or consents, or to take any other action required, to effectuate the exercise of this Warrant by such Warrantholder.

#### Section 15. Limitation on Liability.

No provision hereof, in the absence of action by the Warrantholder to receive shares of Common Stock, and no enumeration herein of the rights or privileges of the Warrantholder, shall give rise to any liability of the Warrantholder for any value subsequently assigned to the Common Stock or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

#### Section 16. Nonwaiver and Expenses.

No course of dealing or any delay or failure to exercise any right hereunder on the part of the Warrantholder or the Company shall operate as a waiver of such right or otherwise prejudice the Warrantholder's, or the Company's, as the case may be, rights, powers or remedies.

#### Section 17. Amendment.

This Warrant and all other Warrants issued hereunder may be modified or amended or the provisions hereof waived with the written consent of the Company and holders of Warrants exercisable for in excess of 50% of the aggregate number of shares of Common Stock then receivable upon exercise of all Warrants whether or not then exercisable; provided that no such Warrant may be modified or amended in a manner which is materially adverse to the Initial Holder or any of its successors or assigns, so long as such

Person holds any Warrants or Warrant Shares, without the prior written consent of such Person.

#### Section 18. Successors.

All the covenants and provisions of this Warrant Certificate by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and permitted assigns hereunder.

#### Section 19. Governing Law; Choice of Forum, Etc.

The validity, construction and performance of this Warrant Certificate shall be governed by and interpreted in accordance with, the laws of New York. The parties hereto agree that the appropriate forum for any disputes arising out of this Warrant Certificate solely between or among any or all of the Company, on the one hand, and the Initial Holder and/or any Person who has become a Warrantholder, on the other, shall be any state or U.S. federal court sitting within the County of New York, New York or County of Hennepin, Minnesota, and the parties hereto irrevocably consent to the jurisdiction of such courts, and agree to comply with all requirements necessary to give such courts jurisdiction. The parties hereto further agree that the parties will not bring suit with respect to any disputes, except as expressly set forth below, arising out of this Warrant Certificate for the execution or enforcement of judgment, in any jurisdiction other than the above specified courts. Each of the parties hereto irrevocably consents to the service of process in any action or proceeding hereunder by the mailing of copies thereof by registered or certified airmail, postage prepaid, if to (i) the Company, at ValueVision International, Inc., 6740 Shady Oak Road, Eden Prairie, MN 55344-3433, Attention: General Counsel, Fax: (612) 947-0188, or at such other address specified by the Company in writing to the other parties, with a copy to Faegre & Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402, Attention: Andrew G. Humphrey, Fax: (612) 336-3026 and (ii) any Warrantholder, at the address of such Warrantholder specified in the Warrant Register. The foregoing shall not limit the rights of any party hereto to serve process in an other manner permitted by the law or to obtain execution of judgment in any other jurisdiction. The parties further agree, to the extent permitted by law, that final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of indebtedness. The parties agree to waive any and all rights that they may have to a jury trial with respect to disputes arising out of this Agreement.

#### Section 20. Enforcement.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Warrant and to enforce specifically the terms and provisions of this Warrant.

Section 21. Benefits of this Agreement.

Nothing in this Warrant Certificate shall be construed to give to any Person other than the Company and the Warrantholder any legal or equitable right, remedy or claim under this Warrant Certificate, and this Warrant Certificate shall be for the sole and exclusive benefit of the Company and the Warrantholder.

**Branding Warrants**

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the date first written above.

**VALUEVISION INTERNATIONAL, INC.**

By: /s/ Nathan Fagre

-----  
Name: Nathan Fagre  
Title: Senior Vice President, General  
Counsel and Secretary

**ELECTION TO EXERCISE**  
(To be executed upon exercise of Warrants)

To \_\_\_\_\_]:

The undersigned hereby irrevocably elects to exercise the right represented by the within Warrant Certificate for, and to acquire thereunder, \_\_\_\_\_ Warrant Shares, as provided for therein, and tenders herewith [payment of] [pursuant to a Cashless Exercise or In-Kind Exercise of securities with a value equal to] the \$\_\_\_\_\_ Exercise Price in full in the form of [COMPLETE WHERE APPLICABLE]:

cash or a certified or official bank check in the amount of \$\_\_\_\_\_; and/or

exchange of \_\_\_\_\_ Warrants for \_\_\_\_\_ Warrant Shares; and/or

exchange of \_\_\_\_\_ shares of Common Stock for \_\_\_\_\_ Warrant Shares; or

cash or a certified or official bank check in the amount of \$\_\_\_\_\_ and/or \_\_\_\_\_ shares of Common Stock, to be exchanged for one (1) Warrant Share, such Warrant Shares then to be exchanged for such number of Warrant Shares as are exchangeable pursuant to an In-Kind Exercise (such In-Kind Exercises to be repeated until the undersigned shall be entitled to receive \_\_\_\_\_ Warrant Shares).

**For a total Exercise Price of \$\_\_\_\_\_.**

If the value of the shares of the Company securities exchanged herewith exceeds the value of the Exercise Price applied to such delivery, then the Company shall reissue certificates representing such securities in the amounts necessary to preserve the value of such securities not applied to the exercise of the Warrants pursuant to this Election to Exercise.

Please issue a certificate or certificates for such Warrant Shares in the name of, and pay any cash for any Fractional Warrant Shares to (please print name, address and social security or other identifying number)\*:

Name:

---

Address:

---

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Soc. Sec. #:

AND, if such number of Warrant Shares shall not be all the shares purchasable under the within Warrant Certificate, a new Warrant Certificate is to be issued in the name of the undersigned for the balance remaining of the Warrant Shares purchasable thereunder rounded up to the next higher whole number of Warrant Shares.

Signature:\*\*

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\* The Warrant Certificate contains restrictions on the sale and other transfer of the Warrants evidenced by such Warrant Certificate.

\*\* The above signature will correspond exactly with the name on the face of this Warrant Certificate or with the name of the assignee appearing in the assignment form below.

**ASSIGNMENT FORM**

(To be signed only upon assignment of Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

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(Name and Address of Assignee must be Printed or Typewritten)

Warrants to purchase \_\_\_\_ Warrant Shares of the Company, evidenced by the within Warrant Certificate hereby irrevocably constituting and appointing \_\_\_\_\_ Attorney to transfer said Warrants on the books of the Company, with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_

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**Signature of Registered Holder\***

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Signature Guaranteed: Signature of Guarantor

\* The above signature must correspond exactly with the name on the face of this Warrant Certificate.



**SCHEDULE A**

**SCHEDULE OF VESTING**

Date -----	Warrants Vesting on Date -----
November 16, 2000	2,000,000
November 16, 2001	2,000,000
November 16, 2002	2,000,000

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALUEVISION INTERNATIONAL INC'S CONSOLIDATED BALANCE SHEET AS OF OCTOBER 31, 2000 AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED OCTOBER 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS AS FILED ON FORM 10-Q.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 2001
PERIOD START	FEB 01 2000
PERIOD END	OCT 31 2000
CASH	96,495
SECURITIES	170,946
RECEIVABLES	59,141 <sup>1</sup>
ALLOWANCES	0
INVENTORY	31,667
CURRENT ASSETS	380,290
PP&E	31,705
DEPRECIATION	0 <sup>2</sup>
TOTAL ASSETS	448,595
CURRENT LIABILITIES	70,835
BONDS	0
PREFERRED MANDATORY	41,831
PREFERRED	0
COMMON	387
OTHER SE	334,689
TOTAL LIABILITY AND EQUITY	448,595
SALES	261,920
TOTAL REVENUES	261,920
CGS	162,880
TOTAL COSTS	253,954
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(37,676)
INCOME TAX	(7,356)
INCOME CONTINUING	(30,320)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(30,320)
EPS BASIC	(.79)
EPS DILUTED	(.79)

<sup>1</sup> ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCES FOR DOUBTFUL ACCOUNTS.

<sup>2</sup> PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

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**End of Filing**

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