VALUEVISION MEDIA INC

FORM 10-K
(Annual Report)

Filed 5/1/1997 For Period Ending 1/31/1997

Address	6740 SHADY OAK RD
	MINNEAPOLIS, Minnesota 55344-3433
Telephone	612-947-5200
CIK	0000870826
Industry	Retail (Catalog & Mail Order)
Sector	Services
Fiscal Year	01/31

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 1997

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to ________

Commission File No. 0-20243

VALUEVISION INTERNATIONAL, INC.

(Exact Name of Issuer in Its Charter)

```
          Minnesota              41-1673770
  --------------------------------------------
 (State or Other Jurisdiction (I.R.S. Employer
of Incorporation or Organization) Identification No.)
```

6740 Shady Oak Road, Minneapolis, MN 55344 - 3433
(Address of Principal Executive Offices) (Zip Code)

612-947-5200
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $0.01 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of April 21, 1997, 28,145,512 shares of the Registrant's common stock were outstanding. The aggregate market value of the common stock held by non-affiliates of the registrant on such date, based upon the sale price of the common stock as reported by Nasdaq on April 21, 1997, was approximately $102,478,000. For purposes of this computation, affiliates of the registrant are deemed only to be the registrant's executive officers and directors.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive ValueVision International, Inc. Proxy Statement for the 1997 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

VALUEVISION INTERNATIONAL, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED
JANUARY 31, 1997

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

A. GENERAL

ValueVision International, Inc. ("ValueVision" or the "Company") is an integrated direct marketing company which markets its products directly to consumers through electronic and print media. The Company is a Minnesota corporation with principal and executive offices at 6740 Shady Oak Road, Minneapolis, Minnesota 55344-3433. The Company was incorporated in the state of Minnesota on June 25, 1990 and its fiscal year ends on January 31. Fiscal years are designated by the calendar year in which the fiscal year ends.

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

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

Electronic Media

The Company's principal electronic media activity is its television home shopping network program. The ValueVision home shopping network is the third largest television home shopping retailer in the United States. Through its continuous merchandise-focused television programming, the Company sells a wide variety of products and services directly to consumers. Sales from the Company's television home shopping network totaled $99,419,000, representing 62% of net sales, for the fiscal year ended January 31, 1997. Products are presented by on-air television home shopping personalities and orders are placed directly with ValueVision by viewers who call a toll-free telephone number. Orders are processed on-site by the Company's call center representatives who use ValueVision's customized computer processing system which provides real-time feedback to the on-air hosts. ValueVision's television programming is produced at the Company's Minneapolis facility and is transmitted nationally via satellite to local cable system operators, broadcast television stations and satellite dish owners.

Products and Product Mix. Products sold on the Company's television home shopping network include jewelry, giftware, collectibles and related merchandise, apparel, electronics, housewares, seasonal items and other merchandise. As part of the ongoing shift in merchandise mix, the Company continued to devote increasing airtime to non-jewelry merchandise during fiscal 1997. Jewelry accounted for 67% of the programming air time during fiscal 1997 compared with 70% for fiscal 1996. Jewelry is the largest single category of merchandise, representing 62% of net sales in fiscal 1997, 73% of net sales in fiscal 1996 and 77% of net sales in fiscal 1995. The Company has developed this product group to include proprietary lines such as New York Collection(TM), Bold Elegance(R), Daywear and Illusions(TM) products produced to ValueVision's specifications or designed exclusively for sale by the Company.

Growth in FTE Cable Homes. Since the inception of the Company's television operations, ValueVision has experienced substantial growth in the number of full-time equivalent cable homes ("FTE"s) which receive the Company's programming. As of January 31, 1997, the Company served a total of 16.4 million cable homes or 11.4 million FTEs, compared with a total of 13.6 million cable homes or 10.5 million FTEs as of January 31, 1996 and compared with 223,000 cable homes or 76,000 FTEs at January 31, 1992, the end of the Company's first fiscal year. Approximately 7.7 million, 7.2 million and 3.5 million cable homes at January 31, 1997, 1996 and 1995, respectively, received the Company's television home shopping programming on a full-time basis. As of January 31, 1997, the Company's television home shopping programming was carried by three full power broadcast television stations owned by the Company, 188 cable systems (160 in fiscal 1996) on a full-time basis and 77 cable systems (88 in fiscal 1996) on a part-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 total number of cable homes that receive the Company's television home shopping programming represents approximately 25% of the total number of cable subscribers in the United States.

Satellite Service. The Company's programming is distributed to cable systems, full and low power television stations and satellite dish owners via a leased communications satellite transponder. Satellite service may be interrupted due to a variety of circumstances beyond the Company's control, such as satellite transponder failure, satellite fuel depletion, governmental action, preemption by the satellite lessor and service failure. The Company does not have any agreements from immediate backup satellite services, although it believes it could arrange for such services from others. However, there can be no assurance that the Company will be able to make any such arrangements and the Company may incur substantial additional costs in entering into new arrangements.

Print Media

The Company is also a direct-mail marketer of a broad range of quality general merchandise which is sold to consumers through direct-mail catalogs and other direct marketing solicitations. The Company's involvement in the print media, direct marketing business is the result of a series of acquisitions made in fiscal 1997 by VVDM. Sales from the Company's print media, direct marketing business totaled $60,059,000, representing 38% of net sales, for the fiscal year ended January 31, 1997.

Effective July 27, 1996, the Company acquired substantially all of the assets and assumed certain obligations of Montgomery Ward Direct L.P., a four year old catalog business ("MWD"). MWD's principal direct marketing vehicle is its home decor and furnishings catalog, a full- color booklet of approximately 50 to 100 pages that is mailed semi-monthly to its customer list and to individuals whose names are generated from mailing lists rented by MWD. MWD also produces and mails special issues during the holiday season and produces inventory clearance catalogs. Historically, a significant portion of MWD's catalogs have been targeted mainly to Montgomery Ward & Co., Incorporated ("Montgomery Ward") credit card account holders.

On October 22, 1996, VVDM acquired all of the outstanding shares of BII, a manufacturer and direct marketer of women's foundation undergarments. Direct marketing solicitation is through space advertisements of BII's merchandise in national and regional newspapers and magazines.

Effective November 1, 1996, VVDM acquired substantially all of the assets and assumed certain obligations of Catalog Ventures, Inc. and Mitchell & Webb, Inc. (collectively "CVI"), two direct marketing companies which together publish five consumer specialty catalogs. CVI currently produces five special interest catalogs which are mailed approximately monthly and include Nature's Jewelry(R),The Pyramid Collection (TM), Serengeti(R), NorthStyle(R) and The Mind's Eye(R). The full-color catalogs generally contain approximately 50 to 60 pages and are mailed on a monthly basis to CVI's customer list and to individuals whose names are generated from mailing lists rented by CVI.

Products and Product Mix. Products offered under the MWD catalog include domestics, housewares, home accessories and electronics. Products offered through CVI include a variety of fashion jewelry, health and beauty aids, books, audio and video cassettes and other related consumer merchandise. BII manufactures and markets via direct mail, women's foundation undergarments, which are products designed to provide comfort, support and posture enhancement.

Circulation. A significant portion of MWD's catalogs are mailed on a semi-monthly basis and are primarily targeted to educated middle income women aged 35 to 50. Approximately 40 million MWD catalogs were mailed in fiscal 1997. At January 31, 1997, MWD had approximately 606,000 "active" customers (defined as individuals that have purchased from the Company within the preceding 12 months) and combined customer and prospect files that totaled more than 3.2 million names. CVI mails each of its five specialty catalogs on a seasonal basis and primarily targets well-educated, middle and upper-income women aged 35 to 55. Approximately 26 million CVI catalogs were mailed in fiscal 1997. At January 31, 1997, CVI had approximately 514,000 active catalog customers and approximately 4.5 million customer names in its catalog customer list database. During fiscal 1997, BII had approximately 678 million printed space advertisements or "impressions" circulated in national and regional newspapers and magazines. At January 31, 1997, BII had approximately 185,000 active customers and approximately 415,000 customer names in its customer list database.

B. BUSINESS STRATEGY

The Company's primary business strategy is to increase sales and cash flows from existing direct marketing operations and through the acquisition of additional direct-mail companies to complement its growing direct marketing business. In addition, the Company's strategy involves increasing sales and cash flows by increasing the number of FTEs that receive the Company's television home shopping programming through (i) affiliation agreements with cable companies, (ii) block lease agreements and (iii) the use of broadcast television stations and "must carry" rights. The Company also anticipates growth through (i) increased penetration of new customers from existing homes served by television programming and through the Company's recent investment and future expected growth in direct-to-consumer selling on the Internet, (ii) continued expansion of repeat sales to existing customers, (iii) increased circulation of catalog mailings and (iv) the acquisition of additional direct-mail companies.

Cable Affiliation Agreements

As of January 31, 1997, the Company had entered into long-term cable affiliation agreements with eleven multiple system operators ("MSOs"), which require each MSO to offer the Company's cable television home shopping programming substantially on a full-time basis to their cable systems. The aggregate number of cable homes served by these eleven MSOs is approximately 19.8 million, of which approximately 7.2 million cable homes (6.8 million FTEs) currently receive the Company's programming. The stated terms of the affiliation agreements range from three to seven years. Under certain circumstances, the MSOs may cancel the agreements prior to their expiration. There can be no assurance that such agreements won't be so terminated or that such termination won't materially or adversely affect the Company's business. In addition, these MSOs are also carrying the Company's programming on an additional 750,000 cable homes (361,000 FTEs) pursuant to short-term cable carriage arrangements. The affiliation agreements provide that the Company will pay each MSO a monthly cable access fee and marketing support payments based upon the number of homes carrying the Company's television home shopping programming. Certain of the affiliation agreements also require payment of onetime initial launch fees which are capitalized and amortized on a straight-line basis over the term of the agreements. The Company has entered into, and currently plans to enter into, affiliation agreements with other cable television operators providing for full- or part-time carriage of the Company's television home shopping programming.

Block Lease Agreements

The Company currently leases blocks of cable television time from certain cable operators, typically for one year periods, with thirty-day cancellation privileges by either party.

General. Commencing in January 1992, the Company began leasing blocks of cable television time for its programming. On average, the Company's lease agreements provide for approximately 120 to 140 hours or more of programming weekly and are generally terminable by either party on thirty days' notice. This method of programming distribution, as a component of the Company's overall distribution strategy, may be significantly expanded in the event of favorable action or judical review of the "leased access" rules pursuant to the Cable Act. However, no assurance can be made with respect to the outcome of these proceedings. See "Federal Regulation."

"Leased Access." Cable systems are generally required to make up to 15% of their channel capacity available for lease by nonaffiliated programmers. See "Federal Regulation." In May 1993, the Federal Communications Commission ("FCC") issued rules limiting cable leased access rates that cable systems can charge nonaffiliated programmers such as the Company. These rules, which used a "highest implicit fee" proxy for the costs cable operators incurred in carrying leased access programming, often allowed operators to increase lease rates dramatically and affected the Company's ability to gain carriage on some systems. The FCC adopted revised rules in February 1997. These revised rules include a modified version of the proxy called the "average implicit fee," which changes the calculation of the proxy in a way that makes it unclear whether or to what extent lease rates will be affected. The impact of the revised rules on lease rates will not be certain until the Company and cable operators attempt to negotiate for carriage under the new provisions. The Company has petitioned the D.C. Circuit for review of these newly revised rate provisions. Both the petition for review and a similar petition are currently pending and the time for other parties to file petitions for review has not yet expired. There can be no assurances that the Company will prevail in this litigation or, if it succeeds, that the rules the FCC would adopt in place of the challenged ones will be favorable to the Company. Moreover, other parties may seek judical review in efforts to obtain a pricing formula or part-day access rules less favorable to the Company. The timing of any FCC or court action is uncertain.

Broadcast Television Stations

The Company currently owns three full power broadcast television stations that carry the ValueVision television home shopping program primarily on a full-time basis: KBGE (TV), licensed to Bellevue, Washington and serving the Seattle-Tacoma, Washington area; KVVV (TV), licensed to Baytown, Texas and serving the Houston, Texas area; and WVVI (TV) licensed to Manassas, Virginia and serving the Washington, D.C. area. The Company's current strategy is to buy or sell broadcast television stations at appropriate prices when investment opportunities arise.

When purchasing broadcast television stations, the Company does not consider conventional measures of a station's performance, such as over the air coverage, advertising revenues, audience share, programming or demographics, to select stations for acquisition. Rather, the Company focuses on the Area of Dominant Influence ("ADI") of the market in which the station is located and the number of cable households within each ADI. The Company generally intends to broadcast primarily home shopping programming over full power television stations that it acquires, and does not expect its programming to generate significant advertising revenues. Accordingly, the preacquisition operating results of any full power television station will not be predictive of the operating results following acquisition by the Company.

Summary of Acquisitions and Dispositions. In March 1996, the Company completed the acquisition of the full power Ultra-High Frequency ("UHF") independent television station KBGE (TV), Channel 33, serving the Seattle-Tacoma, Washington market ("KBGE") for approximately $4.6 million. During fiscal 1995, the Company acquired four full power UHF television stations (WVVI -- Washington, D.C. ADI; KVVV -- Houston, Texas ADI; WHAI -- Bridgeport, Connecticut, New York City ADI; and WAKC -- Cleveland-Akron, Ohio ADI) for an aggregate purchase price, including acquisition related costs, of approximately $22.4 million. In February 1996, the Company sold two stations serving the New York City (WHAI) and Cleveland-Akron, Ohio (WAKC) markets. In November 1996, the Company announced that an agreement was entered into for the sale of television station WVVI, licensed to Manassas, Virginia. Television stations WVVI, KVVV and KBGE are currently carrying the Company's television home shopping programming and are located in markets that have a total of approximately 5.0 million homes, including approximately 3.3 million cable homes within their combined ADIs. Approximately 1.7 million of these cable homes currently receive ValueVision's programming.

The Company purchased KBGE, licensed to Bellevue, Washington and serving Seattle-Tacoma, Washington from NWTV, Inc. for aggregate consideration of $4,600,000 on March 15, 1996. KBGE commenced broadcast operations during October 1995. The Seattle-Tacoma, Washington market represents the 13th largest ADI in the nation and ranks ninth among U.S. cable markets, with approximately 1.0 million cable television households and an average cable penetration of almost 70%. As of January 31, 1997, approximately 543,000 of the estimated 1.0 million cable television households in the Seattle-Tacoma ADI were receiving KBGE's signal, and KBGE is seeking additional cable carriage under the "must carry" rules.

The Company acquired Channel 43 in Bridgeport, Connecticut (WHAI), a full power UHF television station licensed to Bridgeport, Connecticut and servicing part of the New York City ADI in December 1994 from Bridgeways Communications Corp. Total consideration for the acquisition of WHAI was $7,320,000, including $3,900,000 in cash and 720,000 shares of the Company's common stock with a fair market value of $3,420,000. In April 1994, the Company acquired WAKC, a full power UHF station licensed to Akron, Ohio, for approximately $6,000,000, including $1,000,000 payable under the terms of a non-compete agreement in five equal annual installments commencing in April 1995. Since its acquisition, WAKC had been operated as an ABC network affiliate and did not carry any of the Company's television home shopping programming. On February 28, 1996, the Company completed the sale of these two television stations to Paxson Communications Corporation ("Paxson") for $40.0 million in cash plus the assumption of certain obligations. The net gain on the sale of these two television stations of approximately $27 million was recognized in the quarter ended April 30, 1996.

The Company purchased WVVI, licensed to Manassas, Virginia, from National Capital Christian Broadcasting, Inc. ("National") for $4,850,000, of which $4,050,000 was paid at the initial closing on March 28, 1994 and $800,000 was paid at a second closing on April 11, 1996. The Company also purchased at the WVVI initial closing a five-year secured convertible debenture in the principal amount of $450,000. The debenture was convertible at the Company's option into that number of shares of common stock which represented approximately 19% of the outstanding capital stock of Capital Television Network, Inc. ("Capital"). In April 1996, the Company received certain studio and production equipment from National and Capital in lieu of a cash repayment of the amount outstanding under the secured convertible debenture. On November 22, 1996, the Company announced that an agreement had been reached with Paxson for the sale of its television broadcast station, WVVI (TV), for approximately $30 million. Under the terms of the agreement, Paxson will pay the Company $20 million in cash and $10 million in Paxson common stock valued at the average closing price during the 60-day period following the signing of the agreement. As part of the agreement, Paxson will be required to pay an additional $10 million to the Company as a result of the recent decision of the United States Supreme Court upholding the "must carry" provision of the 1992 Cable Act. WVVI (TV) carries the Company's television home shopping programming to approximately 874,000 cable television households. The transaction was approved by the FCC in April 1997 and is anticipated to close by the end of the second quarter of fiscal 1998. The effects of the disposition will be reflected in the financial statements at the date of closing. Management believes that the sale will not have a significant impact on the operations of the Company.

The Company purchased KVVV, licensed to Baytown, Texas, from Pray, Inc. for a purchase price of $5,750,000, of which $4,150,000 was paid at the initial closing on March 28, 1994. On March 31, 1997, the Supreme Court upheld the "must carry" provisions of the 1992 Cable Act. Assuming there is no petition for a rehearing, and the decision becomes final, the Company will be obligated to pay the remaining $1,600,000 upon a second closing. In lieu of paying the $1,600,000 in cash, the Company may issue to Pray, Inc. that number of shares of registered common stock that have a market value of $2,000,000 on the date of the second closing.

"Must Carry." The Company intends to achieve increased cable distribution of its programming under the FCC's "must carry" rules through mandatory carriage on local cable systems of full power television stations it has acquired or intends to acquire. In general, and subject to the right of a cable operator to seek FCC relief upon a showing of lack of service or coverage or by other factors, the current "must carry" rules entitle full power television stations to mandatory cable coverage, at no charge, in all cable homes located within each station's ADI or Designated Market Area ("DMA"), provided that the signal is of adequate strength and the cable system has "must carry" designated channels available. See "Federal Regulation." Mandatory cable carriage can substantially increase, at a low cost, the number of homes that a full power television station can reach. On March 31, 1997, the Supreme Court, rejecting a constitutional challenge brought by cable industry plaintiffs, upheld in their entirety the "must carry" rules applicable to full power television stations.

Other Methods of Program Distribution

The Company's programming is also broadcast full-time to approximately 3.0 million "C"-band satellite dish owners and to approximately 2.5 million homes via eleven low power television ("LPTV") stations that the Company owns or with which it has programming lease agreements. The LPTV stations and satellite dish transmissions were collectively responsible for less than 8% of the Company's sales in its last fiscal year. LPTV stations reach a substantially smaller radius of television households than full power television stations, are generally not entitled to "must carry" rights and are subject to substantial FCC limitations on their operations. However, LPTV stations can be constructed and operated at a substantially lower cost than full power television stations. During fiscal 1997, the Company completed construction of and obtained a license for one LPTV station located in Portland, Oregon. The Company now owns and operates six LPTV stations. The Company also exercised options to buy five LPTV stations with which it has programming lease agreements and the Company is currently awaiting FCC approval for these acquisitions. Three other stations with which the Company has programming agreements, located in Seattle, Washington, Richmond, Virginia, and Indianapolis, Indiana are to be completed in Fiscal 1998. The channel allocation process for digital television technology ("DTV") may prevent the Company from utilizing LPTV stations. See "Federal Regulation."

WWW.VVTV.COM

In April 1997, the Company launched an interactive shopping site address on the Internet located at WWW.VVTV.COM. The Internet site will provide consumers with access to the general merchandise offered on the Company's television home shopping program as well as provide consumers the opportunity to view and hear the live 24-hour per day television home shopping program. This method of program distribution is in the development stage and, consequently, the Company cannot predict operating results.

Print Media Operations

The Company's print media operations provide customers with a broad range of quality merchandise at competitive or discounted prices through the convenience of catalog and other direct marketing solicitations. The Company's objective for print media activities is to expand recently acquired direct marketing operations while acquiring additional direct-mail companies. The Company's strategy for print media operations is to (i) perform effective target marketing and increase catalog circulation to achieve strong sales growth, (ii) procure products more efficiently and improve pricing to increase gross margins, (iii) improve order processing and distribution efficiencies through consolidation of operations, and share customer lists between operating units.

C. STRATEGIC RELATIONSHIPS

Montgomery Ward Alliance

During fiscal 1996, the Company entered into a Securities Purchase Agreement, an Operating Agreement, a Credit Card License and Receivable Sales Agreement, and a Servicemark License Agreement (collectively, the "MW Agreements") with Montgomery Ward. Under the MW Agreements, Montgomery Ward purchased 1,280,000 unregistered shares of common stock of the Company at $6.25 per share, which represented approximately 4.4% of the issued and outstanding shares of common stock of the Company, and received warrants to purchase an additional 25 million shares of common stock of the Company, subject to adjustment (25,770,461 as adjusted through January 31, 1996). These warrants had exercise prices ranging from $6.50 to $17.00 per share, with an average exercise price of $9.16 per share (the "Warrants"). The value assigned to the Warrants of $17,500,000 was determined pursuant to an independent appraisal.

On June 7, 1996, the Company signed a non-binding Memorandum of Understanding with Montgomery Ward pursuant to which the companies agreed to the expansion and restructuring of their ongoing operating and license agreements as well as the Company's acquisition of substantially all of the assets and assumption of certain obligations of MWD. Effective July 27, 1996 the companies reached definitive agreements and closed the transaction in the third quarter ended October 31, 1996. Pursuant to the provisions of the agreements, the Company's sales promotion rights were expanded beyond television home shopping to include the full use of the service mark of Montgomery Ward for direct-mail catalogs and ancillary promotions. In addition, the strategic alliance between the companies has been restructured and amended such that (i) 18 million unvested warrants granted to Montgomery Ward in August 1995 and exercisable at prices ranging from $7.00 - $17.00 were terminated in exchange for the issuance by the Company of 1,484,467 new vested warrants exercisable at $0.01 per share, (ii) the Company issued 1,484,993 new vested warrants, valued at $5.625 per share and exercisable at $0.01 per share, to Montgomery Ward as full consideration for the acquisition of approximately $4.7 million in net assets, representing substantially all of the assets and the assumption of certain liabilities of MWD, (iii) Montgomery Ward has committed to provide $20 million in supplemental advertising support over a five-year period, (iv) the Montgomery Ward operating agreements and licenses have been amended and expanded, as defined in the agreements, and extended to July 31, 2008 and (v) the Company issued to Montgomery Ward new vested warrants to purchase 2.2 million shares of the Company's common stock at an exercise price of $.01 per share in exchange for 7 million vested warrants granted to Montgomery Ward in August 1995 which were exercisable at prices ranging from $6.50 - $6.75 per share.

Under the MW Agreements, Montgomery Ward may provide the Company with certain operational support, including merchandise sourcing and use of the Montgomery Ward credit card by the Company's customers, and may also assist the Company in obtaining a line of credit for strategic acquisitions or expansion. Montgomery Ward may assist the Company in obtaining cable carriage agreements by purchasing advertising time on cable systems. During the term of the MW Agreements, the Company will be Montgomery Ward's exclusive outlet for television shopping (as defined in the MW Agreements), subject to certain exceptions. The Operating Agreement has a twelve-year term and may be terminated under certain circumstances as defined in the agreement.

The current rules of the FCC limit the number of television stations within a single market, and the aggregate number of television stations, in which related persons and entities may own attributable interests (the "Combined Ownership Rules"). The ownership of television stations by affiliates of Montgomery Ward and by the Company may violate the FCC's Combined Ownership Rules in the event that Montgomery Ward seeks to exercise the Warrants. In such event, the Montgomery Ward interest in the Company may be subject to divestiture or other regulatory action. In addition, no assurance can be given as to the actual impact of this relationship on the Company or whether termination of such relationship will have a material adverse impact on the Company.

Net Radio Network

In March 1997, the Company acquired a 15% interest in Net Radio Corporation ("Net Radio") for an aggregate purchase price of $3 million, consisting of $1 million in cash and a commitment to provide $2 million in future advertising. Net Radio is a popular music and entertainment site on the Internet. Navarre Corporation, a leading national distributor of music, computer software and interactive CD ROM products, owns the remaining 85% of Net Radio. The Company's 24-hour per day shopping program is currently being carried by Net Radio. This investment allows ValueVision to establish a foothold in providing electronic commerce on the Internet. Additionally, ValueVision has been granted exclusive rights for most merchandise categories to be made available in Net Radio's program marketplace.

D. MARKETING AND MERCHANDISING

Electronic Media

The Company's television revenues are generated from sales of merchandise offered through its television home shopping programming. ValueVision's programming features recognizable on-air television home shopping network personalities, many of whom have built a following on other home shopping programs. The sales environment is friendly and informal. As a part of its programming, the Company provides live, on-air telephone interaction between the on-air host and customers. Such customer testimonials give credibility to the products and provide entertainment value for the viewers.

The Company's television home shopping network utilizes live television 24 hours per day, seven days a week, to create an interactive and entertaining atmosphere to effectively describe and demonstrate the Company's merchandise. Selected customers participate through live conversations with on-air hosts and occasional celebrity guests. The Company believes its customers make purchases based primarily on convenience, quality of merchandise and availability of brand name value.

The Company employs a variety of techniques for marketing the products sold on the air including, among others, segmented merchandising programs and merchandise-themed, in-studio and live remote "specials" as well as on-air contests to supplement the general merchandise offering format. The Company believes that its customers are primarily women between the ages of 35 and 55, with household income of approximately $35,000 to $45,000. The typical viewer is from a household with a professional or managerial primary wage earner. ValueVision schedules its special segments at different times of the day and week to appeal to specific viewer and customer profiles. The Company also produces special theme programs for events such as Father's Day, Mother's Day and Valentine's Day. The Company features frequent and occasionally unannounced, special bargain, discount and inventory-clearance sales in order to, among other reasons, encourage customer loyalty or add new customers.

The Company produces segmented merchandising programs and merchandise-themed, in-studio and occasional remote "specials" to supplement the general merchandise offering format, including The Doll Collector, The Sports Page, The Coin Collector, Italian Romance, Home Accents, Silver Sensations and Everything Electric.

In addition to the Company's daily produced home shopping programming, the Company may from time to time test other types of strategies, including localized home shopping programming in conjunction with retailers and other catalogers. During fiscal 1996, the Company entered into a strategic alliance with Montgomery Ward, under which the Company featured products acquired through the assistance of Montgomery Ward. The Company may seek to enter into joint ventures, acquisitions or similar arrangements with other consumer merchandising companies (subject to Montgomery Ward's approval of any other retailer), television home shopping companies, television stations, networks or programmers to complement or expand the Company's television home shopping business. Most of the Company's cable lease and affiliation agreements provide for cross channel 30-second promotional spots. The Company purchases advertising time on other cable channels to advertise specialty shows and other special promotions. The Company prominently features its on-air hosts in advertising and promotion of its programming.

The Company's television home shopping merchandise is generally offered at or below retail prices. Jewelry accounted for approximately 62% of the Company's net sales in fiscal 1997 compared to 73% in fiscal 1996 and 77% in fiscal 1995. Giftware, collectibles and related merchandise, apparel, electronics, housewares, seasonal items and other merchandise comprise the remaining sales. The Company continually introduces new items with additional merchandise selection chosen from available inventories of previously featured products. The alliance with Montgomery Ward provides the Company with access to certain merchandise at Montgomery Ward's cost and permits the Company to expand its product offerings, including the addition of a variety of brand name merchandise. Inventory sources include manufacturers, wholesalers, distributors, inventory liquidators and importers.

ValueVision has also developed several lines of private label merchandise that are targeted to its viewer/customer preferences, including Bold Elegance(R), Romantic Expressions(R), Illusions(TM) New York(TM) and Vincenzia Collections(TM). The Company intends to continue to promote private label merchandise, which generally has higher than average margins. The Company also may negotiate with celebrities, including television, motion picture and sports stars, for the right to develop various licensed products and merchandising programs which may include occasional on-air appearances by the celebrity.

In 1991, the Company introduced its Video Shopping Cart(SM) service. The Video Shopping Cart allows customers to order as many items as often as they wish during a 24-hour period between midnight to midnight each day, and pay a single shipping and handling charge for the entire order (currently $9.95; $14.95 to households in Alaska and Hawaii). Substantially all of the Company's merchandise qualifies for inclusion in a customer's Video Shopping Cart, except for certain large items, items over $300, items placed on the "ValuePay" installment payment program or items that are direct-shipped from the vendor.

The Company transmits daily programming instantaneously to cable operators, full and low power television stations, and satellite dish owners by means of a communications satellite. In March 1994, the Company entered into a 12-year satellite lease on a new Hughes Communication cable programming satellite offering transponders to the cable programming industry, including the Company. Under certain circumstances, the Company's transponder could be preempted and the Company currently has not contracted for backup services.

Print Media

VVDM, through MWD, is a direct-mail marketer of a broad range of quality general merchandise which is sold to consumers through direct-mail catalogs. Products offered include domestics, housewares, home accessories and electronics. MWD's principal direct marketing vehicle is its home decor and furnishings catalog, a full-color booklet of approximately 50 to 100 pages that is mailed semi-monthly to its customer list and to individuals whose names are generated from mailing lists rented by MWD. MWD also produces and mails special issues during the holiday season and produces inventory clearance catalogs. Historically, a significant portion of MWD's catalogs have been targeted to Montgomery Ward credit card account holders.

CVI markets a variety of merchandise through five consumer specialty catalogs under distinct titles. The catalogs are mailed seasonally and are targeted to middle and upper-income women aged 35-55 years old. Catalog titles offered by CVI include: (i) Nature's Jewelry(R) - offering moderately-priced, nature-themed jewelry, apparel and gifts; (ii) The Pyramid Collection (TM) - offering a wide array of self- improvement, spiritually oriented and New Age books, tapes and CDS as well as jewelry and gifts with related themes; (iii) Serengeti(R) - offering jewelry, apparel and gifts based on various wildlife themes; (iv) NorthStyle(R) - "America's Nature Gift Catalog", sells "northwoods" or "log cabin" styled home decor and apparel, as well as books, videos and audio products on a similar theme; and (v) The Mind's Eye(R) - a nostalgia catalog offering audio, video, games and home products from customers' childhood, some with a collectible component.

BII is a leading direct marketer of women's foundation undergarments. Products include the Posture X Bra(TM) and other related products that provide comfort, support and posture enhancement. BII markets its products through newspaper inserts, magazines and other print media as well as and through various syndication offers in the credit card billing statements of individual consumers.

Favorable Purchasing Terms

The Company obtains products for its electronic and print media, direct marketing businesses from domestic and foreign manufacturers and is often able to make purchases on favorable terms based on the volume of transactions. A substantial portion of the Company's purchasing arrangements include inventory terms which allow for return privileges or stock balancing. The Company is not dependent upon any one supplier for a significant portion of its inventory.

E. ORDER ENTRY, FULFILLMENT AND CUSTOMER SERVICE

Products offered through all of the Company's selling mediums, except BII, are available for purchase via toll-free "800" telephone numbers. The Company maintains on-site telephone response centers in its Minneapolis, Minnesota and Chelmsford, Massachusetts facilities, staffed by call center representatives, each equipped with a terminal on-line with the Company's computerized order response and fulfillment systems. These order response and fulfillment systems have approximately 300 dedicated order entry agent stations, approximately 50 to 90 of which are currently staffed at various times and an additional 100 "flex" order entry stations to handle overflow capacity during peak seasons. The Company's primary telephone system has a 1,400 line capacity, and its primary computer system has a 1,500-agent capacity, both of which can be readily upgraded for additional volume. The Company's telephone systems display up-to-the-second data on the volume of incoming calls, the number of call center representatives on duty, the number of calls being handled and the number of incoming calls, if any, waiting for available call center representatives. The fulfillment systems automatically report and update available merchandise quantities as customers place orders and stock is depleted. The Company's computerized systems handle customer order entry, order fulfillment, customer service, merchandise purchasing, on-air scheduling, warehousing, customer record keeping and inventory control. In fiscal 1996, the Company invested in backup power supply systems to ensure that interruptions to the Company's operations due to electrical power outages are minimized.

During fiscal 1997, the Company purchased a 262,000 square foot distribution facility in Bowling Green, Kentucky which is being used primarily in connection with the fulfillment operations of MWD. In addition, during fiscal 1997, the Company installed a 192-line Automated Voice Response Unit ("VRU") to capture additional ValueVision customer orders quickly without the assistance of a live call center representative. Customers simply place orders using the touch-tone pad of their telephone. Approximately 25-30% of daily sales orders are taken using the new VRU system.

The majority of customer purchases are paid by credit card. Commencing in March 1995, customers were able to use either a Montgomery Ward or a ValueVision/Montgomery Ward credit card to charge ValueVision purchases. In accordance with general industry practice, the Company accepts "reservation" orders from customers who wish to pay by check. The Company does not offer C.O.D. terms to customers. During fiscal 1995, the Company introduced an installment payment program called ValuePay which entitles television home shopping customers to purchase merchandise and pay for the merchandise in two to four equal successive monthly installments. The Company intends to continue to sell merchandise using the ValuePay program.

Merchandise is shipped to customers via United Parcel Service and the United States Postal Service, which generally results in delivery to the customer within seven to ten days after an order is received. Both United Parcel Service and the United States Postal Service pick up merchandise directly at the Company's distribution centers. Orders are generally shipped to customers within 48 hours after the order is placed.

The Company's Customer Service departments handle customer inquiries, most of which consist of inquiries with respect to the status of pending orders or returns of merchandise. The customer service representatives are on-line with the Company's computerized order response and fulfillment systems. Being on-line permits access to a customer's purchase history while on the phone with the customer, thus enabling most inquiries and requests to be promptly resolved. The Company considers its order entry, fulfillment and customer service functions as particularly important functions positioned with open capacity to enable it to accommodate future growth. The Company designs all aspects of its infrastructure to meet the needs of the customer and to accommodate future expansion.

The Company's television home shopping return policy allows a standard 30-day refund period for all customer purchases. Recently, the Company's return rates on its television sales have been approximately 28%, which is slightly higher than the reported industry average of approximately 24% to 26%. Management attributes the higher return rate in part to the Video Shopping Cart, as customers are more likely to order additional items on a trial basis when using the Video Shopping Cart; higher than average unit price points of approximately $85 in fiscal 1997 ($80 in fiscal 1996); and a higher mix of gemstone jewelry items, which traditionally experience higher than average return rates. Management believes that the higher return rate is acceptable, given the higher net sales generated and the Company's ability to quickly process returned merchandise at relatively low cost. Generally, the Company's return policy for direct-mail operations allows unconditional return of products. The return rate for the Company's direct-mail operations for fiscal 1997 was approximately 10% and the Company believes that this return rate is comparable to industry averages.

F. COMPETITION

The direct marketing and retail businesses are highly competitive. In both its television home shopping and direct-mail operations, the Company competes for consumer expenditures with other forms of retail businesses, including department, discount, warehouse and specialty stores, mail order and other catalog companies and direct sellers.

The television home shopping industry is highly competitive and is dominated by two companies, QVC Network, Inc. ("QVC") and Home Shopping Network, Inc. ("HSN"). The Company believes that the home shopping industry is attractive to consumers, cable companies, manufacturers and retailers. The industry offers consumers convenience, value and entertainment, and offers manufacturers and retailers an opportunity to test market new products, increase brand awareness and access additional channels of distribution. The Company believes the industry is well positioned to compete with other forms of cable programming for cable air time, as home shopping networks compensate cable television operators, whereas other forms of cable programming receive compensation from cable operators for carriage. The Company competes for cable distribution with all other programmers, including other television home shopping networks such as QVC and HSN. The Company currently competes for viewership and sales with QVC, HSN, or both companies, in virtually all of its markets. The Company is at a competitive disadvantage in attracting viewers due to the fact that the Company's programming is not carried full time in approximately one-half of its markets, and that the Company may have less desirable cable channels in many markets.

The Company expects increasing competition for viewers/customers and for experienced home shopping personnel from major cable systems, television networks and retailers that may seek to enter television home shopping. The Company will also compete to lease cable television time, to enter into cable affiliation agreements, and to acquire full power broadcast television stations. Entry and ultimate success in the television home shopping industry is dependent upon several key factors, the most significant of which is obtaining carriage on cable systems reaching an adequate number of subscribers. The Company believes that the number of new entrants into the television home shopping industry will continue to increase. The Company believes that it is strategically positioned to compete because of its established relationships with cable operators and its current intentions to acquire additional television stations in the event that stations in strategic markets can be acquired at favorable prices, however, no assurance can be given that the Company will be able to acquire cable carriage or additional television stations at prices favorable to the Company.

New technological and regulatory developments may also increase competition and the Company's costs. In April 1997, the FCC adopted rules for digital television ("DTV") that will allow full power television stations to broadcast multiple channels of digital data simultaneously on the bandwidth presently used by one normal analog channel. FCC rules will allow broadcasters to use this additional capacity to provide new services, including home shopping, video delivery and interactive data transfer. Every full power television station now in operation will be assigned an additional channel on which to broadcast DTV until analog transmissions are terminated. Station affiliates of the four major networks in the top ten markets must be on the air with a DTV signal by May 1, 1999; network affiliates in the top thirty markets must be on the air by November 1, 1999. Two additional direct broadcast satellite ("DBS") systems began service in 1996, bringing the total number of DBS providers to four. At least three other companies have been issued licenses to provide DBS service. About 4.5 million homes now subscribe to one of the DBS systems and at least one DBS system has announced plans to begin providing local broadcast signals. Finally, a number of telephone companies have also sought and received FCC approval to provide video dialtone service and recent legislation expands the opportunities for telephone companies to provide cable services. See "Federal Regulation." These developments could have the effect of increasing home shopping competitors to include firms with substantial financial and technical ability.

Developing alternative technologies could in the future provide outlets for increased competition to the Company's programming. In 1996, the FCC completed auctions for authorizations to provide multichannel multipoint distribution services ("MMDS"), also known as wireless cable. Approximately one million subscribers now receive traditional video programming through MMDS. Local multipoint distribution service ("LMDS"), another technology that allows wireless transmission and reception of video or audio programming or other data, may also compete with cable and traditional broadcast television in the future. In 1997, the FCC will begin auctions for LMDS licenses; the FCC plans to sell approximately 500 licenses nationwide. An additional potential competing technology is interactive video data service ("IVDS"). IVDS will enable viewers to order products and services on demand and will offer viewers more programming choice and the ability to download information. Interactive television data services will also compete generally with existing media for viewers. Approximately 600 IVDS licenses were awarded by the FCC in 1993 and 1994. Almost all of these initial licensees are currently required to provide service to 30% of their service area by March 1997 and to 50% of those areas by March 1999; the FCC has eliminated the requirement that an IVDS licensee begin service to 10% of its service area within one year from the issuance of the license. An additional 856 licenses, filling out the remainder of the nation, will be auctioned in 1997. A final, similar technology is instructional television fixed service ("ITFS"). The FCC now allows the educational entities that hold ITFS licenses to lease their "excess" capacity for commercial purposes. The multichannel capacity of ITFS could be combined with either an existing single channel MDS or a new MMDS to increase the number of available channels offered by an individual operator.

In its direct-mail operations, the Company competes with other major catalog sales organizations, as well as retail specialty stores and conventional retailers with substantial catalog operations and other discount retailers and companies that market via computer technology. Management believes that the Company is able to compete effectively by offering its customers a broad range of quality merchandise at competitive or discount prices with a high degree of convenience and reliability.

Many of the Company's competitors are larger and more diversified than the Company, or have greater financial, marketing and merchandising and distribution resources. Therefore, the Company cannot predict the degree of success with which it will meet competition in the future.

G. NATIONAL MEDIA CORPORATION

In January 1994, the Company proposed an acquisition of National Media Corporation ("National Media"). In February 1994, the Company announced a tender offer for a majority of the outstanding shares of National Media. In March 1994, the Company and National Media entered into a merger agreement and the Company modified the terms of its tender offer. In April 1994, the Company terminated its tender offer and the merger agreement with National Media based upon inaccurate representations and breach of warranties by National Media, and based upon adverse regulatory developments concerning National Media. Litigation challenging the Company's termination of the tender offer and merger agreement was subsequently filed by National Media and its former chief executive officer and president. In addition, shareholders of National Media filed four purported class action lawsuits against the Company and certain officers of the Company. Each of these suits alleged deception and manipulative practices by the Company in connection with the tender offer and merger agreement.

In fiscal 1996, the Company, National Media and National Media's former chief executive officer and president agreed to dismiss all claims, to enter into joint operating agreements involving telemarketing and post-production capabilities, and to enter into an international joint venture agreement. Under the agreement, the Company received ten-year warrants, which vest over three years, to purchase 500,000 shares of National Media's common stock at a price of $8.865 per share. In November 1996, the Company and National Media amended their agreement by providing for the additional payment by the Company to National Media of $1.2 million as additional exercise price on the warrants. An initial $400,000 was paid upon signing the amendment with two additional annual installments of $400,000 to be paid on each of September 1, 1997 and 1998.

In March 1997, the court gave final approval to a $1.0 million settlement, which was paid by the Company from insurance proceeds, in the matter of the class action suits initiated by certain shareholders of National Media. See "Legal Proceedings".

H. FEDERAL REGULATION

The cable television industry, the acquisition, ownership and operation of full and low power television stations, and the broadcasting industry in general are subject to extensive regulation by the FCC. The following does not purport to be a complete summary of all of the provisions of the Communications Act of 1934, as amended (the "Communications Act"), the Cable Television Consumer Protection Act of 1992 (the "Cable Act"), the Telecommunications Act of 1996 (the "Telecommunications Act") or the FCC rules or policies that may affect the operations of the Company. Reference is made to the Communications Act, the Cable Act, the Telecommunications Act and regulations and public notices promulgated by the FCC for further information. The laws and regulations affecting the industries are subject to change, including through pending proposals. There can be no assurance that laws, rules or policies that may have an adverse effect on the Company will not be enacted or promulgated at some future date.

Cable Television

The cable industry is regulated by the FCC under the Cable Act and FCC regulations promulgated thereunder.

"Leased Access." Cable systems are generally required to make up to 15% of their channel capacity available for lease by nonaffiliated programmers. Little use has been made of leased access because of the prohibitively high lease rates charged by cable systems. The Cable Act directs the FCC to establish procedures to regulate the rates, terms and conditions of cable time leases so as to encourage leased access.

The maximum leased access rates that cable systems may charge nonaffiliated programmers such as the Company are unsettled because the rules governing those rates have recently been amended and are subject to the filing of petitions for reconsideration and judicial review. In May 1993, the FCC first issued rules limiting leased access rates to the "highest implicit fee" of any channel on a cable system, which was calculated by subtracting the license fee the cable operator paid each programmer on the system to carry its channel from the system's average subscriber charge for a channel and using the highest of those differences. These rules often allowed cable operators to increase lease rates and affected the Company's ability to gain carriage on some systems.

The FCC released its most recent revisions to these rules in February 1997. These recent revisions adopted an "implicit fee" formula similar to the one already in place. However, instead of capping lease rates at the "highest implicit fee," the new rules capped rates at the "average implicit fee" for a channel on a cable system, which is the difference between the average subscriber charge for a channel and the average license fee the cable operator pays to carry programming. The rules have changed the base of cable channels on which the average is calculated in a way that makes it unclear whether or to what extent the revised rules will affect the lease rates that the Company must pay for carriage. The FCC also established rules governing the process of negotiating for carriage, making other changes to the terms and conditions of leased access carriage and making it easier for programmers like the Company to lease channels for less than a full 24-hour day.

The Company has petitioned the U.S. Court of Appeals for the District of Columbia Circuit for review of the rate formula portions of the recent revisions to the rules. Both the Company's petition for review and a similar petition are currently pending and the time for filing other petitions has not yet expired. There can be no guarantee that the Company will succeed on its petition for review or, if it does succeed, that the rules that the FCC would adopt in place of the current formula would not have a material adverse effect on the Company. Moreover, other parties may seek judical review in efforts to obtain a pricing formula or part-day access rules less favorable to the Company.

"Must Carry." In general, the FCC's current "must carry" rules under the Cable Act entitle full power television stations to mandatory cable carriage of their signals, at no charge, to all cable homes located within each station's ADI provided that the signal is of adequate strength, and the cable system has "must carry" designated channels available. In March 1997, the Supreme Court upheld in their entirety the "must carry" provisions applicable to full power television stations. The scope of "must carry" rights for future broadcast transmissions of DTV stations is as yet uncertain. The FCC is expected to begin a proceeding in 1997 to determine such rights. The FCC has been asked to reevaluate its July 1993 extension of "must carry" rights to predominantly home shopping television stations. It has yet to reverse that decision, but there can be no assurance that home shopping television stations will continue to have "must carry" rights. In addition, under the Cable Act, cable systems may petition the FCC to determine that a station is ineligible for "must carry" rights because of such station's lack of service to the community, its previous noncarriage, or other factors. An important factor considered by the FCC in its evaluation of such petitions is whether a given station places Grade B coverage over the community in question. The unavailability of "must carry" rights to the Company's existing or future stations would likely substantially reduce the number of cable homes that could be reached by any full power television station that the Company may acquire.

The Company's ability to increase the cable distribution of its programming will be adversely affected in the event of unfavorable judicial, regulatory or administrative determinations of the validity and application of the "must carry" and "leased access" provisions of the Cable Act and the FCC rules promulgated thereunder. The Company believes, however, that even absent favorable determinations regarding "must carry" and "leased access," it will be able to achieve growth through other strategies such as affiliation agreements, block leasing and broadcast television programming. However, no assurance can be given that the Company will achieve sufficient growth through such other strategies, or that cable systems will continue to carry television stations that broadcast the Company's programming.

Closed Captioning. Pursuant to the requirements of the Telecommunications Act of 1996, the FCC has proposed but not yet implemented regulations that would require television stations, cable systems and other video programming providers to phase in closed captioning for new programming over an eight-year period, in order to make such programming accessible to the hearing impaired. The FCC has tentatively determined not to exercise its discretion under the Act to exempt home shopping programming from this requirement. If adopted, such requirements could substantially increase the Company's television programming expenses.

Full Power Television Stations

General. The Company's acquisition and operation of full power television stations are subject to FCC regulation under the Communications Act. The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC. This statute empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the locations of stations, regulate the equipment used by stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for violation of such regulations. Over-the-air coverage of full power television stations assigned by the FCC to the UHF spectrum, such as the stations that the Company has acquired, is significantly less extensive than that of Very High Frequency ("VHF") stations.

FCC Approval of License Transfers. The Company's acquisition and sale of full power television stations will be subject, in each case, to the prior approval of the FCC. The Company has previously been found qualified by the FCC to hold full power television and LPTV licenses, and the Company believes that it should be found qualified to purchase additional full power television stations. FCC approval, however, is also subject to other conditions, including the filing of petitions to deny or other opposition by interested parties and, accordingly, there can be no assurance of FCC approval.

License Grant and Renewal. The Communications Act provides that a broadcast license may be granted to any qualified applicant if the public interest, convenience and necessity will be served thereby, subject to certain limitations. Under these recent changes, applications for renewal of a broadcast license must be granted if during the preceding term the station has served the public interest, convenience and necessity; committed no serious violations of the Act or the FCC's regulations; and committed no other violations that would constitute a pattern of abuse. If the licensee cannot satisfy this test, the FCC may deny the renewal application (if there are no mitigating circumstances) or grant it subject to terms and conditions, including renewal for a shorter term. Competing applications for the license at issue are to be accepted only if the FCC denies the renewal application.

The new FCC rules implementing the renewal provisions of the Telecommunications Act as yet provide no clear standards for interpretation. Subsidiaries of the Company hold licenses for two of the Company's full power television stations: KVVV, Baytown, Texas, whose license expires August 1, 1998; and KBGE, Bellevue, Washington, whose license expires February 1, 1999. The Company holds the license for WVVI, Manassas, Virginia, which expires October 1, 2004. Television licenses are typically issued for a term of eight years.

Multiple Ownership. Under existing FCC regulations governing multiple ownership of broadcast stations, a license to operate a television station will not be granted, unless established waiver standards are met, to any party (or parties under common control) that has an "attributable interest" in another television station with an overlapping service area (as specified by FCC regulations promulgated under the Communications Act). However, the Telecommunications Act directs the FCC to conduct a rulemaking with regard to maintaining, modifying, or eliminating local television cross-ownership limits. The regulations also prohibit, with certain qualifications, any person or entity from having an "attributable interest" in television stations that reach markets containing more than 35% of the national television audience. Although the calculation of national audience reach currently discounts the audience reach of UHF stations, the FCC is presently reconsidering that approach. Any entity that acquires stations in the interim and complies with the audience reach limitation by virtue of the UHF discount will be subject to the outcome of the foregoing reconsideration.

Additionally, the rules prohibit, with certain qualifications, anyone with an "attributable interest" in a television station from also having an "attributable interest" in a radio station, daily newspaper or cable television system serving a community located within the relevant coverage area (as specified by FCC regulations promulgated under the Communications Act) of that station, and vice versa. However, the FCC plans to conduct a rulemaking to consider modifying or eliminating the prohibition on common ownership of a television station and a cable television system.

Under FCC regulations, the officers, directors and certain of the equity owners of a television broadcasting company are deemed to have an "attributable interest" in the company, so that there would be a violation of FCC regulations if an officer, director or certain owners of a full power television broadcasting company together held more than the permitted national audience reach, or more than one broadcast station serving the same area, or a daily newspaper or cable system in a television station coverage area. In the case of a corporation controlling or operating television stations, there is generally attribution only to directors and officers and to stockholders who own 5% or more of the outstanding voting stock, except for institutional investors, including mutual funds, insurance companies and banks acting in a fiduciary capacity, which may own up to 10% of the outstanding voting stock without being subject to attribution, provided that such stockholders exercise no control over the management or policies of the television broadcasting company. The FCC's multiple ownership restrictions currently do not apply to LPTV stations.

The FCC is currently proposing changes to certain aspects of its multiple ownership and attribution rules. No prediction can be made as to the outcome of these proposals. Moreover, the Telecommunications Act directs the FCC to review all of its ownership rules as part of its biennial regulatory reform review beginning in 1998 and to repeal or modify any regulations that are not in the public interest.

Foreign Ownership. Foreign governments, representatives of foreign governments, aliens, representatives of aliens, and corporations and partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Aliens may own up to 20% of the capital stock of a licensee corporation, or generally up to 25% of a U.S. corporation which, in turn, has a controlling interest in a licensee.

Commercial and Other Limitations. The FCC has eliminated many of its former rules applicable to commercial television stations in order to "deregulate" broadcasting. Nonetheless, a commercial television station remains under an obligation to provide non-entertainment programming that is responsive to issues of concern to its community of license and to provide programming that serves the informational and educational needs of children. The FCC reimposed commercial limits on children's television programs, as required by the Children's Television Act of 1990. In September 1993, the FCC initiated an inquiry to determine whether to reimpose commercial limits on non-children's programs on full power television stations including those that predominantly broadcast home shopping programming (whether on an hourly, daily, weekly, or some other basis). There can be no assurance as to the outcome of this inquiry.

Low Power Television Stations

Ownership and operation of LPTV stations are subject to FCC licensing requirements similar to those applicable to full power television stations. LPTV stations, however, are generally not eligible for "must carry" rights. Like full power stations, the transfer of ownership of any LPTV station license requires prior approval by the FCC. LPTV construction permits are granted by the FCC for an initial term of 18 months, which may be extended for one or more six-month terms if there is substantial progress towards station construction unless completion of the station is prevented by causes not under the control of the permittee. LPTV licenses are typically issued for terms of eight years.

LPTV is a secondary broadcast service that is not permitted to interfere with the broadcast signal of any existing or future full power television station. Construction of a full power television station on the same channel in the same region could therefore force a LPTV station off the air if such interference is not corrected, subject to a right to apply for a replacement channel. LPTV stations must also accept interference from existing and future full power television stations.

The advent of DTV is expected to disrupt the operations of the Company's LPTV stations to an as-yet unknown extent. The DTV proceedings will allocate an additional channel to be used for DTV to every eligible full power television station in the nation, effectively doubling the number of channels currently used by full power television stations during the transition period between analog and digital transmissions. A number of these new DTV stations have been allocated to channels currently used by LPTV stations. Construction of these newly authorized DTV stations will therefore force many LPTV stations off the air unless they can find substitute channels. It is not known at this time whether all or some of these "displaced" LPTV stations will be able to modify their broadcast channel and continue operations.

Alternative Technologies

Alternative technologies could increase the types of systems on which the Company may seek carriage. Four DBS systems currently provide service to the public and three additional companies currently hold licenses to provide DBS services. The number of DBS subscribers more than doubled in 1996 to approximately 4.5 million households. Wireless cable systems, also known as MMDS systems, continue to grow, although at a somewhat slower rate than DBS. Approximately one million households now subscribe to MMDS services, which now provide traditional video programming and are beginning to provide advanced data transmission services. The FCC has now completed auctions for MMDS licenses throughout the nation. Similar programming and data transmission service can be offered by IVDS providers. The FCC awarded roughly 600 licenses in 1993 and 1994 and plans to auction off licenses for the remainder of the nation in 1997. LMDS is another technology that allows wireless transmission and reception of video or audio programming or other data; one LMDS system is presently operational in the New York area and the FCC plans to begin auctions for approximately 500 LMDS licenses in 1997. Similar service can be offered by instructional television fixed service ("ITFS"). The FCC now allows the educational entities that hold ITFS licenses to lease their "excess" capacity for commercial purposes. The multichannel capacity of ITFS could be combined with either an existing single channel MDS or a new MMDS to increase the number of available channels offered by an individual operator. Lastly, the emergence of home satellite dish antennas has also made it possible for individuals to receive a host of video programming options via satellite transmission.

Advanced Television Systems

Technological developments in television transmission will in the near future make it possible for the broadcast and nonbroadcast media to provide advanced television services ("ATV") -- television services provided using digital or other advanced technologies. The FCC in late 1996 approved a DTV technical standard to be used by television broadcasters, television set manufacturers, the computer industry and the motion picture industry. This DTV standard will allow the simultaneous transmission of multiple streams of digital data on the bandwidth presently used by a normal analog channel. It will be possible to broadcast one "high definition" channel ("HDTV") with visual and sound quality superior to present-day television or several "standard definition" channels ("SDTV") with digital sound and pictures of a quality slightly better than present television; to provide interactive data services, including visual or audio transmission, on multiple channels simultaneously; or to provide some combination of these possibilities on the multiple channels allowed by DTV.

In April 1997, the FCC announced that it would allocate to every existing television broadcaster one additional channel to be used for DTV during the transition between present-day analog television and DTV. Broadcasters will not be required to pay for this new DTV channel, but will be required to relinquish their present analog channel when the transition to DTV is complete. The FCC presently plans for the transition period to end by 2006; broadcasters will at that time be required to return their present channel to the FCC. Station affiliates of the four major networks in the top ten markets must be on the air with a DTV signal by May 1, 1999; network affiliates in the top thirty markets must be on the air by November 1, 1999. The FCC currently is expected to begin to issue construction permits to build DTV stations in 1997.

The FCC has recently issued regulations with respect to DTV allocations and interference criteria which are not yet final, and other aspects of the DTV regulatory framework have not yet been established. The FCC is expected to apply to DTV the rules applicable to analogous services in other contexts, including those rules that require broadcasters to serve the public interest and may seek to impose additional programming or other requirements on DTV service. While broadcasters will not have to pay for the additional DTV channel itself, the FCC has indicated that fees will likely be imposed upon broadcasters if they choose to use the DTV channel to provide paid subscription services to the public. As noted above, neither the Telecommunications Act nor the recent Supreme Court decision resolves the applicability of the "must carry" rules to DTV; the FCC will begin proceedings in 1997 on this issue.

It is not yet clear when and to what extent DTV or other digital technology will become available through the various media; whether and how television broadcast stations will be able to avail themselves or profit by the transmission to DTV; how channel, tower height and power assignments will be configured so as to allow that transition; the extent of any potential interference with analog channels; whether viewing audiences will make choices among services upon the basis of such differences; whether and how quickly the viewing public will embrace the cost of the new digital television sets and monitors; to what extent the DTV standard will be compatible with the digital standards adopted by cable, DBS, MMDS, LMDS, IVDS, or ITFS; or whether significant additional expensive equipment will be required for television stations to provide digital service, including HDTV and supplemental or ancillary data transmission services. Pursuant to the Telecommunications Act, the FCC must conduct a ten-year evaluation regarding public interest in advanced television, alternative uses for the spectrum and reduction of the amount of spectrum each licensee utilizes. Many segments of the industry are also intensely studying these advanced technologies. There can be no assurances as to the answers to these questions or the nature of future FCC regulation.

Telephone Companies' Provision of Programming Services

The Telecommunications Act eliminated the previous statutory restriction forbidding the common ownership of a cable system and telephone company. The extent of the regulatory obligations that the Telecommunications Act imposes on a telephone company that selects and provides video programming services to subscribers depends essentially upon whether the telephone company elects to provide its programming over an "open video system" or to do so as a cable operator fully subject to the existing provisions of the Communications Act regulating cable providers. A telephone company that provides programming over an open video system will be subject only to new legislative provisions governing open video systems and to certain specified existing cable provisions of the Communications Act, including requirements equivalent to the "must carry" regulations. Such a telephone company will be required to lease capacity to unaffiliated programmers on a nondiscriminatory basis and may not select the video programming services for carriage on more than one-third of activated channel capacity of the system. Generally, a telephone company that provides video programming but does not operate over an open video platform will be regulated as a cable operator.

The Company cannot predict how many telephone companies will begin operation of open video systems or otherwise seek to provide video programming services, or whether such video providers will be likely to carry the Company's programming. The FCC has adopted rules that impose on open video systems many of the obligations imposed upon cable systems, including those pertaining to "must carry" and retransmission consent. However, open video systems are not subject to rate regulation and are exempt from local cable franchise requirements. These rules are still subject to judicial review. The FCC has certified three OVS systems for operation. Moreover, a number of local carriers are continuing to plan to provide video programming as traditional cable systems or through MMDS.

I. SEASONALITY

The Company's businesses are subject to seasonal fluctuation, with the highest sales activity normally occurring during the fourth calendar quarter of the year. Seasonal fluctuation in demand is generally associated with the number of households using television and the direct market and retail industries. In addition, the Company's businesses are sensitive to general economic conditions and business conditions affecting consumer spending.

J. EMPLOYEES

At January 31, 1997, the Company, including its wholly-owned subsidiaries, had approximately 1,200 employees, the majority of whom are employed in telemarketing, customer service, order fulfillment and production. Approximately 32% of the Company's employees work part-time. The Company is not a party to any collective bargaining agreement with respect to its employees. Management considers its employee relations to be good.

K. FORWARD-LOOKING INFORMATION

Forward-looking statements contained herein (as well as statements made in oral presentations or other written statements made by the Company) are made pursuant to the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 and represent management's expectations or beliefs concerning future events, including statements regarding anticipated operating results, revenue growth, capital spending requirements, potential future acquisitions and the effects of regulation and competition. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risks and uncertainty. The factors, among others, that could cause actual results to differ materially include: consumer spending and debt levels, interest rate fluctuations, seasonal variations in consumer purchasing activities, increases in postal, paper and outbound shipping costs, competition in the retail and direct marketing industries, continuity of relationships with or purchases from major vendors, product mix, competitive pressure on sales and pricing, the ability of the Company to manage growth, 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.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names, ages and titles at ValueVision International, Inc., principal occupations and employment for the past five years of the persons serving as executive officers of the Company.

NAME	AGE	POSITION(S) HELD
Robert L. Johander	51	Chairman of the Board and Chief Executive Officer
Nicholas M. Jaksich	52	President, Chief Operating Officer and Director
Edward A. Karr	49	Executive Vice President, Merchandising and Programming
Stuart R. Romenesko	34	Senior Vice President Finance, Chief Financial Officer, Treasurer and Assistant Secretary
David T. Quinby	36	Vice President, General Counsel and Secretary
Michael L. Jones	39	Vice President, Television Broadcasting
Gary G. Kazmer	39	Vice President, Warehouse and Telemarketing Operations
Scott A. Lindquist	50	Vice President, Administration

Robert L. Johander, a founder of the Company, has served as Chairman of the Board and Chief Executive Officer of the Company since June 1990. Mr. Johander's experience in television home shopping began in 1984 as president of Telethon Marketing Company, where he was responsible for the creation, production, and management of national cable television home shopping programs, which were subsequently acquired by C.O.M.B. Co. ("C.O.M.B."), a Minneapolis-based mail-order liquidator of consumer merchandise. In early 1986, Mr. Johander, as General Manager of C.O.M.B.'s Value Network, conceived and managed the launch of Cable Value Network, Inc., a joint-venture television home shopping network formed by C.O.M.B. and several national cable television system operators. In 1987, C.O.M.B. changed its name to CVN Companies, Inc. ("CVN"), which was subsequently acquired by QVC Network, Inc.

Nicholas M. Jaksich, a founder of the Company, has served as President and Chief Operating Officer and as a director of the Company since June 1990. From February 1984 to June 1986, Mr. Jaksich was Vice President, Distribution and Operations for Lillian Vernon Corporation, a national direct-mail merchandising firm. In July 1986, Mr. Jaksich joined C.O.M.B. to assist in the launch of its television activities. His responsibilities included the direct day-to-day supervision of television production and merchandising activities; the development of various television order response, inventory, and sales tracking systems, and supervision of on-air hosts. In 1987, Mr. Jaksich succeeded Mr. Johander as divisional Senior Vice President of CVN-Television, a division of CVN.

Edward A. Karr has served as the Company's Executive Vice President, Merchandising and Programming since July 1993. Mr. Karr served as the Senior Vice President of Sales and Marketing for Ravel Inc., a manufacturer of gold jewelry from June 1992 to July 1993. Mr. Karr was the Senior Vice President of Merchandising for QVC from March 1989 to June 1992, and prior to that was the Vice President of Merchandising for QVC from March 1987 to March 1989.

Stuart R. Romenesko has served the Company as Senior Vice President Finance, Chief Financial Officer, Treasurer and Assistant Secretary since August 1995. Mr. Romenesko joined the Company in March 1994 as Vice President, Chief Accounting Officer. From December 1991 to March 1994, Mr. Romenesko, a Certified Public Accountant, was a Senior Manager in the Accounting and Audit Division of Shinners, Hucovski & Company, S.C. From July 1985 to November 1991, Mr. Romenesko served in a variety of capacities at Arthur Andersen LLP, an international accounting firm, leaving in 1991 as an experienced manager in the firm's Audit and Business Advisory Practice.

David T. Quinby joined the Company as Vice President, General Counsel and Secretary in February 1997. From May 1993 to February 1997, Mr. Quinby was an associate at the law firm of Maslon Edelman Borman & Brand PLLP. From August 1990 to May 1993, Mr. Quinby was an an associate at the law firm of Faegre & Benson, LLP. Mr. Quinby is a 1990 graduate of the University of Minnesota Law School. From August 1983 to August 1987, Mr. Quinby, a Certified Public Accountant, served in a variety of capacities at Arthur Anderson LLP, in the firm's Audit and Business Advisory Practice.

Michael L. Jones joined the Company as Vice President, Television Broadcasting in September 1993. From September 1992 to July 1993, Mr. Jones served as Vice President, Broadcasting of Corridor Broadcast. From October 1990 to September 1992, Mr. Jones served as Vice President and General Sales Manager of WDAS AM/FM in Philadelphia.

Gary G. Kazmer has served as the Company's Vice President, Warehouse and Telemarketing Operations since June 1994. Prior to joining the Company, Mr. Kazmer served in various management positions with QVC Network, Inc. from November 1988 through May 1994, most recently as Director of Engineering and Facilities. Prior to joining QVC Network, Inc., Mr. Kazmer was involved in various operational positions at The Franklin Mint's Distribution Center, Portion Packaging, Inc. and Union Carbide Corporation.

Scott A. Lindquist has served as the Company's Vice President, Administration since November 1995. Prior to joining the Company, Mr. Lindquist served as County Assessor for St. Louis County, Minnesota, from May 1984 to November 1995.

ITEM 2. PROPERTIES

The Company leases approximately 139,000 square feet of space in Eden Prairie, Minnesota (a suburb of Minneapolis), which includes all corporate administrative, television production, telemarketing, customer service and television warehouse operations. During fiscal 1997, the Company purchased a 262,000 square foot distribution facility on a 34 acre parcel of land in Bowling Green, Kentucky which is being used primarily in connection with the fulfillment operations of MWD. The Company also purchased approximately 34 acres of land in Eden Prairie, Minneapolis during fiscal 1997 which is being held for future expansion and investment purposes. The Company leases approximately 96,000 square feet of office and warehouse space in Chelmsford, Massachusetts (a suburb of Boston) and approximately 1,500 square feet of office space in Tempe, Arizona in connection with the direct-mail operations of CVI and BII, respectively. In connection with the operation of WVVI- Manassas, Virginia, the Company owns property which is used as general office and studio locations. Additionally, the Company rents transmitter site and studio locations used to transmit programming for KVVV and KBGE. The Company believes that its existing facilities are adequate to meet its current needs and that suitable additional or alternative space will be available as needed to accommodate expansion of operations.

ITEM 3. LEGAL PROCEEDINGS

In January 1994, the Company proposed an acquisition of National Media Corporation ("National Media"). In February 1994, the Company announced a tender offer for a majority of the outstanding shares of National Media. In March 1994, the Company and National Media entered into a merger agreement and the Company modified the terms of its tender offer. In April 1994, the Company terminated its tender offer and the merger agreement with National Media based upon inaccurate representations and breach of warranties by National Media and based upon adverse regulatory developments concerning National Media. Litigation challenging the Company's termination of the tender offer and merger agreement was subsequently filed by National Media and its former chief executive officer and president. In addition, shareholders of National Media filed four purported class action lawsuits against the Company and certain officers of the Company, one in Minnesota and three in Pennsylvania. The suit brought in Minnesota was subsequently transferred to Pennsylvania, and all four suits were consolidated. Each of these suits alleged deception and manipulative practices by the Company in connection with the tender offer and merger agreement. The Company was initially named, but subsequently dropped as a named defendant in two purported class action suits brought on behalf of National Media shareholders in Delaware Chancery Court.

1. National Media Corporation and John J. Turchi, Jr. v. ValueVision International, Inc., et al. (U.S. District Court, E.D. Pa. C.A. No. 94-CV-2500). In a complaint filed on April 22, 1994, and amended on May 17, 1994, National Media and its chief executive officer and president alleged, on the theory that the Company was not entitled to terminate its tender offer and merger agreement, breach of contract and deceptive practices by the Company in violation of Section 14(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

The amended complaint further alleged that the Company concealed alleged difficulties in obtaining financing for the tender offer, failed to use its best efforts to obtain financing, and misrepresented the Company's reasons for terminating the tender offer and merger agreement. The amended complaint sought in excess of $25 million in compensatory damages, including payment of $7 million under certain termination provisions in the merger agreement, as well as punitive damages. On May 26, 1994, the Company responded to the amended complaint, and filed a counterclaim seeking damages in excess of $10 million. On April 17, 1995, the parties reached a tentative settlement of this litigation. On August 30, 1995, the settlement was approved by a majority of the shareholders of National Media. In addition, pursuant to such agreement, National Media granted ValueVision Warrants to purchase certain additional shares of National Media stock. In November 1996, the Company and National Media amended their agreements by providing for the additional payment by the Company to National Media of $1.2 million as additional exercise price on these warrants. An initial $400,000 was paid upon signing the amendment with two additional annual installments of $400,000 to be paid on each of September 1, 1997 and 1998.

2. Efron v. ValueVision International, Inc., et al. (U.S. District Court, E.D. Pa. C.A. No. 94-CV-4766); Kalodner v. ValueVision International, Inc., et al. (U.S. District Court, E.D. Pa. C.A. No. 94-CV-2838); Uhr v. Robert L. Johander, ValueVision International, Inc., et al. (U.S. District Court, E.D. Pa. C.A. No. 94-CV-3269); Hochman v. ValueVision International, Inc., et al. (U.S. District Court, E.D. Pa. C.A. No. 94-CV-4051). In these four actions, plaintiffs purportedly representing classes of purchasers and tenderers of National Media stock alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and of Sections 14(e) and 20 of the Exchange Act. By stipulation of the parties, on October 27, 1994 these cases were consolidated in In Re ValueVision International Inc. Securities Litigation, Master File No. 94-CV-2838.

The amended consolidated complaint alleged that the Company failed to adequately disclose "that it would be unwilling and/or unable to raise the funds necessary for the Offer if interest rates rose," and "falsely represented" that "it would use its reasonable best efforts to take or cause to be taken all actions to consummate the Offer." The complaint sought unspecified damages. In March 1997, the court gave final approval to a $1.0 million settlement in this matter, which was paid by the Company from insurance proceeds.

The Company is not a party to any other material legal proceeding.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to shareholders during the fourth quarter ended January 31, 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

MARKET INFORMATION FOR COMMON STOCK

The Company's common stock symbol is "VVTV" and is traded on the Nasdaq National Market tier of the Nasdaq Stock Market. The following table sets forth the range of high and low sales prices of the common stock as quoted by the Nasdaq Stock Market for the periods indicated.

	HIGH	LOW
FISCAL 1996		
First Quarter	$6 3/8	$4 7/16
Second Quarter	6 1/16	3 7/8
Third Quarter	7 5/16	4 3/4
Fourth Quarter	6 3/8	4 3/4
FISCAL 1997		
First Quarter	8 9/16	5 5/8
Second Quarter	8 1/2	5 3/8
Third Quarter	6 7/16	5 3/8
Fourth Quarter	5 7/8	4 5/8

HOLDERS

As of April 21, 1997, the Company had approximately 561 shareholders of record.

DIVIDENDS

The Company has never declared or paid any dividends with respect to its capital stock. The Company currently expects to retain its earnings for the development and expansion of its business and does not anticipate paying cash dividends in the foreseeable future. Any future determination by the Company to pay cash dividends will be at the discretion of the Board of Directors of the Company and will be dependent upon the Company's results of operations, financial condition, any contractual restrictions then existing, and other factors deemed relevant at the time by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" as of and for each of the years in the five-year period ended January 31, 1997 are derived from the financial statements of the Company. The selected financial data presented below are qualified in their entirety by, and should be read in conjunction with, the financial statements and notes thereto and other financial and statistical information referenced elsewhere herein including the information referenced under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED JANUARY 31,				
	1997(a)	1996	1995	1994	1993
STATEMENT OF OPERATIONS DATA:					
Net sales	$159,477,917	$ 88,909,853	$ 53,930,847	$ 37,614,497	$ 14,545,194
Gross margin percentage	42.2%	41.2%	41.6%	38.8%	39.7%
Operating loss	(2,639,784)	(766,157)	(3,712,364)	(1,745,307)	(1,633,060)
Income (loss) before income taxes and extraordinary item	29,689,722	11,119,565	(6,104,095)	(1,413,775)	(1,670,798)
Net income (loss)	18,089,722	11,019,565	(6,104,095)	(1,925,084)	(1,670,798)
Net income (loss) per share	$ 0.57	$ 0.38	$ (0.22)	$ (0.12)	$ (0.23)
Weighted average shares outstanding	31,984,463	28,627,356	27,264,856	15,400,289	7,158,833

	JANUARY 31,				
	1997	1996	1995	1994	1993
BALANCE SHEET DATA:					
Cash and short-term investments	$ 52,858,783	$ 46,451,327	$ 26,659,475	$ 48,382,401	$ 851,565
Working capital	61,631,478	52,085,060	29,121,909	50,151,583	86,950
Current ratio	2.6	4.9	3.9	7.7	1.0
Total assets	166,412,670	117,269,217	77,503,889	77,698,340	4,777,294
Long-term obligations	1,443,189	447,430	577,930	147,004	321,904
Shareholders' equity	127,245,607	103,303,139	66,802,024	70,018,430	1,178,328

(a) Results of operations for the year ended January 31, 1997, included the operations of Montgomery Ward Direct, Beautiful Images, Inc. and Catalog Ventures, Inc. which were acquired by the Company in the second half of fiscal 1997.

ITEM 7. 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 are qualified by reference to and should be read in conjunction with the financial statements and notes thereto included elsewhere herein.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The following Management's Discussion and Analysis of Financial Condition and Results of Operations and 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) contains various "forward looking statements" within the meaning of federal securities laws which represent management's expectations or beliefs concerning future events, including statements regarding anticipated operating results, revenue growth, 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 effect the Company's financial position and results of operations including: consumer spending and debt levels, interest rate fluctuations, seasonal variations in consumer purchasing activities, increases in postal, paper and outbound shipping costs, competition in the retail and direct marketing industries, continuity of relationships with or purchases from major vendors, product mix, competitive pressure on sales and pricing, the ability of the Company to manage growth and expansion, changes in the regulatory framework affecting the Company, increases in cable access fees and other costs which cannot be recovered through improved pricing and the identification and availability of potential acquisition targets at prices favorable to the Company. Investors are cautioned that all forward looking statements involve risk and uncertainty.

ACQUISITIONS AND DISPOSITIONS

MONTGOMERY WARD DIRECT CATALOG OPERATIONS

Effective July 27, 1996, the Company acquired substantially all of the assets and assumed certain obligations of Montgomery Ward Direct, L.P. ("MWD"), a four year old catalog business, by issuing 1,484,993 vested warrants with an exercise price of $.01 per share, to Montgomery Ward & Co., Incorporated ("Montgomery Ward") as full consideration for the acquisition of approximately $4.7 million in net assets of MWD.

The Company's acquisition of MWD was made through ValueVision Direct Marketing Company, Inc. ("VVDM") for an aggregate purchase price of $8,497,000, which included acquired cash of $5,764,000 and acquisition costs of $144,000. The acquisition was accounted for using the purchase method of accounting and accordingly, the net assets of MWD were recorded at their estimated fair values based upon a preliminary allocation of the purchase price to such net assets. The preliminary purchase price allocations are subject to change upon receipt of additional information relative to asset and liability valuations. Therefore, the final allocation may differ from the preliminary allocation.

The excess of the purchase price over the net assets acquired was $4,531,000 and has been recorded as goodwill and other intangible assets and is being amortized on a straight-line basis over 5-12 years. The operating results of MWD have been included in the fiscal 1997 consolidated statement of operations from the date of acquisition. Unaudited pro forma consolidated net sales of the Company for the years ended January 31, 1997 and 1996, as if the acquisition had occurred as of the beginning of the respective periods, were $194,284,000 and $240,850,000 respectively. Unaudited pro forma net income was $17,151,000, or $.52 per share, in fiscal 1997 and $4,341,000, or $.14 per share, in fiscal 1996. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations would have been had the acquisition been effective at the beginning of the respective periods.

BEAUTIFUL IMAGES, INC.

On October 22, 1996, the Company, through VVDM, acquired all of the outstanding shares of Beautiful Images, Inc. ("BII"), a manufacturer and direct marketer of women's foundation undergarments. The Company paid $4,253,000 in cash, which included acquired cash of $423,000, $500,000 relating to a non-compete agreement and acquisition costs of approximately $75,000, and assumed certain obligations totaling $109,000. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets purchased and the liabilities assumed based upon estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $3,310,000, of which $2,810,000 has been recorded as goodwill, which is being amortized on a straight-line basis over 15 years and $500,000 has been assigned to the non-compete agreement, which is being amortized on a straight-line basis over the 6 year term of the agreement. The operating results of BII have been included in the fiscal 1997 consolidated statement of operations from the date of acquisition. Pro forma results of operations have not been presented because the effects were not significant.

CATALOG VENTURES, INC.

Effective November 1, 1996, the Company, through VVDM, acquired substantially all of the assets and assumed certain obligations of Catalog Ventures, Inc. and Mitchell & Webb, Inc. (collectively "CVI"), two direct marketing companies which together publish five consumer specialty catalogs. The Company paid $7,369,000 in cash which included acquired cash of $1,465,000 and acquisition costs of approximately $100,000. The acquisition was accounted for using the purchase method of accounting and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $1,953,000, and has been recorded as goodwill, which is being amortized on a straight-line basis over 15 years. The operating results of CVI have been included in the fiscal 1997 consolidated statement of operations from the date of acquisition. Pro forma results of operations have not been presented because the effects were not significant.

ACQUISITION OF BROADCAST STATIONS

During the first quarter of fiscal 1995, the Company completed the acquisitions of three full power television broadcast stations serving the Washington, D.C. ("WVVI"); Houston, Texas ("KVVV"); and Cleveland - Akron, Ohio ("WAKC") Areas of Dominant Influence ("ADI"). On December 28, 1994 the Company completed the acquisition of a full power television broadcast station serving the New York City ADI and licensed to Bridgeport, Connecticut ("WHAI"). The aggregate purchase price for the four stations was approximately $22.4 million in cash, Company common stock and non-compete obligations. The acquisitions were accounted for under the purchase method of accounting. Accordingly, the net assets of the four stations were recorded at their estimated values at the time of acquisition, as determined by independent appraisals.

On March 15, 1996, the Company completed the acquisition of independent television station KBGE (TV), Channel 33, serving the Seattle-Tacoma, Washington market, for approximately $4.6 million including the assumption of certain debt obligations and acquisition related costs. This acquisition was completed in accordance with the terms of a five-year programming affiliation and financing agreement with the station which was signed on July 21, 1995. Pursuant to this agreement, the Company provided financing of up to $1,450,000 related to a working capital loan for channel operations.

On April 11, 1996, the Company completed a second closing with respect to its acquisition of independent television station WVVI (TV), Channel 66, serving the Washington, D.C. market whereby the Company paid $800,000 to the former owner of WVVI (TV) as a final payment in exchange for not having to pay $1,600,000 in the event the "must carry" provisions of the Cable Act are upheld by a final decision. The Company had previously paid $4,050,000 to National Capital Christian Broadcasting, WVVI's former owners, at an initial closing on March 28, 1994. The $800,000 additional payment has been classified as excess purchase price and is being amortized over 25 years on a straight-line basis. In addition, the Company received certain studio and production equipment from the former owner of WVVI, in lieu of a cash payment, for the balance outstanding under a secured convertible debenture in the face amount of $450,000.

On March 31, 1997, the United States Supreme Court upheld the "must carry" provisions of the 1992 Cable Act. Assuming there is no petition for a rehearing, and the decision becomes final, the Company will be obligated to pay an additional $1,600,000 for the Houston, Texas station upon a second closing. In lieu of paying $1,600,000 in cash, the Company may issue that number of shares of common stock having a market value of $2,000,000 on the date of the second closing. The additional payment, when made, will be classified as unallocated excess purchase price and amortized over 25 years on a straight-line basis.

SALE OF BROADCAST STATIONS

On February 28, 1996, the Company completed the sale of two television stations to Paxson Communications Corporation ("Paxson") for $40.0 million in cash plus the assumption of certain obligations. The stations sold were ABC affiliate WAKC (TV), Channel 23, licensed to Akron, Ohio, and independent station WHAI (TV), Channel 43, licensed to Bridgeport, Connecticut. WAKC (TV) was acquired by the Company in April 1994 for approximately $6.0 million and WHAI (TV) was acquired by the Company in December 1994 for approximately $7.3 million. The net gain on the sale of these two television stations of approximately $27 million was recognized in the quarter ended April 30, 1996.

On November 22, 1996, the Company announced that an agreement had been reached with Paxson for the sale of its television broadcast station, WVVI (TV), Channel 66, which serves the Washington, D.C. market, for approximately $30 million. Under the terms of the agreement, Paxson will pay the Company $20 million in cash and $10 million in Paxson common stock valued at the average closing price during the 60-day period following the signing of the agreement. As part of the agreement, Paxson will be required to pay an additional $10 million to the Company as a result of the United States Supreme Court upholding the "must carry" provision of the 1992 Cable Act. WVVI (TV) carries the Company's television home shopping programming and was acquired by the Company in March 1994 for $4,850,000. The transaction is anticipated to close by the end of the second quarter of fiscal 1998. The effects of the disposition will be reflected in the financial statements at the date of closing. Management believes that the sale will not have a significant impact on the operations of the Company.

RESULTS OF OPERATIONS

Results of operations for the year ended January 31, 1997 include the direct-mail operations of MWD effective July 27, 1996, BII effective October 31, 1996 and CVI effective November 1, 1996, which were acquired by the Company in fiscal 1997.

The following table sets forth, for the periods indicated, certain statement of operations data expressed as a percentage of net sales.

	Year Ended January 31, 1997	1996	1995
NET SALES	100.0%	100.0%	100.0%
GROSS MARGIN	42.2%	41.2%	41.6%
OPERATING EXPENSES:			
Distribution and selling	35.6%	31.7%	36.4%
General and administrative	4.5%	5.0%	7.9%
Depreciation and amortization	3.8%	5.4%	4.2%
Total operating expenses	43.9%	42.1%	48.5%
OPERATING LOSS	(1.7)%	(.9)%	(6.9)%
Other income (expense), net	20.3%	13.4%	(4.4)%
INCOME (LOSS) BEFORE INCOME TAXES	18.6%	12.5%	(11.3)%
Income taxes	(7.3)%	(.1)%	-%
NET INCOME (LOSS)	11.3%	12.4%	(11.3)%

NET SALES

Net sales for the year ended January 31, 1997 (fiscal 1997), were $159,478,000 compared to $88,910,000 for the year ended January 31, 1996 (fiscal 1996), a 79.4% increase. The increase in net sales is primarily attributed to revenues associated with the Company's newly acquired direct marketing businesses, primarily MWD. Sales attributed to direct marketing operations totaled $60,059,000 or 37.7% of total net sales for the year ended January 31, 1997. The increase in net sales is also attributable to the increase in full-time equivalent cable homes able to receive the Company's television home shopping programming, which increased approximately 900,000 or 8.6% from January 31, 1996 to January 31, 1997. During fiscal 1997, the Company added approximately 500,000 full-time cable homes, a 6.9% increase. In addition to new homes, sales increased due to the continued addition of new customers from households already receiving the Company's television home shopping programming, offset by a slight decline in repeat sales to existing customers. The slight decline in repeat sales to existing customers experienced in fiscal 1997 was due, in part, to the effects of continued testing of certain merchandising and programming strategies in the latter part of the first and third quarters of fiscal 1997. Certain changes were made to the Company's merchandising and programming strategies in the latter part of the first and second quarters, which contributed to an improvement in sales. The Company intends to continue to test and change its merchandising and programming strategies with the intent of improving its television home shopping sales results. However, while the Company is optimistic that results will continue to improve, there can be no assurance that such changes in strategy will achieve intended results. As a result of the increased number of households able to receive the Company's programming and the recent direct-mail company acquisitions, the Company anticipates net sales and operating expenses to continue to increase in fiscal 1998.

Net sales for the year ended January 31, 1996, were $88,910,000 compared to fiscal 1995 net sales of $53,931,000, a 64.9% increase. The increase in net sales was primarily attributed to the increase in total number of cable homes able to receive the Company's programming, which increased from 12.2 million (7.2 million FTEs) at January 31, 1995 to 13.6 million (10.5 million FTEs) at January 31, 1996, an 11.5% increase in cable homes and a 45.8% increase in FTEs.

The Company records a reserve as a reduction of gross sales for anticipated product returns at each month-end based upon historical product return experience. The return rates for fiscal years 1997, 1996 and 1995 were approximately 21.9%, 26.8% and 26.9%, respectively. The lower return rate in fiscal 1997 is directly attributable to the effect of the Company's newly acquired direct marketing businesses which typically experience lower average return rates. The 1997 return rate for the company's television home shopping business was 27.8 %. The return rate for the television home shopping business is slightly higher than the average industry return rate of 24% to 26% and is attributable in part to the Company's Video Shopping Cart service, which allows for multiple items to be shipped in one order for a single shipping and handling fee. The slightly higher return rate is also attributed to the average unit selling price for the Company of approximately $85 in fiscal 1997 ($80 in fiscal 1996) as compared to the industry average selling price per unit of approximately $40 to $50. During fiscal 1997, net sales included a higher mix of gemstone jewelry, as compared to fiscal 1996 and 1995 which traditionally experiences higher return rates. The Company is continuing to manage return rates and is adjusting average selling price points and product mix in an effort to reduce the overall return rate related to its home shopping business.

GROSS PROFIT

Gross profits for fiscal 1997 and 1996 were $67,363,000 and $36,641,000, respectively, an increase of $30,722,000 or 83.8%. Gross margins for fiscal 1997 were 42.2% compared to 41.2% for fiscal 1996. The principal reason for the increase in gross profits was increased sales volume primarily as a result of the direct mail-order acquisitions. Television gross margins for fiscal 1997 were 40.1% and gross margins for the Company's direct mail-order operations were 45.9%. Television gross margins between comparable periods declined slightly, primarily as a result of increased sales of traditionally lower margin electronic merchandising categories, such as computers. The slight decline in gross margins was partially offset by an increase in gross margin percentages in jewelry, giftware and apparel product categories, a greater proportion of higher margin non-jewelry products, such as housewares and seasonal products. During fiscal 1997, the Company continued to broaden its merchandise mix by expanding the range and quantity of non-jewelry merchandise. As part of the ongoing shift in merchandise mix, the Company continued to devote increasing program air time to non-jewelry merchandise during the past fiscal year. Jewelry accounted for 67% of air time during fiscal 1997, compared with 70% for fiscal 1996.

Gross profits for fiscal 1996 and 1995 were $36,641,000 and $22,454,000, respectively, which represented an increase of $14,187,000 or 63.2%. Gross margins for the respective years were 41.2% and 41.6%. The increase in gross profit was a direct result of increased sales volume. Gross margins in fiscal 1996 and 1995 remained relatively consistent primarily as a result of increased gross margin percentages in most product categories, except electronics, in those years and a greater proportion of higher margin non-jewelry merchandise.

OPERATING EXPENSES

Total operating expenses were $70,003,000, $37,408,000 and $26,166,000 for the years ended January 31, 1997, 1996 and 1995, respectively, representing increases of $32,595,000 or 87.1% from fiscal 1996 to fiscal 1997 and $11,242,000 or 43.0% from fiscal 1995 to fiscal 1996.

Distribution and selling expenses for fiscal 1997 increased $28,641,000 or 101.6% to $56,819,000 or 35.6% of net sales compared to $28,178,000 or 31.7% of net sales in fiscal 1996. Distribution and selling costs increased as a direct result of additional distribution and selling expenses associated with the Company's newly acquired direct marketing businesses, primarily MWD, and increases in cable access fees resulting from the growth in the number of cable homes receiving the Company's programming, additional personnel costs associated with increased staffing levels and labor rates and additional costs associated with handling increased sales volume. Distribution and selling expenses increased as a percentage of net sales for the year due to the impact of the acquired mail-order businesses and increases in cable access fees on a full-time equivalent basis over the prior year.

Distribution and selling expenses for fiscal 1996 increased $8,523,000 or 43.4%, to $28,178,000 or 31.7% of net sales compared to $19,655,000 or 36.4% of net sales in fiscal 1995, primarily due to increases in cable access fees as a result of the growth in the number of cable homes, increased rates paid to cable system operators, additional personnel costs associated with increased staffing levels as the Company further enlarged its programming and distribution capacities, and additional costs associated with handling increased sales volumes.

General and administrative expenses for fiscal 1997 increased $2,765,000 or 62.5% to $7,187,000 or 4.5% of net sales compared to $4,422,000 or 5.0% of net sales in fiscal 1996. General and administrative costs increased as a direct result of increased costs associated with the Company's acquired direct-mail operations, increased personnel in support of expanded operations and additional legal costs incurred relative to clarification of certain cable regulations.

General and administrative expenses for fiscal 1996 increased $184,000 or 4.3% to $4,422,000 or 5.0% of net sales compared to $4,238,000 or 7.9% of net sales in fiscal 1995. General and administrative costs remained relatively consistent between fiscal years and declined as a percentage of net sales as the Company continued to leverage its existing operating infrastructure.

Depreciation and amortization costs were $5,996,000, $4,808,000 and $2,274,000 for the years ended January 31, 1997, 1996 and 1995, respectively, representing an increase of $1,188,000 or 24.7% from fiscal 1996 to fiscal 1997 and $2,534,000 or 111.4% from fiscal 1995 to fiscal 1996. Depreciation and amortization costs as a percentage of net sales were 3.8% in fiscal 1997, 5.4% in fiscal 1996 and 4.2% in fiscal 1995. The dollar increase in depreciation and amortization is primarily due to additional amortization of approximately $690,000 relating to the Montgomery Ward operating agreement and licenses entered into in August 1995, depreciation and amortization of approximately $640,000 relating to assets associated with the Company's direct-mail acquisitions and amortization of prepaid cable launch fees offset by a reduction associated with the sale of WAKC and WHAI in February 1996.

OPERATING LOSS

The operating loss was $2,640,000, $766,000 and $3,712,000 for the years ended January 31, 1997, 1996 and 1995, respectively. The increase in the operating loss for fiscal 1997 resulted primarily from decreases in gross margin percentages relating to the Company's television home shopping business over the prior year, as well as increases in distribution and selling costs due to expanded operations, although the Company continues to leverage its operating infrastructure, and increases in general and administrative and depreciation and amortization expenses as a result of expanded operations offset by increased sales volumes and a corresponding increase in gross profits. The decrease in the operating loss for fiscal 1996 resulted primarily from increased sales volumes and a corresponding increase in gross profits offset by a rise in distribution and selling costs and depreciation and amortization costs due to continued expansion of operations.

OTHER INCOME (EXPENSE)

Total other income was $32,330,000 in fiscal 1997 and $11,886,000 in fiscal 1996, compared to total other expense of $2,392,000 in fiscal 1995. Total other income for the year ended January 31, 1997 resulted primarily from a $27,050,000 gain recorded on the sale of television stations WAKC and WHAI in February 1996, equity in earnings of affiliates of $419,000, gains of $808,000 recorded from sales of other investments and interest income earned on cash and cash equivalents and short-term investments. The equity in earnings of affiliates represents amounts earned on a 13% ownership interest in a limited partnership accounted for under the equity method of accounting. Total other income for the year ended January 31, 1996 resulted primarily from an $8,480,000 gain on the sale of the Company's investment in National Media Corporation ("National Media"), equity in earnings of affiliates of $1,983,000 and interest income earned on cash and cash equivalents and short-term investments. These items were partially offset by a provision for estimated litigation costs associated with settling the shareholder litigation arising from the Company's terminated tender offer for National Media. Total other expense for the year ended January 31, 1995 included a non-recurring charge of $3,667,000 to write off acquisition and offering costs incurred in conjunction with the National Media tender offer and merger agreement, offset by interest income of $1,722,000.

NET INCOME (LOSS)

Net income was $18,090,000 or $.57 per share for the year ended January 31, 1997. Excluding the gain on the sale of the two television stations, the gain on the sale of investments and equity in earnings from affiliates, the Company had net income of $847,000, or $.03 per share. Net income was $11,020,000 or $.38 per share for the year ended January 31, 1996. Excluding the gain on sale of investments, equity in earnings of affiliates and the provision for litigation costs, the Company had net income for fiscal 1996 of $1,173,000 or $.04 per share. Net loss was $6,104,000 or $.22 per share for the year ended January 31, 1995. Excluding non-recurring charges to earnings in fiscal 1995 of $3,667,000 or $.13 per share to write off acquisition and offering costs incurred in conjunction with the terminated tender offer and merger agreement with National Media, the Company had a net loss of $2,437,000 or $.09 per share. For the years ended January 31, 1997, 1996 and 1995, respectively, the Company had approximately 31,984,000, 28,627,000 and 27,265,000, weighted average common and common equivalent shares outstanding.

For the year ended January 31, 1997, net income also reflects an income tax provision of $11,600,000, which results in an effective tax rate of 39%. Net tax carryforwards at January 31, 1997 consist of alternative minimum tax carryforwards which are available to offset future taxable income. The realization of the tax benefit associated with the carryforwards is dependent upon the generation of taxable income in future years as well as any limitations on utilization imposed by Internal Revenue Code relating to ownership changes.

PROGRAM DISTRIBUTION

The Company's television home shopping program was available to approximately 16.4 million cable homes as of January 31, 1997 as compared to 13.6 million cable homes as of January 31, 1996 and to 12.2 million cable homes as of January 31, 1995. The Company's programming is currently available through affiliation and time-block purchase agreements with approximately 265 cable systems and three wholly-owned full power UHF television broadcast stations. In addition, the Company's programming is broadcast full-time over eleven owned or affiliated low power television stations in major markets, and is available unscrambled to homes equipped with satellite dishes. As of January 31, 1997, 1996 and 1995, the Company's programming was available to approximately 11.4 million, 10.5 million and 7.2 million full-time equivalent cable homes ("FTE"), respectively. Approximately 7.7 million, 7.2 million and 3.5 million cable homes at January 31, 1997, 1996 and 1995, respectively, received the Company's programming on a full-time basis. Homes that receive the Company's programming 24 hours a day are counted as one FTE each and homes that receive the Company's television home shopping programming for any period less than 24 hours are counted based upon an analysis of time of day and day of week.

QUARTERLY RESULTS

The following summarized unaudited results of operations for the quarters in the fiscal years ended January 31, 1997 and 1996 have been prepared on the same basis as the annual financial statements and reflect adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair presentation of results of operations for the periods presented. The Company's results of operations have varied and may continue to fluctuate significantly from quarter to quarter. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
(in thousands, except per share amounts)					
FISCAL 1997:					
Net sales	$22,788	$24,341	$47,118	$65,231	$159,478
Gross profit	9,388	9,728	18,661	29,586	67,363
Gross margin	41.2%	40.0%	39.6%	45.4%	42.2%
Operating expenses	10,071	10,523	19,421	29,988	70,003
Operating loss	(683)	(795)	(760)	(402)	(2,640)
Other income, net	28,086	1,036	1,773	1,435	32,330
Net income	$16,453	$ 145	$ 609	$ 883	$ 18,090
Net income per share (a)	$ .54	$ -	$ .02	$ .03	$ .57
Weighted average shares outstanding	30,416	29,577	33,628	34,317	31,984
FTE homes (in millions)	10.7	10.8	11.0	11.4	
FISCAL 1996: (b)					
Net sales	$19,259	$20,467	$22,017	$27,167	$ 88,910
Gross profit	7,979	8,423	9,291	10,948	36,641
Gross margin	41.4%	41.2%	42.2%	40.3%	41.2%
Operating expenses	8,127	9,400	9,622	10,259	37,408
Operating income (loss)	(148)	(977)	(331)	689	(766)
Other income, net	366	406	8,462	2,653	11,886
Net income (loss)	$ 218	$ (571)	$ 8,131	$ 3,242	$ 11,020
Net income (loss) per share	$ .01	$ (.02)	$ .28	$ .11	$ .38
Weighted average shares outstanding	27,992	28,001	29,194	29,323	28,627
FTE homes (in millions)	9.0	9.4	9.6	10.5	

(a) The sum of quarterly per share amounts does not equal the annual amount due to changes in the average common and common equivalent shares outstanding.

(b) The sum for the four quarters may not equal the total for the full year due to the effect of rounding.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 1997 and 1996, cash and cash equivalents and short-term investments were $52,859,000 and $46,451,000, respectively, a $6,408,000 increase. For the year ended January 31, 1997, working capital increased $9,546,000 to $61,631,000 compared to an increase of $22,963,000 to $52,085,000 for the year ended January 31, 1996. The current ratio was 2.6 at January 31, 1997 and 4.9 at January 31, 1996. At January 31, 1997, all short-term investments and cash equivalents were invested in debt securities with original maturity dates of less than 270 days.

Total assets at January 31, 1997 were $166,413,000 compared to $117,269,000 at January 31, 1996. Shareholders' equity was $127,246,000 at January 31, 1997, compared to $103,303,000 at January 31, 1996, an increase of $23,943,000. The increase in shareholders' equity for fiscal 1997 resulted primarily from net income of $18,090,000 for the year, $9,484,000 of value assigned to common stock purchase warrants issued in connection with the acquisition of MWD, proceeds received on the exercise of stock options and warrants of $1,150,000, a $790,000 income tax benefit relating to stock options exercised and an unrealized holding gain of $254,000 on investments available-for-sale, offset by $5,826,000 relating to the repurchase of 1,047,000 shares of Company common stock made in connection with the Company's authorized stock repurchase program. The increase in shareholders' equity for fiscal 1996 resulted primarily from net income of $11,020,000, proceeds received from the sale of 1,280,000 shares of common stock to Montgomery Ward for $8.0 million in August 1995 and $17.5 million of value assigned to the Montgomery Ward common stock purchase warrants based upon independent appraisal. As of January 31, 1997, the Company's long-term obligations consisted of a ten-year $600,000 note due and payable in 2006 related to the purchase of land, capital lease obligations of $537,000 as a result of the Company's recent acquisitions and a five-year non-compete obligation totaling $306,000 related to the acquisition of WAKC, Akron, Ohio. The Company deposited $1,000,000 in escrow in fiscal 1995 which is being used to fund annual payments of $200,000 under the non-compete agreement. The Company has no other long-term debt obligations.

For the year ended January 31, 1997, net cash used for operating activities totaled $5,779,000 compared to net cash provided by operating activities of $2,304,000 in fiscal 1996. Net cash used for operating activities totaled $463,000 in fiscal 1995. Cash flows from operations before consideration of changes in working capital items and investing and financing activities was a positive $3,357,000 in fiscal 1997 compared to a positive $4,042,000 in fiscal 1996 and a negative $1,439,000 in fiscal 1995. Net cash used for operating activities for fiscal 1997 reflects net income, as adjusted for depreciation and amortization and gain on sale of broadcast stations and investments, increased accounts payable and accrued liabilities, decreased prepaid expenses and other, offset by funding required to support higher levels of accounts receivable and inventories. Accounts receivable primarily increased due to timing relative to receipt of funds from credit card companies, increased sales volume and increased receivables due from customers for merchandise sales made pursuant to the "ValuePay" installment program. Inventories increased from year-end to support increased sales volume, business seasonality and changes in merchandising mix. Net cash provided by operating activities for fiscal 1996 reflects net income, as adjusted for depreciation and amortization, gain on sale of investments, other non-cash items and increased accounts payable and accrued liabilities, offset by funding required to support higher levels of accounts receivable, inventories and prepaid expenses and other as a result of increased sales volume.

During fiscal 1995, the Company introduced an installment payment program called ValuePay which entitles customers to purchase merchandise and pay for the merchandise in two to four equal monthly installments. As of January 31, 1997, the Company had approximately $1,847,000 due from customers under the ValuePay installment program compared to $733,000 at January 31, 1996. ValuePay was introduced to increase sales while at the same time reducing return rates on merchandise with above-normal average selling prices. The Company intends to continue to sell merchandise using the ValuePay installment program. Receivables generated from the ValuePay program will be funded in fiscal 1998 from the Company's present capital resources and future operating cash flows.

Net cash provided by investing activities totaled $19,223,000 in fiscal 1997 compared to net cash used for investing activities of $11,443,000 for fiscal 1996 and $5,902,000 for fiscal 1995. Expenditures for property and equipment approximated $14,365,000 in fiscal 1997 compared to $3,041,000 for fiscal 1996 and $2,978,000 for fiscal 1995. Expenditures for property and equipment for fiscal 1997 and 1996 primarily include (i) the upgrade of broadcast station and production equipment, studios and transmission equipment,
(ii) the upgrade of computer software and related equipment, and (iii) a $4.7 million land purchase in fiscal 1997, which is being held for future expansion and investment purposes. Principal future capital expenditures will be for upgrading television production and transmission equipment, studio expansions and order fulfillment equipment to support expanded operations, especially with respect to the Company's direct-mail operations. In the second half of fiscal 1997, the Company assumed net cash of approximately $4,114,000 in connection with the acquisition of three direct-mail companies. During the first quarter of fiscal 1997, the Company received $40.0 million in proceeds from the sale of two television stations; Akron ABC affiliate WAKC (TV) and independent station WHAI (TV). The Company paid approximately $3.8 million toward the acquisition of independent television station KBGE (TV), including acquisition costs and paid $800,000 at a second closing relative to broadcast station WVVI (TV). During fiscal 1997, the Company also received $6,104,000 in net proceeds from the sale of certain long-term investments and disbursed $6,534,000 for investments and other long-term assets. During fiscal 1996, the Company received $16,439,000 in net proceeds from the sale of its entire investment in National Media and this amount, together with other funds received, primarily from the sale of common stock to Montgomery Ward, was reinvested in short-term investments. During fiscal 1996 the Company also disbursed $3,457,000 for investments and other long-term assets.

Net cash used for financing activities totaled $4,888,000 for the year ended January 31, 1997 and primarily relates to repurchases of the Company's common stock, under its stock repurchase program, an installment payment made under a five year non-compete obligation entered into upon the acquisition of a broadcast station and capital lease obligation payments offset by proceeds received from the exercise of stock options and warrants. Net cash provided by financing activities totaled $7,547,000 for the year ended January 31, 1996 and was primarily due to proceeds received from Montgomery Ward for its initial investment of $8.0 million, offset by the payment of related offering costs. In addition, the Company made the first installment payment due under the five-year non-compete obligation entered into upon the acquisition of WAKC (TV), Akron, Ohio, and received proceeds from the exercise of stock options.

Management believes funds currently held by the Company will be sufficient to fund the Company's operations, the repurchase of any additional Company common stock pursuant to an authorized repurchase plan, anticipated capital expenditures and cable launch fees through fiscal 1998. Additional capital may be required in the event the Company is able to identify additional direct-mail company acquisition targets and television stations in strategic markets at favorable prices, and if the Company decides to acquire up to the maximum number of full power television stations that it may own under current regulations.

ITEM 8. FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
OF VALUEVISION INTERNATIONAL, INC.
AND SUBSIDIARIES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ValueVision International, Inc.:

We have audited the accompanying consolidated balance sheets of ValueVision International, Inc. (a Minnesota corporation) and Subsidiaries as of January 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ValueVision International, Inc. and Subsidiaries as of January 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1997 in conformity with generally accepted accounting principles.

As disclosed in Note 5 to the consolidated financial statements, effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota,
March 31, 1997

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	AS OF JANUARY 31, 1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,618,943	$ 20,063,901
Short-term investments	24,239,840	26,387,426
Accounts receivable, net	6,488,094	5,130,502
Inventories, net	28,109,081	8,889,426
Prepaid expenses and other	11,483,394	4,882,453
Deferred taxes	416,000	250,000
Total current assets	99,355,352	65,603,708
PROPERTY AND EQUIPMENT, NET	24,283,108	13,813,347
FEDERAL COMMUNICATIONS COMMISSION LICENSES, NET	6,934,546	9,312,437
MONTGOMERY WARD OPERATING AGREEMENT AND LICENSES, NET	15,052,935	16,621,255
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	10,764,011	1,688,497
INVESTMENTS AND OTHER ASSETS, NET	10,022,718	10,229,973
	$166,412,670	$117,269,217

LIABILITIES AND SHAREHOLDERS' EQUITY

	1997	1996
CURRENT LIABILITIES:		
Current portion of long-term obligations	$ 392,921	$ 200,000
Accounts payable	24,887,904	8,770,685
Accrued liabilities	12,398,041	4,197,963
Income taxes payable	45,008	350,000
Total current liabilities	37,723,874	13,518,648
LONG-TERM OBLIGATIONS	1,443,189	447,430
Total liabilities	39,167,063	13,966,078
COMMITMENTS AND CONTINGENCIES (Notes 3, 4, 6, 8, 10 and 11)		
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value, 100,000,000 shares authorized; 28,842,198 and 29,343,748 shares issued and outstanding	288,422	293,437
Common stock purchase warrants; 5,368,557 and 25,770,461 shares	26,984,038	17,500,000
Additional paid-in capital	83,309,455	87,189,939
Net unrealized holding gains (losses) on investments available-for-sale	69,437	(184,770)
Retained earnings (deficit)	16,594,255	(1,495,467)
Total shareholders' equity	127,245,607	103,303,139
	$166,412,670	$117,269,217

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

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED JANUARY 31,		
	1997	1996	1995
NET SALES	$ 159,477,917	$ 88,909,853	$ 53,930,847
COST OF SALES	92,114,663	52,268,398	31,476,842
Gross profit	67,363,254	36,641,455	22,454,005
OPERATING EXPENSES:			
Distribution and selling	56,819,304	28,177,953	19,654,681
General and administrative	7,187,377	4,421,924	4,238,108
Depreciation and amortization	5,996,357	4,807,735	2,273,580
Total operating expenses	70,003,038	37,407,612	26,166,369
OPERATING LOSS	(2,639,784)	(766,157)	(3,712,364)
OTHER INCOME (EXPENSE):			
Gain on sale of broadcast stations	27,050,000	-	-
Gain on sale of investments	808,449	8,480,453	-
Cost of National Media Corporation tender offer	-	-	(3,667,000)
Litigation costs	-	(617,000)	(320,000)
Equity in earnings of affiliates	419,430	1,983,226	-
Interest income	3,912,231	2,137,720	1,722,275
Other, net	139,396	(98,677)	(127,006)
Total other income (expense)	32,329,506	11,885,722	(2,391,731)
INCOME (LOSS) BEFORE PROVISOIN FOR INCOME TAXES	29,689,722	11,119,565	(6,104,095)
Provision for income taxes	11,600,000	100,000	-
NET INCOME (LOSS)	$ 18,089,722	$ 11,019,565	$ (6,104,095)
NET INCOME (LOSS) PER COMMON AND DILUTIVE COMMON EQUIVALENT SHARE	$ 0.57	$ 0.38	$ (0.22)
Weighted average number of common and dulitive common equivalent shares outstanding	31,984,463	28,627,356	27,264,856

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

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended January 31, 1997, 1996 and 1995

	Class A Common Stock Number of Shares	Class A Common Stock Par Value	Class B Common Stock Number of Shares	Class B Common Stock Par Value	Common Stock Purchase Warrants	Additional Paid-In Capital
BALANCE, January 31, 1994	26,995,975	$269,960	111,785	$ 112	$ -	$76,159,295
Cumulative effect of change in accounting for certain investments in debt and equity securities	-	-	-	-	-	-
Exercise of stock options	158,666	1,586	-	-	-	176,089
Issuance of Class A Common Stock	720,000	7,200	-	-	-	3,412,800
Conversion of Class B Common Stock to Class A Common Stock	111,785	1,118	(111,785)	(112)	-	(1,006)
Offering expenses	-	-	-	-	-	(95,460)
Unrealized holding loss on investments available-for-sale	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
BALANCE, January 31, 1995	27,986,426	279,864	-	-	-	79,651,718
Exercise of stock options	77,322	773	-	-	-	141,071
Issuance of common stock	1,280,000	12,800	-	-	-	7,987,200
Value assigned to common stock purchase warrants	-	-	-	-	17,500,000	-
Offering expenses	-	-	-	-	-	(590,050)
Unrealized holding gain on investments available-for-sale	-	-	-	-	-	-
Net income	-	-	-	-	-	-
BALANCE, January 31, 1996	29,343,748	293,437	-	-	17,500,000	87,189,939
Exercise of stock options and warrants	545,150	5,452	-	-	-	1,144,943
Common stock repurchases	(1,046,700)	(10,467)	-	-	-	(5,815,427)
Value assigned to common stock purchase warrants	-	-	-	-	9,484,038	-
Income tax benefit from stock options exercised	-	-	-	-	-	790,000
Unrealized holding gain on investments available-for-sale	-	-	-	-	-	-
Net income	-	-	-	-	-	-
BALANCE, January 31, 1997	28,842,198	$288,422	-	$-	$26,984,038	$83,309,455

	Net Unrealized Holding Gains (Losses) on Investments Available-For-Sale	Retained Earnings (Deficit)	Total Shareholders' Equity
BALANCE, January 31, 1994	$ -	$(6,410,937)	$70,018,430
Cumulative effect of change in accounting for certain investments in debt and equity securities	3,849,474	-	3,849,474
Exercise of stock options	-	-	177,675
Issuance of Class A Common Stock	-	-	3,420,000
Conversion of Class B Common Stock to Class A Common Stock	-	-	-
Offering expenses	-	-	(95,460)
Unrealized holding loss on investments available-for-sale	(4,464,000)	-	(4,464,000)
Net loss	-	(6,104,095)	(6,104,095)
BALANCE, January 31, 1995	(614,526)	(12,515,032)	66,802,024
Exercise of stock options	-	-	141,844
Issuance of common stock	-	-	8,000,000
Value assigned to common stock purchase warrants	-	-	17,500,000
Offering expenses	-	-	(590,050)
Unrealized holding gain on investments available-for-sale	429,756	-	429,756
Net income	-	11,019,565	11,019,565
BALANCE, January 31, 1996	(184,770)	(1,495,467)	103,303,139
Exercise of stock options and warrants	-	-	1,150,395
Common stock repurchases	-	-	(5,825,894)
Value assigned to common stock purchase warrants	-	-	9,484,038
Income tax benefit from stock options exercised	-	-	790,000
Unrealized holding gain on			

investments available-for-sale	254,207	-	254,207
Net income	-	18,089,722	18,089,722
BALANCE, January 31, 1997	$ 69,437	$16,594,255	$127,245,607

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

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JANUARY 31,		
	1997	1996	1995
OPERATING ACTIVITIES:			
Net income (loss)	$ 18,089,722	$ 11,019,565	$ (6,104,095)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities-			
Depreciation and amortization	5,996,357	4,807,735	2,273,580
Deferred taxes	(236,668)	(250,000)	-
Gain on sale of broadcast stations	(27,050,000)	-	-
Gain on sale of investments	(808,449)	(8,480,453)	-
Cost of National Media Corporation tender offer	-	-	3,667,000
Equity in earnings of affiliates	(419,430)	(1,983,226)	-
Other non-cash charges	-	646,268	203,625
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(555,925)	(2,064,405)	(1,433,577)
Inventories, net	(4,479,713)	(1,056,425)	(607,333)
Prepaid expenses and other	1,889,663	(3,230,141)	(1,118,153)
Accounts payable and accrued liabilities	1,433,867	2,894,713	2,655,665
Income taxes payable	361,481	-	-
Net cash provided by (used for) operating activities	(5,779,095)	2,303,631	(463,288)
INVESTING ACTIVITIES:			
Property and equipment additions, net of effect of acquisitions	(14,364,600)	(3,040,865)	(2,978,333)
Purchase of broadcast stations	(4,618,743)	-	(11,689,025)
Acquisition of direct-mail companies, net of cash acquired	(4,113,984)	-	-
Proceeds from sale of broadcast stations	40,000,000	-	-
Proceeds from sale of investments	6,103,541	16,438,979	-
Purchase of short-term investments	(84,506,099)	(55,094,124)	(23,900,870)
Proceeds from sale of short-term investments	87,256,886	33,710,220	39,023,136
Payment of National Media Corporation tender offer costs	-	-	(3,110,749)
Payment for investments and other assets	(6,534,383)	(3,457,071)	(3,246,341)
Net cash provided by (used for) investing activities	19,222,618	(11,442,861)	(5,902,182)
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and warrants	1,150,395	141,844	177,675
Payments for repurchases of common stock	(5,825,894)	-	-
Proceeds from sale of common stock	-	8,000,000	-
Payment of offering costs	-	(464,167)	(85,760)
Payment of long-term obligations	(212,982)	(130,500)	(327,105)
Net cash provided by (used for) financing activities	(4,888,481)	7,547,177	(235,190)
Net increase (decrease) in cash and cash equivalents	8,555,042	(1,592,053)	(6,600,660)
BEGINNING CASH AND CASH EQUIVALENTS	20,063,901	21,655,954	28,256,614
ENDING CASH AND CASH EQUIVALENTS	$ 28,618,943	$ 20,063,901	$ 21,655,954
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 83,000	$ 69,000	$ 29,000
Income taxes paid	$ 10,051,000	$ -	$ -
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of 1,484,993 warrants in connection with the acquisition of Montgomery Ward Direct, L.P.	$ 8,353,000	$ -	$ -
Issuance of 199,097 warrants as a limited partnership contribution	$ 1,131,000	$ -	$ -
Note payable issued in connection with the purchase of land	$ 600,000	$ -	$ -
Issuance of warrants to Montgomery Ward & Co., Incorporated	$ -	$ 17,500,000	$ -
Issuance of 720,000 shares of common stock as partial consideration for the acquisition of a full power television station	$ -	$ -	$ 3,420,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1997 AND 1996

1. THE COMPANY:

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

The Company's television home shopping network 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 24-hour per day television home shopping programming is distributed primarily through long-term cable affiliation agreements and the purchase of month-to-month full- and part-time block lease agreements of cable and broadcast television time. In addition, the Company distributes its programming through Company owned or affiliated full power Ultra-High Frequency ("UHF") broadcast television stations, low power television ("LPTV") stations and to satellite dish owners.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of ValueVision International, Inc. ("ValueVision") and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Results of operations for the year ended January 31, 1997 include the direct-mail operations of Montgomery Ward Direct effective July 27, 1996, Beautiful Images, Inc. effective October 22, 1996 and Catalog Ventures, Inc. effective November 1, 1996, which were acquired by the Company in fiscal 1997.

FISCAL YEAR

The Company's fiscal year ends on January 31. Fiscal years are designated in the accompanying consolidated financial statements and related notes by the calendar year in which the fiscal year ends.

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE

Revenue is recognized at the time merchandise is shipped. Shipping and handling fees collected from customers are recognized as merchandise is shipped and are offset against actual shipping expenses as a component of distribution and selling costs. Returns are estimated and provided for at the time of sale based on historical experience. Payments received for unfilled orders are reflected as a component of accrued liabilities.

Accounts receivable consist primarily of amounts due from customers for merchandise sales and from credit card companies, and are reflected net of reserves for estimated uncollectible amounts of $529,000 at January 31, 1997 and $181,000 at January 31, 1996.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, money market funds and commercial paper with an original maturity of 90 days or less.

SHORT-TERM INVESTMENTS

Short-term investments consist principally of commercial paper with a remaining maturity of less than 12 months and are stated at cost, which approximates market value.

INVENTORIES

Inventories, which consist primarily of consumer merchandise held for resale, are stated at the lower of first-in, first-out cost or realizable value.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Betterments and renewals that extend the life of an asset are capitalized and depreciated. Repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are charged or credited to operations. Depreciation and amortization for financial reporting purposes are provided principally on the straight-line method based upon estimated useful lives.

Property and equipment consisted of the following at January 31:

	Estimated Useful Life (In Years)	1997	1996
Land and improvements	-	$ 7,151,000	$ 1,026,000
Buildings and improvements	40	4,630,000	866,000
Transmission and production equipment	5-20	10,226,000	11,258,000
Office and warehouse equipment	3-10	2,962,000	1,923,000
Computer and telephone equipment	3- 5	3,726,000	2,431,000
Leasehold improvements	3-10	1,720,000	1,164,000
Less - Accumulated depreciation		(6,132,000)	(4,855,000)
		$24,283,000	$13,813,000

FEDERAL COMMUNICATIONS COMMISSION LICENSES

Federal Communications Commission ("FCC") licenses are stated at acquisition cost as determined based upon independent appraisals and are amortized on a straight-line basis over their estimated useful lives of 25 years. Accumulated amortization was $529,000 at January 31, 1997 and $536,000 at January 31, 1996.

MONTGOMERY WARD OPERATING AGREEMENT AND LICENSES

As discussed further in Note 3, during fiscal 1996, the Company issued common stock purchase warrants in exchange for various agreements entered into with Montgomery Ward & Co., Incorporated ("Montgomery Ward") including an Operating Agreement, a Credit Card License and Receivable Sales Agreement, and a Servicemark License Agreement. The value assigned to the agreements of $17,500,000 was determined pursuant to an independent appraisal and is being amortized on a straight-line basis over the amended term of the agreements. The Operating Agreement expires July 31, 2008 and may be terminated under certain circumstances, as defined in the agreement. The Credit Card License and Receivable Sales Agreement and Servicemark License Agreement automatically terminate upon termination of the Operating Agreement. Accumulated amortization related to the agreements was $2,447,000 at January 31, 1997 and $879,000 at January 31, 1996.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following at January 31:

	1997	1996
Goodwill, net	$ 9,054,000	$1,688,000
Other intangible assets, net	1,710,000	-
	$10,764,000	$1,688,000

Goodwill represents the cost in excess of fair value of the net assets of businesses acquired in purchase transactions, and is being amortized on a straight-line basis over periods ranging from 12 to 25 years. Other intangible assets represent costs allocated to customer lists arising from business acquisitions and are being amortized on a straight-line basis over 5 years. The carrying values of goodwill and other intangible assets are evaluated periodically by the Company in relation to the operating performance and future undiscounted net cash flows of the related acquired businesses. Accumulated amortization was $660,000 at January 31, 1997 and $361,000 at January 31, 1996.

INVESTMENTS AND OTHER ASSETS

Investments and other assets consisted of the following at January 31:

	1997	1996
Investments	$ 4,444,000	$ 2,922,000
Prepaid cable launch fees, net	2,382,000	2,455,000
Other, net	3,197,000	4,853,000
	$10,023,000	$10,230,000

The Company has nonmarketable investments in private companies, partnerships and a venture capital limited partnership which are carried at the lower of cost or net realizable value. In addition, the Company has, from time to time, made investments in public companies which are classified as "available-for-sale" investment securities, and are stated at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity. (See Note 5.) The fair values of other investments were estimated based primarily on recent financing and securities transactions and, to a lesser extent, on other pertinent information, including financial condition and operating results.

At January 31, 1997, investments include approximately $2,710,000 related to a 13% interest in a venture capital limited partnership. The purpose of the limited partnership is to invest in and assist new and emerging growth-oriented businesses and leveraged buyouts in the consumer services, retailing and direct marketing industries. In addition to the Company, Merchant Advisors, L.P. is the only other limited partner in the limited partnership. The investment in this partnership is accounted for using the equity method of accounting. In fiscal 1996, the Company received a distribution of certain investment securities valued at $2,744,000 from the limited partnership.

Other assets consist principally of non-compete agreements, prepaid satellite transponder launch fees, long-term deposits, notes receivable and software development costs, all of which are carried at cost, net of accumulated amortization. Costs are amortized on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 12 years. Accumulated amortization was $433,000 at January 31, 1997 and $373,000 at January 31, 1996.

In March 1997, the Company acquired a 15% interest in Net Radio Corporation ("Net Radio") for an aggregate purchase price of $3 million, consisting of $1 million in cash and a commitment to provide $2 million in future advertising. Net Radio is a music and entertainment site on the Internet. Navarre Corporation, a national distributor of music, computer software and interactive CD ROM products, owns the remaining 85% of Net Radio. The Company's 24-hour per day shopping program is currently being carried by Net Radio. This investment allows ValueVision to establish a foothold in providing electronic commerce on the Internet. Additionally, ValueVision has been granted exclusive rights for most merchandise categories to be made available in Net Radio's program marketplace.

INCOME TAXES

The Company accounts for income taxes under the liability method of accounting under which deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment of such laws.

NET INCOME (LOSS) PER SHARE

Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding, as determined using the treasury stock method.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments as reported in the accompanying balance sheets for cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities and current portion of long-term obligations approximate fair values principally due to the short maturities of these instruments.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during reporting periods. These estimates relate primarily to the carrying amounts of accounts receivable and inventories, the realizability of certain long-term assets and the recorded balances of certain accrued liabilities and reserves. Ultimate results could differ from the use of these estimates.

RECLASSIFICATIONS

Certain 1996 and 1995 amounts in the accompanying consolidated financial statements have been reclassified to conform to the fiscal 1997 presentation with no impact on previously reported net income (loss) or shareholders' equity.

3. MONTGOMERY WARD ALLIANCE:

During fiscal 1996, the Company entered into a Securities Purchase Agreement, an Operating Agreement, a Credit Card License and Receivable Sales Agreement, and a Servicemark License Agreement (collectively, the "MW Agreements") with Montgomery Ward. Under the MW Agreements, Montgomery Ward purchased 1,280,000 unregistered shares of common stock of the Company at $6.25 per share, which represented approximately 4.4% of the issued and outstanding shares of common stock of the Company, and received warrants to purchase an additional 25 million shares of common stock of the Company, subject to adjustment (25,770,461 as adjusted through January 31, 1996). These warrants had exercise prices ranging from $6.50 to $17.00 per share, with an average exercise price of $9.16 per share (the "Warrants"). The value assigned to the Warrants of $17,500,000 was determined pursuant to an independent appraisal.

On June 7, 1996, the Company signed a non-binding Memorandum of Understanding with Montgomery Ward pursuant to which the companies agreed to the expansion and restructuring of their ongoing operating and license agreements as well as the Company's acquisition of substantially all of the assets and assumption of certain obligations of Montgomery Ward Direct L.P. ("MWD"), a four year old catalog business. Effective July 27, 1996 the companies reached definitive agreements and closed the transaction in the third quarter ended October 31, 1996. Pursuant to the provisions of the agreements, the Company's sales promotion rights were expanded beyond television home shopping to include the full use of the service mark of Montgomery Ward for direct-mail catalogs and ancillary promotions. In addition, the strategic alliance between the companies has been restructured and amended such that (i) 18,000,000 unvested warrants granted to Montgomery Ward in August 1995 and exercisable at prices ranging from $7.00 - $17.00 were terminated in exchange for the issuance by the Company of 1,484,467 new vested warrants exercisable at $0.01 per share, (ii) the Company issued 1,484,993 new vested warrants, valued at $5.625 per share and exercisable at $0.01 per share, to Montgomery Ward as full consideration for the acquisition of approximately $4.7 million in net assets, representing substantially all of the assets and the assumption of certain liabilities of MWD, (iii) Montgomery Ward has committed to provide $20 million in supplemental advertising support over a five-year period, (iv) the Montgomery Ward operating agreements and licenses have been amended and expanded, as defined in the agreements, and extended to July 31, 2008 and (v) the Company issued to Montgomery Ward new vested warrants to purchase 2.2 million shares of the Company's common stock at an exercise price of $.01 per share in exchange for 7,000,000 vested warrants granted to Montgomery Ward in August 1995 which were exercisable at prices ranging from $6.50 - $6.75 per share.

Under the MW Agreements, Montgomery Ward provides the Company with certain operational support, including merchandise sourcing and use of the Montgomery Ward credit card by the Company's customers, and may also assist the Company in obtaining a line of credit for strategic acquisitions or expansion. Montgomery Ward may assist the Company in obtaining cable carriage agreements by purchasing advertising time on cable systems. During the term of the MW Agreements, the Company will be Montgomery Ward's exclusive outlet for television shopping (as defined in the MW Agreements), subject to certain exceptions. The Operating Agreement has a twelve-year term and may be terminated under certain circumstances as defined in the agreement.

Montgomery Ward purchased approximately $4.2 million and $1.5 million of advertising spot time on cable systems affiliated with the Company pursuant to cable affiliation agreements for the years ended January 31, 1997 and 1996, respectively. Under the terms of the Credit Card License and Receivable Sales Agreement, the Company processed approximately $20,960,000 and $19,453,000 of merchandise sales as a result of customers using Montgomery Ward/ValueVision credit cards and the Company incurred $596,000 and $175,000 of processing fees during fiscal 1997 and 1996, respectively. In addition, during fiscal 1997 and 1996, the Company earned $793,000 and $292,000 for administering and processing Montgomery Ward credit card applications. As of January 31, 1997 and 1996, the Company had $830,000 and $1,981,000 included in accounts receivable from Montgomery Ward for merchandise sales made on Montgomery Ward/Value Vision credit cards, advertising spot time acquired and administrative and processing fees, net of processing fees due Montgomery Ward for use of its credit card.

4. ACQUISITIONS AND DISPOSITIONS:

MONTGOMERY WARD DIRECT

As discussed further in Note 3, effective July 27, 1996, the Company acquired substantially all of the assets and assumed certain obligations of MWD by issuing 1,484,993 vested warrants with an exercise price of $.01 per share, to Montgomery Ward as full consideration for the acquisition of approximately $4.7 million in net assets of MWD.

The Company's acquisition of MWD was made through VVDM, for an aggregate purchase price of $8,497,000, which included acquired cash of $5,764,000 and acquisition costs of $144,000. The acquisition was accounted for using the purchase method of accounting and accordingly, the net assets of MWD were recorded at their estimated fair values based upon a preliminary allocation of the purchase price to such net assets. The preliminary purchase price allocations are subject to change upon receipt of additional information relative to asset and liability valuations. Therefore, the final allocation may differ from the preliminary allocation. The preliminary allocation is summarized as follows:

Cash	$ 5,764,000
Inventories	9,140,000
Other current assets	2,861,000
Property and equipment	557,000
Intangible assets	4,531,000
Liabilities assumed	(14,356,000)
	$ 8,497,000

The excess of the purchase price over the net assets acquired was $4,531,000 and has been recorded as goodwill and other intangible assets in the accompanying balance sheet and is being amortized on a straight-line basis over 5-12 years. The operating results of MWD have been included in the fiscal 1997 consolidated statement of operations from the date of acquisition. Unaudited pro forma consolidated net sales of the Company for the years ended January 31, 1997 and 1996, as if the acquisition had occurred as of the beginning of the respective periods were $194,284,000 and $240,850,000 respectively. Unaudited pro forma net income was $17,151,000, or $.52 per share, in fiscal 1997 and $4,341,000, or $.14 per share, in fiscal 1996. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations would have been had the acquisition been effective at the beginning of the respective periods.

BEAUTIFUL IMAGES, INC.

On October 22, 1996, the Company, through VVDM, acquired all of the outstanding shares of BII, a manufacturer and direct marketer of women's foundation undergarments. The Company paid $4,253,000 in cash, which included acquired cash of $423,000, $500,000 relating to a non-compete agreement and acquisition costs of approximately $75,000, and assumed certain obligations totaling $109,000. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets purchased and the liabilities assumed based upon estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $3,310,000, of which $2,810,000 has been recorded as goodwill, which is being amortized on a straight-line basis over 15 years and $500,000 has been assigned to the non-compete agreement, which is being amortized on a straight-line basis over the 6 year term of the agreement. The operating results of BII have been included in the fiscal 1997 consolidated statement of operations from the date of acquisition. Pro forma results of operations have not been presented because the effects were not significant.

CATALOG VENTURES, INC.

Effective November 1, 1996, the Company, through VVDM, acquired substantially all of the assets and assumed certain obligations of Catalog Ventures, Inc. and Mitchell & Webb, Inc. ("Webb"), two direct marketing companies which together publish five consumer specialty catalogs. The Company paid $7,369,000 in cash which included acquired cash of $1,465,000 and acquisition costs of approximately $100,000. The acquisition was accounted for using the purchase method of accounting and accordingly, the purchase price was allocated to the assets purchased and liabilities assumed based upon estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was $1,953,000, and has been recorded as goodwill, which is being amortized on a straight-line basis over 15 years. The operating results of CVI have been included in the fiscal 1997 consolidated statement of operations from the date of the acquisition. Pro forma results of operations have not been presented because the effects were not significant.

BROADCAST STATIONS

During the first quarter of fiscal 1995, the Company completed the acquisitions of three full power television broadcast stations serving the Washington D.C. ("WVVI"); Houston, Texas ("KVVV"); and Cleveland - Akron, Ohio ("WAKC") Areas of Dominant Influence ("ADI"). On December 28, 1994 the Company completed the acquisition of a full power television broadcast station serving the New York City ADI and licensed to Bridgeport, Connecticut ("WHAI"). The aggregate purchase price for the four stations was approximately $22,374,000 in cash, Company common stock and non-compete obligations. The acquisitions were accounted for under the purchase method of accounting. Accordingly, the net assets of the four stations were recorded at their estimated values at the time of acquisition, as determined by independent appraisals.

On March 15, 1996, the Company completed the acquisition of independent television station KBGE (TV), Channel 33 serving the Seattle-Tacoma, Washington market, for approximately $4.6 million including the assumption of certain debt obligations and acquisition related costs. This acquisition was completed in accordance with the terms of a five-year programming affiliation and financing agreement with the station which was signed on July 21, 1995. Pursuant to this agreement, the company provided financing of up to $1,450,000 related to a working capital loan for channel operations.

On April 11, 1996, the Company completed a second closing with respect to its acquisition of independent television station WVVI (TV), Channel 66, serving the Washington, D.C. market whereby the Company paid $800,000 to the former owner of WVVI (TV) as a final payment in exchange for not having to pay $1,600,000 in the event the "must carry" provisions of the 1992 Cable Act are upheld by a final decision. The Company had previously paid $4,050,000 to National Capital Christian Broadcasting, WVVI's former owners, at an initial closing on March 28, 1994. The $800,000 additional payment has been classified as excess purchase price and is being amortized over 25 years on a straight-line basis. In addition, the Company received certain studio and production equipment from the former owner of WVVI, in lieu of a cash payment, for the balance outstanding under a secured convertible debenture in the face amount of $450,000.

On March 31, 1997, the United States Supreme Court upheld the "must carry" provisions of the 1992 Cable Act. Assuming there is no petition for a rehearing, and the decision becomes final, the Company will be obligated to pay an additional $1,600,000 in connection with its 1995 acquisition of television station KVVV (TV) in Houston, Texas upon a second closing. In lieu of paying $1,600,000 in cash, the Company may issue that number of shares of common stock having a market value of $2,000,000 on the date of the second closing. The additional payment, when made, will be classified as unallocated excess purchase price and amortized over 25 years on a straight-line basis.

SALE OF BROADCAST STATIONS

On February 28, 1996, the Company completed the sale of two television stations to Paxson Communications Corporation ("Paxson") for $40.0 million in cash plus the assumption of certain obligations. The stations sold were ABC affiliate WAKC (TV), Channel 23, licensed to Akron, Ohio, and independent station WHAI (TV), Channel 43, licensed to Bridgeport, Connecticut. WAKC (TV) was acquired by the Company in April 1994 for approximately $6.0 million and WHAI (TV) was acquired by the Company in December 1994 for approximately $7.3 million. The net gain on the sale of these two television stations of approximately $27 million was recognized in the quarter ended April 30, 1996.

On November 22, 1996, the Company announced that an agreement had been reached with Paxson for the sale of its television broadcast station, WVVI (TV), Channel 66, which serves the Washington, D.C. market, for approximately $30 million. Under the terms of the agreement, Paxson will pay the Company $20 million in cash and $10 million in Paxson common stock valued at the average closing price during the 60-day period following the signing of the agreement. As part of the agreement, Paxson will be required to pay an additional $10 million to the Company as a result of the United States Supreme Court upholding the "must carry" provision of the 1992 Cable Act. WVVI (TV) carries the Company's television home shopping programming and was acquired by the Company in March 1994 for $4,850,000. The transaction is anticipated to close by the end of the second quarter of fiscal 1998. The effects of the disposition will be reflected in the financial statements at the date of closing. Management believes that the sale will not have a significant impact on the operations of the Company.

5. ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 115, "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES":

Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). SFAS No. 115 requires (i) investments in debt and equity securities to be classified at the time of their acquisition into one of three categories (trading, available-for-sale and held-to-maturity), and (ii) unrealized gains (losses) on investments available-for-sale to be reflected as a separate component of shareholders' equity and in certain instances, as a realized loss at the time a decline in fair value below the cost basis is determined to be other than temporary. The cumulative effect of adopting SFAS No. 115 effective February 1, 1994 resulted in the recognition of an unrealized holding gain on investments available-for-sale of approximately $3,849,000.

At January 31, 1997 and 1996, the Company had cash equivalents and short-term investments of approximately $44,840,000 and $45,828,000, respectively, that are classified as "held-to-maturity" investment securities and stated at cost which approximates market value. The Company's long-term investments are classified as "available-for-sale" investment securities.

6. LOW POWER TELEVISION STATIONS:

The licensing of LPTV stations' transmission authority is regulated by the FCC through the Communications Act of 1934. LPTV construction permits and the licensing rights that result upon definitive FCC operating approval are awarded solely at the discretion of the FCC and are subject to periodic renewal requirements. Prior to the incorporation of the Company, certain of the Company's officers, directors and principal shareholders received construction permits pursuant to individual initiatives. As of January 31, 1997, certain of the Company's officers, directors and principal shareholders held six construction permits for the stations. In addition, as of January 31, 1997, the Company had been granted one construction permit on its own behalf.

The Company has entered into non-binding agreements with holders of the six LPTV construction permits held or applied for by related parties whereby the Company has the option to enter into a secured financing arrangement to support the construction of transmission equipment for each LPTV station and to provide its programming to the station. Four of the agreements contain a fixed price purchase option of $5,000 each in favor of the Company, effective immediately upon FCC licensing or within 12 months from the FCC licensing date, as defined. The remaining two agreements provide the Company with the right of first refusal should the station be offered for sale. Under the six agreements with related parties, such parties could receive maximum annual programming fees of approximately $300,000.

In March 1997, the Company entered into asset purchase agreements with the holders of the six LPTV construction permits whereby a wholly-owned subsidiary of the Company will acquire all of such holders' rights in and to the licenses, permits, authorizations and other assets used in connection with each of the stations. Four of the agreements provide for a purchase price of $5,000 and two of the agreements provide for a purchase price of $75,000. The transactions are anticipated to close by the end of the second quarter of fiscal 1998 and are subject to regulatory approvals. Upon the closing of these transactions, the Company will have no further obligations to the related parties thereunder regarding these LPTV stations.

7. SHAREHOLDERS' EQUITY:

COMMON STOCK

The Company currently has authorized 100,000,000 shares of undesignated capital stock, of which approximately 28,842,000 shares were issued and outstanding as Common Stock as of January 31, 1997. The Board of Directors can establish new classes and series of capital stock by resolution without shareholder approval. The Company's Sixth Amended and Restated Articles of Incorporation, which were approved at the 1994 Annual Meeting of Shareholders, eliminated Class B Common Stock, Class A Convertible Preferred Stock and Class B Convertible Preferred Stock.

Prior to the adoption of the Sixth Amended and Restated Articles of Incorporation, the Company's Articles of Incorporation provided for two classes of common stock, Class A Common Stock and Class B Common Stock. The Company's Class A and Class B Common Stock were substantially identical in all respects, except that Class B Common Stock had a four to one per share voting advantage over Class A Common Stock. Class B Common Stock was convertible into Class A Common Stock on a share-for-share basis at any time. The Company's amended and restated Articles of Incorporation limited the transfer of Class B Common Stock to permitted transferees, as defined. Additionally, the Class B Common Stock automatically converted to Class A Common Stock in the event that the holder thereof violated certain non-compete clauses, including competing directly or indirectly with the Company.

WARRANTS

As discussed further in Note 3, in fiscal 1996, the Company issued Montgomery Ward warrants to purchase 25 million shares of common stock of the Company, subject to adjustment (25,770,461 as adjusted through January 31, 1996), with exercise prices ranging from $6.50 to $17.00 per share, with an average price of $9.16 per share.

In July 1996, in connection with the acquisition of MWD, the Company's strategic alliance with Montgomery Ward was restructured and amended whereby new vested warrants to purchase 3,684,467 shares of the Company's common stock at an exercise price of $.01 per share were issued to Montgomery Ward in exchange for the 25,770,461 vested warrants currently held. In addition, the Company issued 1,484,993 new vested warrants with a fair market value of $8,353,000 and exercisable at $.01 per share to Montgomery Ward as full consideration for the acquisition of MWD.

In July 1996, the Company also issued 199,097 new vested warrants with a fair market value of $1,131,000 and exercisable at $.01 per share as a limited partnership investment contribution.

UNDERWRITER OPTIONS

In connection with the Company's fiscal 1992 initial public offering, the Company issued options to purchase up to an aggregate 72,000 units for $5.23 per unit. Each unit consisted of three shares of common stock, three Class A Warrants and one-quarter of a Class B Warrant, subject to adjustment pursuant to antidilution provisions as defined. At the beginning of fiscal 1997, 20,400 units had been previously exercised. During the year ended January 31, 1997, options to purchase the remaining 51,600 units were exercised in full and resulted in the issuance of 509,550 shares of common stock. The Company received proceeds of approximately $1,051,000 relating to this exercise. No unit purchase options were exercised in fiscal 1996 or 1995.

The underwriters of the fiscal 1994 common stock offering were given options to purchase up to 400,000 shares of common stock at an initial exercise price of $16.41 per share, subject to certain specified adjustments, as defined, exercisable until November 15, 1998. No underwriter options were exercised in fiscal 1997, 1996 or 1995.

STOCK OPTIONS

The Company has adopted an incentive stock option plan ("the 1990 Plan"), as amended, which provides for the grant of options to employees to purchase up to 2,150,000 shares of the Company's common stock. In addition to options granted under the 1990 Plan, the Company has also granted nonqualified stock options to purchase shares of the Company's common stock to current and former directors, a consultant and certain employees. The exercise price for options granted under the 1990 Plan are determined by the stock option committee of the Board of Directors, but shall not be less than the fair market value of the shares on the date of grant. The options' maximum term may not exceed 10 years from the date of grant. Options are exercisable in whole or in installments, as determined by the stock option committee, and are generally exercisable in annual installments of 20% to 33% commencing one year after grant. The exercise price of the nonqualified stock options equaled the market value of the Company's common stock at the date of grant and the maximum term of such options does not exceed 10 years from the date of grant.

The Company accounts for its stock options under Accounting Principles Board Opinion No. 25 and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). Accordingly, no compensation cost has been recognized in the accompanying consolidated statements of operations. Had compensation cost related to these options been determined based on the fair value at the grant date for awards granted in fiscal 1997 and 1996, consistent with the provisions of SFAS No. 123, the Company's net income and net income per share would have been reduced to the following pro forma amounts:

		1997	1996
Net income:	As reported	$18,089,700	$11,019,600
	Pro forma	17,794,500	10,775,500
Net income per share:	As reported	$0.57	$0.38
	Pro forma	0.56	0.38

Because the SFAS No. 123 method of accounting has not been applied to options granted prior to February 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The weighted average fair values of options granted were as follows:

	Incentive Stock Options	Nonqualified Stock Options
Fiscal 1997 grants	$3.36	$3.46
Fiscal 1996 grants	3.20	1.78

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in fiscal 1997 and 1996, respectively: risk-free interest rates of 6.0 and 6.2 percent; expected volatility of 46 and 45 percent; and expected lives of 7.5 years. Dividend yields were not used in the fair value computations as the Company has never declared or paid dividends on its common stock and currently intends to retain earnings for use in operations.

A summary of the status of the Company's stock option plan as of January 31, 1997, 1996, and 1995 and changes during the years then ended is presented below:

	Incentive Stock Options	Weighted Average Exercise Price	Non-qualified Stock Options	Weighted Average Exercise Price
Balance outstanding, January 31, 1994	880,002	$4.28	175,000	$3.27
Granted	760,863	5.00	190,000	4.32
Exercised	(158,666)	1.12	-	-
Forfeited or canceled	(290,863)	8.23	-	-
Balance outstanding, January 31, 1995	1,191,336	4.20	365,000	3.82
Granted	344,322	5.50	190,000	5.08
Exercised	(27,322)	2.90	(50,000)	1.25
Forfeited or canceled	(6,500)	4.37	-	-
Balance outstanding, January 31, 1996	1,501,836	4.52	505,000	4.55
Granted	151,000	5.74	325,000	5.62
Exercised	(35,600)	2.79	-	-
Forfeited or canceled	(9,400)	4.84	-	-
Balance outstanding, January 31, 1997	1,607,836	$4.67	830,000	$4.97
Options exercisable at:				
January 31, 1997	971,000	$4.24	505,000	$4.55
January 31, 1996	759,000	$3.97	315,000	$4.22
January 31, 1995	378,000	$3.97	365,000	$3.82

The following table summarizes information regarding stock options outstanding at January 31, 1997:

		OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
OPTION TYPE	RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
INCENTIVE:	$1.00 - $2.53	210,336	$1.51	3.2 YEARS	210,000	$1.51
	$4.00 - $6.00	1,397,500	$5.14	6.0	761,000	$4.99
	$1.00 - $6.00	1,607,836	$4.67	5.7	971,000	$4.24
NONQUALIFIED:	$1.25	25,000	$1.25	1.4	25,000	$1.25
	$4.13 - $6.19	805,000	$5.08	6.0	480,000	$4.72
	$1.25 - $6.19	830,000	$4.97	5.9	505,000	$4.55

STOCK OPTION TAX BENEFIT

The exercise of stock options which have been granted under the Company's stock option plan gives rise to compensation which is includable in the taxable income of the applicable employees and deductible by the Company for federal and state income tax purposes. Such compensation results from increases in the fair market value of the Company's common stock subsequent to the date of grant of the applicable exercised stock options and is not recognized as an expense for financial accounting purposes. The related tax benefits are recorded as additional paid-in capital when realized, and totaled $790,000 in fiscal 1997.

COMMON STOCK REPURCHASE PROGRAM

In fiscal 1996, the Company established a stock repurchase program whereby the Company may repurchase shares of its common stock, up to a maximum of $10 million, in the open market and through negotiated transactions, at prices and times deemed to be beneficial to the long-term interests of shareholders and the Company. During fiscal 1997, the Company repurchased 1,047,000 common shares under the program for a total cost of $5,826,000. No shares were repurchased in fiscal 1996. In March 1997, the Company's Board of Directors authorized an additional repurchase of up to $10 million of the Company's common stock.

8. LONG-TERM OBLIGATIONS:

In conjunction with the acquisition of WAKC (see Note 4), the Company entered into three covenant not-to-compete agreements with former employees and majority stockholders of WAKC involving aggregate consideration of $1,000,000 to be paid in five equal annual installments commencing in April 1995. Obligations under these non-compete agreements were initially reflected in the accompanying consolidated balance sheets at a present value of approximately $778,000 based upon an 8% imputed interest rate and are being amortized on a straight-line basis over the term of the agreements. The long-term and current portions of this obligation at January 31, 1997 were $306,000 and $200,000, respectively.

As a result of the Company's recent acquisitions, the Company leases computer and telephone equipment under noncancelable capital leases and includes these assets as part of property and equipment in the accompanying consolidated balance sheets. At January 31, 1997, the capitalized cost of leased equipment was approximately $539,000 and the related accumulated depreciation was approximately $93,000. Future minimum lease payments for assets under capital leases at January 31, 1997 are as follows:

Fiscal Year	
1998	$ 284,000
1999	243,000
2000	224,000
2001	76,000
Total minimum lease payments	827,000
Less: Amounts representing interest	(97,000)
	730,000
Less: Current portion	(193,000)
Long-term capital lease obligation	$ 537,000

The Company has entered into a $600,000, 10 year note payable arrangement in connection with the purchase of land to be used in the Company's fulfillment operations. The note bears interest, payable in monthly installments, at 7.5% for the first five years and at Prime interest thereafter until maturity. The principal amount matures and is payable in December 2006. The note is collateralized by the underlying related property.

9. INCOME TAXES:

The Company records deferred taxes for differences between the financial reporting and income tax bases of certain assets and liabilities, computed in accordance with tax laws in effect at that time. The differences which give rise to deferred taxes were as follows:

	January 31, 1997	January 31, 1996
Accruals and reserves not currently deductible for tax purposes	$ 2,579,000	$ 988,000
Inventory capitalization	541,000	219,000
Deferred catalog costs	(667,000)	-
Start-up costs capitalized for tax purposes	30,000	64,000
Net tax carryforwards	198,000	977,000
Differences in depreciation lives and methods	(1,237,000)	(1,031,000)
Difference in investments and other items	(1,028,000)	(967,000)
Net deferred tax asset	$ 416,000	$ 250,000

The net tax carryforwards at January 31, 1997 consist of alternative minimum tax carryforwards which are available to offset future taxable income. The realization of the carryforwards is dependent upon the generation of taxable income in future years as well as any limitations on utilization imposed by the Internal Revenue Code relating to ownership changes.

The provision (benefit) for income taxes consisted of the following:

	Years Ended January 31, 1997	1996	1995
Current	$11,434,000	$350,000	$ -
Deferred	166,000	(250,000)	-
	$11,600,000	$100,000	$ -

A reconciliation of income taxes computed at the statutory rates to the Company's effective tax rate is as follows:

	Years Ended January 31,		
	1997	1996	1995
Taxes at federal statutory rates	35.0%	35.0%	(35.0%)
State income taxes, net of federal tax benefit	4.1	5.0	(5.0)
Effect of recognition of previously unrecorded deferred tax assets	-	(39.1)	40.0
Effective tax rate	39.1%	.9%	-%

10. COMMITMENTS AND CONTINGENCIES:

CABLE AFFILIATION AGREEMENTS

As of January 31, 1997, the Company had entered into 3 to 7 year affiliation agreements with eleven multiple systems operators ("MSOs") which require each MSO to offer the Company's cable television home shopping programming on a full-time basis over their cable systems. Under certain circumstances, these cable television operators may cancel their agreements prior to expiration. The affiliation agreements provide that the Company will pay each MSO a monthly cable access fee and marketing support payment based upon the number of homes carrying the Company's television home shopping programming. For the years ended January 31, 1997, 1996 and 1995, the Company paid approximately $15,182,000, $12,078,000 and $4,531,000, under these long-term cable affiliation agreements.

The Company has entered into, and will continue to enter into, affiliation agreements with other cable television operators providing for full- or part-time carriage of the Company's television home shopping programming. Under certain circumstances the Company may be required to pay the cable operator a one time initial launch fee which is capitalized and amortized on a straight-line basis over the term of the agreement.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with its chief executive officer and chief operating officer which expire on January 31, 1999. The employment agreements provide that each officer, in addition to a base salary, were granted options to purchase 375,000 shares of common stock at $8.50 per share and 375,000 shares of common stock at $10.50 per share. The options vest and become exercisable at the earlier of the Company achieving certain net income goals, as defined, or in September 2003.

In addition, the Company has entered into employment agreements with a number of officers of the Company and its subsidiaries for terms ranging from 24 to 36 months. These agreements specify, among other things, the term and duties of employment, compensation and benefits, termination of employment (including for cause, which would reduce the Company's total obligation under these agreements), severance payments and non-disclosing and non-compete restrictions. The aggregate commitment for future base compensation at January 31, 1997 was approximately $2,498,000.

OPERATING LEASE COMMITMENTS

The Company leases certain property and equipment under non-cancelable operating lease agreements. Property and equipment covered by such operating lease agreements include the Company's main corporate office and warehousing facility, offices and warehousing facilities at subsidiary locations, satellite transponder and certain tower site locations.

Future minimum lease payments at January 31, 1997 were as follows:

Fiscal Year	Amount
1998	$ 4,077,000
1999	3,712,000
2000	3,563,000
2001	2,617,000
2002 and thereafter	11,356,000

Total lease expense under such agreements was approximately $4,222,000 in 1997, $3,348,000 in 1996 and $3,031,000 in 1995.

RETIREMENT AND SAVINGS PLAN

During fiscal 1995, the Company implemented a qualified 401(k) retirement savings plan covering substantially all employees. The plan allows the Company's employees to make voluntary contributions to the plan. The Company's contribution, if any, is determined annually at the discretion of the Board of Directors. There were no contributions to the plan for fiscal 1997 and 1996 or 1995.

11. LITIGATION:

In January 1994, the Company proposed an acquisition of National Media Corporation ("National Media"). In February 1994, the Company announced a tender offer for a majority of the outstanding shares of National Media. In March 1994, the Company and National Media entered into a merger agreement and the Company modified the terms of its tender offer. In April 1994, the Company terminated its tender offer and the merger agreement with National Media based upon inaccurate representations and breach of warranties by National Media, and based upon adverse developments concerning National Media. Litigation challenging the Company's termination of the tender offer and merger agreement was subsequently filed by National Media and its former chief executive officer and president. In addition, shareholders of National Media filed four purported class action lawsuits against the Company and certain officers of the Company. Each of these suits alleged deception and manipulative practices by the Company in connection with the tender offer and merger agreement.

In fiscal 1996, the Company, National Media and National Media's former chief executive officer and president agreed to dismiss all claims, to enter into joint operating agreements involving telemarketing and post-production capabilities, and to enter into an international joint venture agreement. Under the agreement, the Company received ten-year warrants, which vest over three years, to purchase 500,000 shares of National Media's common stock at a price of $8.865 per share. In November 1996, the Company and National Media amended their agreement by providing for the additional payment by the Company to National Media of $1.2 million as additional exercise price on the warrants. An initial $400,000 was paid upon signing the amendment with two additional annual installments of $400,000 to be paid on each of September 1, 1997 and 1998.

In March 1997, the court gave final approval to a $1.0 million settlement, which was paid by the Company from insurance proceeds, in the matter of the class action suit initiated by certain shareholders of National Media. During the year ended January 31, 1996, the Company recorded a provision of $617,000 for estimated costs associated with settling the National Media shareholder class action suit. The Company is not a party to any other material legal proceeding.

12. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128") in February 1997. SFAS No. 128 establishes accounting standards for computing and presenting earnings per share ("EPS") and is effective for reporting periods ending after December 15, 1997. Management believes that the adoption of SFAS No. 128 will not have a material impact on the Company's calculation of EPS.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information in response to this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information in response to this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information in response to this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information in response to this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

ITEM 14. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

EXHIBIT INDEX

a) Exhibits

Exhibit Number		
3 (1)	__	Sixth Amended and Restated Articles of Incorporation, as amended. (D)
3 (2)	__	Bylaws, as amended. (D)
10 (1)	__	Form of Financing Agreement between the Registrant and Owner of affiliated LPT stations (i) for which construction permits have been applied for and (ii) for which the Company has an option to purchase. (A)
10 (2)	__	Form of Financing Agreement between the Registrant and Owner of affiliated LPTV stations (i) for which construction permits have been granted and (ii) for which the Company has an option to purchase. (A)
10 (3)	__	Form of Financing Agreement between the Registrant and Owner of affiliated LPTV stations (i) for which construction permits have been applied for and (ii) for which the Company has a right of first refusal to purchase. (A)
10 (4)	__	Form of Financing Agreement between the Registrant and Owner of affiliated LPTV stations (i) for which construction permits have been granted and (ii) for which the Company has a right of first refusal to purchase. (A)
10 (5)	__	Financing Agreement Summary. (A)
10 (6)	__	Amended 1990 Stock Option Plan of the Registrant. (A)+
10 (7)	__	Telecommunications Terminal Site Access Agreement for Channel 7. (A)
10 (8)	__	Assumption of Telecommunications Terminal Site Access Agreement for Channel 7, letter dated June 26, 1990. (A)
10 (9)	__	Option Agreement between the Registrant and Steve Cunningham dated April 15, 1992. (A)+
10 (10)	__	Option Agreement between the Registrant and Mark A. Payne dated as of January 5, 1993. (A)+
10 (11)	__	Option Agreement between the Registrant and Steve Cunningham dated as of June 24, 1993. (B)+
10 (12)	__	Option Agreement between the Registrant and Marshall Geller dated as of June 24, 1993. (B)
10 (13)	__	Option Agreement between the Registrant and Robert Korkowski dated as of June 24, 1993. (B)
10 (14)	__	Option Agreement between the Registrant and Edward Karr dated as of July 8, 1993. (B)+
10 (15)	__	Option Agreement between the Registrant and Stephen P. Cunningham dated as of August 30, 1993. (B)+
10 (16)	__	Option Agreement between the Registrant and Michael Jones dated as of August 30, 1993. (B)+
10 (17)	__	Option Agreement between the Registrant and Mark A. Payne dated as of August 30, 1993. (B)+
10 (18)	__	Employment Agreement between the Registrant and Edward Karr dated as of July 8, 1993. (B)+
10 (19)	__	Employment Agreement between the Registrant and Michael Jones dated as of August 30, 1993. (B)+
10 (20)	__	Employment Agreement between the Registrant and Robert Johander dated as of September 1, 1993. (B)+
10 (21)	__	Employment Agreement between the Registrant and Nicholas Jaksich dated as of September 1, 1993. (B)+
10 (22)	__	Transponder Lease Agreement between the Registrant and Hughes Communications Galaxy, Inc. dated as of July 23, 1993 as supplemented by letters dated as of July 23, 1993. (B)
10 (23)	__	Transponder Service Agreement between the Registrant and Hughes Communications Satellite Services, Inc. (B)
10 (24)	__	Option Agreement between the Registrant and Stuart R. Romenesko dated March 31, 1994. (C)+

ITEM 14. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

EXHIBIT INDEX

Exhibit Number		
10 (25)	__	Option Agreement between the Registrant and Gary Kazmer dated as of June 7, 1994. (D)+
10 (26)	__	Option Agreement between the Registrant and Arthur Laffer dated as of June 16, 1994. (D)
10 (27)	__	Industrial Space Lease Agreement between Registrant and Shady Oak Partners dated August 31, 1994. (D)
10 (28)	__	Credit Card License & Receivables Sales Agreement dated March 13, 1995 by and between the Registrant and Montgomery Ward & Co. (E)
10 (29)	__	Option Agreement between the Registrant and Mark A. Payne dated as of March 14, 1995 (F) +
10 (30)	__	Option Agreement between the Registrant and Stuart R. Romenesko dated May 1, 1995. (F)+
10 (31)	__	Option Agreement between the Registrant and Gary Kazmer dated June 1, 1995. (F)+
10 (32)	__	Option Agreement between the Registrant and Marshall Geller dated August 8, 1995. (F)+
10 (33)	__	Option Agreement between the Registrant and Robert Korkowski dated August 8, 1995. (F)+
10 (34)	__	Option Agreement between the Registrant and Edward Karr dated August 24, 1995. (F)+
10 (35)	__	Employment Agreement between the Registrant and Scott Lindquist dated November 30, 1995. (F)+
10 (36)	__	Employment Agreement between the Registrant and Edward Karr dated September 1, 1995. .(F)+
10 (37)	__	Option Agreement between the Registrant and Dominic Mangone dated November 15, 1995. (F)+
10 (38)	__	Option Agreement between the Registrant and Scott Lindquist dated November 10, 1995. (F)+
10 (39)	__	Option Agreement between the Registrant and Stuart R. Romenesko dated January 5, 1996. (F)+
10 (40)	__	Option Agreement between the Registrant and Scott Lindquist dated January 5, 1996. (F)+
10 (41)	__	Asset Purchase Agreement dated July 27, 1996 between Montgomery Ward Direct, L.P. and ValueVision Direct Marketing Company, Inc. (G)
10 (42)	__	Amended and Restated Operating Agreement dated July 27, 1996 between Montgomery Ward & Co., Incorporated and ValueVision International, Inc. (G)
10 (43)	__	Agreement dated July 27, 1996 between Signature Financial / Marketing, Inc. and ValueVision International, Inc. (G)
10 (44)	__	Amended and Restated Servicemark License Agreement dated July 27, 1996 between Montgomery Ward & Co., Incorporated and ValueVision International, Inc. (G)
10 (45)	__	Letter agreement between Montgomery Ward & Co., Incorporated and ValueVision International, Inc. (G)
10 (46)	__	Amended and Restated Warrant Agreement dated July 27, 1996 among ValueVision International, Inc. , Montgomery Ward & Co., Incorporated and Montgomery Ward Direct, L.P. (G)
10 (47)	__	Amended and Restated Registration Rights Agreement dated July 27, 1996 among ValueVision International, Inc. Montgomery Ward & Co., Incorporated and Montgomery Ward Direct L.P. (G)
10 (48)	__	Restructuring Agreement dated July 27, 1996 between Montgomery Ward & Co., Incorporated Inc., and ValueVision International, Inc. (H)
10 (49)	__	Agreement dated July 27, 1996 among Merchant Advisors, Limited Partnership, Montgomery Ward & Co., Incorporated and ValueVision International, Inc. (H)
10 (50)	__	Asset Purchase Agreement dated as of November 21, 1996 by and among the Registrant, VVI Manassas, Inc., WVVI (TV), Inc., Paxson Communications of Washington - 66, Inc. and Paxson Communications Corporation.
10 (51)	__	Employment Agreement between the Registrant and David T. Quinby dated February 1, 1997.+
10 (52)	__	Option Agreement between the Registrant and David T. Quinby dated February 1, 1997.+
10 (53)	__	Option Agreement between the Registrant and Stuart R. Romenesko dated March 20, 1997.+

ITEM 14. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

EXHIBIT INDEX

Exhibit Number		
11	__	Computation of Net Income (Loss) per share.
21	__	Significant Subsidiaries of the Registrant.
23	__	Consent of Arthur Andersen LLP.
27	__	Financial Data Schedule (for SEC use only).

ITEM 14. EXHIBITS, LISTS AND REPORTS ON FORM 8-K

EXHIBIT INDEX

(A) Incorporated herein by reference to Registration Statement No. 33-38374 and Form S-1, as amended on Form SB-2.

(B) Incorporated herein by reference to Registration Statement No. 33-70256 on Form S-3, as amended.

(C) Incorporated herein by reference to the Company's Form 10-K/A, as amended for the year ended January 31, 1994.

(D) Incorporated herein by reference to the Company's Form 10-QSB, for the quarter ended August 31, 1994, filed on September 13, 1994.

(E) Incorporated by reference to the Company's Report on Form 8-K dated March 13, 1995.

(F) Incorporated herein by reference to the Company's Form 10-K, for the year ended January 31, 1996

(G) Incorporated by reference to the Company's Report on Form 8-K dated September 27, 1996, filed on October 10, 1996.

(H) Incorporated by reference to the Company's Report on Form 10-Q for the quarter ended July 31, 1996.

\+ Management compensatory plan/arrangement.

b) Reports on Form 8-K

The Company filed a Form 8-K on October 11, 1996 (which was amended by a Form 8-K/A filed on December 17, 1996) reporting (i) under Item 2. the acquisition of substantially all of the assets of Montgomery Ward Direct, L.P., a four-year old catalog business of Montgomery Ward & Co., Incorporated, and a restructuring agreement as of July 27, 1996 whereby the Company and Montgomery Ward agreed to the expansion and amendment of certain operating and license agreements and (ii) under Item 7. the financial statements as of December 29, 1995 and December 30, 1994 and interim financial statements for the seven month periods ended July 26, 1996 and July 28, 1995 of Montgomery Ward Direct, L.P. , together with pro forma financial information as of July 31, 1996.

This Page Intentionally Left Blank

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 29, 1997.

ValueVision International, Inc.
(registrant)

By: /s/ Robert L. Johander
Robert L. Johander
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 29, 1997.

Name	Title
/s/ Robert L. Johander Robert L. Johander	Chairman of the Board, Chief Executive Officer (Principal Executive Officer) and Director
/s/ Nicholas M. Jaksich Nicholas M. Jaksich	Chief Operating Officer, President and Director
/s/ Stuart R. Romenesko Stuart R. Romenesko	Senior Vice President Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
/s / Marshall S. Geller Marshall S. Geller	Director
/s/ Paul D. Tosetti Paul D. Tosetti	Director
/s/ Robert J. Korkowski Robert J. Korkowski	Director
/s / John Workman John Workman	Director

EXHIBIT 10.50

ASSET PURCHASE AGREEMENT
DATED AS OF NOVEMBER 21, 1996
BY AND AMONG
VALUEVISION INTERNATIONAL, INC.;
VVI MANASSAS, INC.; WVVI(TV), INC.;
PAXSON COMMUNICATIONS OF WASHINGTON-66, INC.;
AND
PAXSON COMMUNICATIONS CORPORATION

TABLE OF CONTENTS

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is dated as of November 21, 1996, by and among VVI MANASSAS, INC., a Minnesota corporation ("VVI Manassas"); WVVI(TV), INC., a Virginia corporation ("WVVI"); VALUEVISION INTERNATIONAL INC., a Minnesota corporation ("ValueVision"); PAXSON COMMUNICATIONS OF WASHINGTON-66, INC., a Florida corporation ("Buyer"); and PAXSON COMMUNICATIONS CORPORATION, a Delaware corporation ("PCC").

PRELIMINARY STATEMENT

WHEREAS, WVVI is the licensee of television station WVVI in Manassas, Virginia (the "Station") pursuant to licenses issued by the Federal Communications Commission (the "FCC") and the owner of certain assets used in the operation of the Station; and

WHEREAS, VVI Manassas is the owner of all of the outstanding capital stock of WVVI and certain assets used in the operation of the Station; and

WHEREAS, VVI Manassas and WVVI desire to sell the assets used or held for use in the operation of the Station to Buyer, and Buyer desires to purchase such assets from VVI Manassas and WVVI, for the consideration and on the terms and conditions herein provided; and

WHEREAS, each of VVI Manassas and WVVI is sometimes hereinafter referred to as a "Seller," and together they are hereinafter sometimes referred to as "Sellers."

AGREEMENTS

In consideration of the above recitals and of the mutual agreements and covenants contained in this Agreement, the parties hereto, intending to be bound legally, agree as follows:

SECTION 1 CERTAIN DEFINITIONS.

1.1 Terms Defined in this Section. The following terms, as used in this Agreement, shall have the meanings set forth in this Section:

"Affiliate" means "affiliate" as defined in Rule 12b-2 promulgated under the Exchange Act.

"Affirmative Decision" means either: (a) a ruling by the Supreme Court in the Turner v. FCC case that affirms in whole (not in part) without remand for further determination of any issues, the decision of the United States District Court in Turner v. FCC, or (b) a ruling by the Supreme Court in the Turner v. FCC case that affirms the constitutionality of Section 4 of the

Cable Television Consumer Protection and Competition Act of 1992 as applied to any class or category of television stations that is finally determined to include the Station.

"Assets" means the assets to be sold, transferred, or otherwise conveyed to Buyer under this Agreement, as specified in Section 2.1.

"Assumed Contracts" means (a) all Material Contracts, (b) any other Contract listed on Schedule 3.7 with respect to which Sellers are able to obtain and deliver to Buyer at or prior to the Closing any Consent required for the assignment of such Contract to Buyer, (c) contracts entered into prior to the date of this Agreement with advertisers for the sale of advertising time or production services for cash at rates consistent with past practices, (d) any Contracts entered into by any Seller between the date of this Agreement and the Closing Date that Buyer agrees in writing to assume, and (e) other contracts entered into by any Seller between the date of this Agreement and the Closing Date in compliance with Section 5.2.

"Closing" means the consummation of the purchase and sale of the Assets pursuant to this Agreement in accordance with the provisions of Section 8.

"Closing Date" means the date on which the Closing occurs, as determined pursuant to Section 8.

"Consents" means the consents, permits, or approvals of government authorities and other third parties necessary to transfer the Assets to Buyer or otherwise to consummate the transactions contemplated by this Agreement, including consents to the assignment of the Assumed Contracts.

"Contracts" means all contracts, leases, non-governmental licenses, and other agreements (including leases for personal or real property and employment agreements), written or oral (including any amendments and other modifications thereto) to which any Seller is a party or that are binding upon any Seller and that relate to or affect the Assets or the business or operations of the Station, and (a) that are in effect on the date of this Agreement or (b) that are entered into by any Seller between the date of this Agreement and the Closing Date.

"CTN" means Capital Television Network, Inc., a Virginia corporation.

"Effective Time" means 12:01 a.m., Eastern time, on the Closing Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" means First Union National Bank of Florida.

"Escrow Agreement" means the Escrow Agreement to be entered into among Buyer, ValueVision, and the Escrow Agent in accordance with Section 9.3.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended.

"Excluded Assets" means the assets described in Section 2.2(a) through
(k) of this Agreement.

"FCC Consent" means action or actions by the FCC granting its consent to the assignment of all the FCC Licenses to Buyer as contemplated by this Agreement.

"FCC Licenses" means all Licenses issued by the FCC to Sellers in connection with the existing or currently authorized business or operations of the Station.

"Final Decision" means (a) a decision by the United States Supreme Court from which no further rehearing, remand, stay, injunction or other judicial proceedings are required or may be taken, or (b) a decision by a lower federal court, after remand from the United States Supreme Court, from which no further appeal, writ of certiorari, rehearing, remand, stay, injunction or other judicial proceedings are required or may be taken.

"Final Order" means an action by the FCC that has not been reversed, stayed, enjoined, set aside, annulled, or suspended, and with respect to which no requests are pending for administrative or judicial review, reconsideration, appeal, or stay, and the time for filing any such requests and the time for the FCC to set aside the action on its own motion have expired.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Intangibles" means all copyrights, trademarks, trade names, service marks, service names, licenses, patents, permits, jingles, proprietary information, technical information and data, machinery and equipment warranties, and other similar intangible property rights and interests (and any goodwill associated with any of the foregoing) applied for, issued to, or owned by any Seller or under which any Seller is licensed or franchised and that are used or useful in the business and operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date.

"Licenses" means all licenses, permits, construction permits, and other authorizations issued by the FCC, the Federal Aviation Administration, or any other federal, state, or local governmental authorities to any Seller, currently in effect and used in connection with the conduct of the business or operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date.

"Material Contracts" means those Assumed Contracts that are designated on Schedule 3.7 as "Material Contracts."

"NCCB" means National Capital Christian Broadcasting, Inc., a Virginia corporation.

"PCC Common Stock" means fully paid, non-assessable shares of the Class A Common Stock, $0.001 par value, of PCC, which shares shall not be registered under the Securities Act when issued, but shall be subject to the registration rights set forth in Addendum I to this Agreement.

"Permitted Encumbrances" means (a) liens for current taxes not yet due and payable, (b) easements, covenants, conditions, and restrictions that are disclosed on Schedule 3.5, (c) other easements, covenants, conditions, and restrictions of record that affect any Real Property Interest and do not have a material adverse effect on the use of such Real Property Interest in the conduct of the business of the Station or materially detract from the value of such Real Property Interest in the conduct of the business of the Station, and (d) other Title Defects that constitute Permitted Encumbrances pursuant to Section 6.9(c).

"Person" means an individual, corporation, association, partnership, joint venture, joint stock company, trust, estate, limited liability company, limited liability partnership, governmental entity, or other entity or organization.

"Purchase Price" means the purchase price specified in Section 2.3.

"Real Property" means all real property, and all buildings and other improvements thereon, whether or not owned or held by any Seller, used or useful in the business or operations of the Station, subject to the provisions of Section 6.16 of this Agreement.

"Real Property Interests" means all interests in real property, including fee estates, leaseholds and subleaseholds, purchase options, easements, licenses, rights to access, and rights of way, and all buildings and other improvements thereon, owned or held by any Seller that are used or useful in the business or operations of the Station, subject to the provisions of Section 6.16 of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"Tangible Personal Property" means all machinery, equipment, tools, vehicles, furniture, leasehold improvements, office equipment, plant, inventory, spare parts, and other tangible personal property owned or held by any Seller that is used or useful in the conduct of the business or operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date.

1.2 Terms Defined Elsewhere in this Agreement. For purposes of this Agreement, the following terms have the meanings set forth in the Sections indicated:

Term	Section
Adjustment Factor	Section 2.3(c)
Buyer	Preliminary Statement
Buyer's Working Capital Credits	Section 2.4(a)
Claimant	Section 10.3(a)
Collection Period	Section 6.13(a)
Contingent Cash Payment	Section 2.3(a)
CTN Lease	Section 6.15
DOJ	Section 6.8
Environmental Hazard	Section 6.10(b)
FCC	Preliminary Statement
Financial Statements	Section 3.10
FTC	Section 6.8
In A Material Way	Section 8.2(f)
Indemnifying Party	Section 10.3
Law Engineering Phase I Report	Section 6.10(a)
Non-Discretionary Carriage Decision	Section 2.3(c)
Non-Discretionary Carriage Homes	Section 2.3(c)
PCC	Preliminary Statement
PCC Stock Consideration	Section 2.3(a)
Seller	Preliminary Statement
Sellers' Working Capital Credits	Section 2.4(a)
Station	Preliminary Statement
Stations' Receivables	Section 6.13(a)
Technical Deficiency	Section 6.11(a)
Title Defect	Section 6.9(b)
Transmitter Site	Section 6.16
Turner v. FCC	Section 2.3(a)
ValueVision	Preliminary Statement

VVI Manassas	Preliminary Statement
Working Capital Credits	Section 2.4(a)
WVVI	Preliminary Statement

SECTION 2 PURCHASE AND SALE OF ASSETS.

2.1 Agreement to Sell and Buy. Subject to the terms and conditions set forth in this Agreement, Sellers hereby agree to sell, transfer, convey, assign, and deliver to Buyer on the Closing Date (and ValueVision agrees to cause each other Seller to sell, transfer, convey, assign, and deliver to Buyer on the Closing Date), and Buyer agrees to purchase, all of each Seller's right, title, and interest in the tangible and intangible assets used or useful in connection with the conduct of the business or operations of the Station, together with any additions thereto between the date of this Agreement and the Closing Date, but excluding the assets described in Section 2.2, free and clear of any claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, covenants, easements, restrictions, encroachments, leases, or encumbrances of any nature (except for Permitted Encumbrances), including the following:

(a) The Tangible Personal Property;

(b) The Real Property Interests;

(c) The Licenses;

(d) The Assumed Contracts;

(e) The Intangibles and all intangible assets of any Seller relating to the operation of the Station that are not specifically included within the Intangibles, including the goodwill of the Station, if any;

(f) All of each Seller's proprietary information, technical information and data, machinery and equipment warranties, maps, computer discs and tapes, plans, diagrams, blueprints, and schematics, including filings with the FCC relating to the business and operation of the Station;

(g) All choses in action of any Seller relating to the ownership or operations of the Station to the extent they relate to the period after the Effective Time; and

(h) Copies of all books and records relating to the business or operations of the Station, including executed copies of the Assumed Contracts, and all records required by the FCC to be kept by the Station.

2.2 Excluded Assets. The Assets shall exclude the following:

(a) [Intentionally omitted.]

(b) Any Seller's cash on hand as of the Closing and any Seller's interest in its bank accounts;

(c) Any insurance policies, promissory notes, amounts due from employees, bonds, letters of credit, certificates of deposit, other similar items, or deposits or prepaid items (except to the extent that Sellers receive a Working Capital Credit for any such deposit or prepaid item pursuant to Section 2.4(a)), and any cash surrender value in regard thereto;

(d) Any pension, profit-sharing, or employee benefit plans, including any Seller's interest in any welfare plan, pension plan, or benefit arrangement;

(e) Any collective bargaining agreements;

(f) All tax returns and supporting materials, all original financial statements and supporting materials, all books and records that any Seller is required by law to retain, and all records of any Seller relating to the sale of the Assets;

(g) Any interest in and to any refunds of federal, state, or local franchise, income, or other taxes for periods prior to the Closing Date;

(h) All accounts receivable of Sellers as of the Closing Date and any intercompany accounts between the Sellers or any Affiliates thereof;

(i) Any claim or cause of action by any Seller relating to the period before the Effective Time, including all claims arising under the purchase agreement pursuant to which VVI Manassas purchased the Station and any right to any funds deposited in the escrow account established pursuant to that certain Indemnity Escrow Agreement dated as of March 28, 1994, by and among VVI Manassas, NCCB, and Norwest Bank Minnesota, N.A.; and

(j) The property and equipment obtained by Sellers and their Affiliates pursuant to that certain Agreement and Mutual Release with NCCB, CTN, Lester R. Raker, and others entered into on or about April 11, 1996; and

(k) Any Real Property or Real Property Interest constituting the current studio site utilized by the Station located at 9008 Center Street, Manassas, Virginia 22110, or any proceeds of the foregoing, if Sellers shall exercise their right pursuant to Section 6.16 of this Agreement to discontinue use of such studio and relocate a similar studio to the Transmitter Site at no cost or expense to Buyer; provided, however, that in the event Sellers exercise such right pursuant to Section 6.16 and the studio shall not have been relocated to the Transmitter Site prior to the Closing Date, Buyer shall have the right, without payment of additional consideration to Sellers, to use the current studio site until such studio shall have been relocated to the Transmitter Site.

2.3 Purchase Price and Purchase Price Adjustment.

(a) Subject to Sections 2.3(b) and (c) hereof, the purchase price for the Assets (the "Purchase Price") shall be Forty Million Dollars ($40,000,000), payable as follows at Closing or as otherwise provided: (i) Twenty Million Dollars ($20,000,000) in cash by wire transfer of immediately available funds, plus (ii) a fixed number of shares of PCC Common Stock (the "PCC Stock Consideration") equal to (x) Ten Million Dollars ($10,000,000) divided by (y) the arithmetic average of the closing prices per share of PCC Common Stock as reported on the

American Stock Exchange for the sixty (60) consecutive trading days commencing on the first trading day following the date of execution of this Agreement, plus (iii) a contingent payment (the "Contingent Cash Payment"), equal to Ten Million Dollars ($10,000,000), payable in the event of an Affirmative Decision in the case of Turner Broadcasting Systems, Inc. v. FCC, No. 95-922 ("Turner v. FCC"), on the later to occur of (x) the Closing Date and (y) thirty (30) days after any Final Decision that constitutes an Affirmative Decision.

(b) Notwithstanding Section 2.3(a) hereof, in the event that there is any ruling by the United States Supreme Court in Turner v. FCC which is not an Affirmative Decision, then the aggregate Purchase Price set forth in Section 2.3(a) hereof payable to Sellers shall be reduced to Thirty Million Dollars ($30,000,000), such adjustment to be effected as follows: (i) If the adjustment required to be made to the Purchase Price arises on or before the Closing Date, then Sellers may elect to adjust the Purchase Price by (x) terminating PCC's obligation to issue the PCC Stock Consideration and electing that the Contingent Cash Payment be made at Closing or (y) terminating Buyer's obligation to make the Contingent Cash Payment, or (ii) if the adjustment required to be made to the Purchase Price arises after the Closing, then, within thirty (30) days after such decision, Sellers may elect to adjust the Purchase Price by (x) returning all of the shares of PCC Stock Consideration issued to Sellers at Closing upon the payment by Buyer to Sellers of the Contingent Cash Payment or (y) terminating the Buyer's obligation to make the Contingent Cash Payment. An election by Sellers to receive the Contingent Cash Payment or PCC Stock Consideration under this Section 2.3 (b) shall be irrevocable once made, and any adjustment to the Purchase Price shall be made solely pursuant to Section 2.3(c), if applicable.

(c) In the event the decision in Turner v. FCC is not an Affirmative Decision, but nevertheless such decision (a "Non-Discretionary Carriage Decision") results in the actual non-discretionary requirement of carriage, or continuation of carriage, of the Station (not on an interim or temporary basis) by one or more cable television systems through no effort of the Station other than its election to be so carried (the cable homes on the cable television systems carrying the Station as a result of any such Non-Discretionary Carriage Decision being referred to herein as "Non-Discretionary Carriage Homes"), the Purchase Price set forth in Section 2.3(b) shall be increased by either (i) if Sellers shall have elected option 2.3(b)(i)(y) or 2.3(b)(ii)(y) above, then an amount in cash equal to the product of (w) Ten Million Dollars ($10,000,000.00) and (x) a fraction whose numerator is the total number of Non-Discretionary Carriage Homes and the denominator of which is 1,301,430 (the "Adjustment Factor") or (ii) if Sellers shall have elected option 2.3(b)(i)(x) or 2.3(b)(ii)(x), a number of shares of PCC Common Stock equal to the product of (Y) the PCC Stock Consideration and (Z) the Adjustment Factor, it being the intention of the parties hereto that under no circumstances shall Buyer be required to pay more than Thirty Million Dollars ($30,000,000.00) of the Purchase Price, as adjusted pursuant to this Section 2.3(c), in cash. Any increase to the Purchase Price required to be made pursuant to the preceding sentence shall be made on the later to occur of the Closing Date and the date that is thirty (30) days after any Final Decision that constitutes a Non-Discretionary Carriage Decision.

2.4 Working Capital Credits and Payment.

(a) Prorations. All revenues and expenses arising from the operation of the Station, including tower rental, business and license fees, utility charges, real and personal property taxes and assessments levied against the Assets, property and equipment rentals, applicable copyright or other fees, sales and service charges, taxes (except for taxes arising from the transfer of the Assets under this Agreement), and similar prepaid and deferred items, shall be prorated between Buyer and Sellers in accordance with the principle that Sellers shall receive all revenues and shall be responsible for all expenses, costs, and liabilities allocable to the operations of the Station for the period prior to the Effective Time, and Buyer shall receive all revenues and shall be responsible for all expenses, costs, and obligations allocable to the operations of the Station for the period after the Effective Time, subject to Section 2.4(b). To effectuate the proration of expenses and revenues pursuant to this Section 2.4(a), but subject to Section 2.4(b), Sellers shall receive a credit equal to the amount of any expenses, costs, or liabilities that are paid or incurred by Sellers and are allocable to the operations of the Station for the period after the Effective Time plus the amount of any revenues that are received by Buyer, and are allocable to the operations of the Station for the period before the Effective Time, and Buyer shall receive a credit equal to the amount of any expenses, costs, or liabilities that are paid or incurred by Buyer and are allocable to the operations of the Station for the period before the Effective Time plus the amount of any revenues that are received by Sellers and are allocable to the operations of the Station for the period after the Effective Time. The credits to Sellers pursuant to this Section 2.4(a) are referred to as "Sellers' Working Capital Credits," the credits to Buyer pursuant to this Section 2.4(a) are referred to as "Buyer's Working Capital Credits," and Sellers' Working Capital Credits and Buyer's Working Capital Credits are referred to collectively as the "Working Capital Credits."

(b) Expenses and Revenues Not Prorated.

(1) There shall be no proration of, and Sellers shall remain solely liable with respect to, liabilities and obligations arising under any Contracts not included in the Assumed Contracts and any other obligation or liability not being assumed by Buyer in accordance with Section 2.5.

(2) Buyer shall receive a credit pursuant to Section 2.4(a) to the extent that Buyer assumes any liability under any Assumed Contract to refund (or to credit against payments otherwise due) any security deposit or similar prepayment paid to any Seller by any lessee or other third party.

(3) No proration shall be made in favor of either Sellers or Buyer for any difference between the value of the goods or services to be received by the Station under its trade or barter agreements as of the Effective Time and the value of any advertising time remaining to be run by the Station as of the Effective Time.

(4) There shall be no proration of earned vacation time or other employee compensation. Sellers shall be solely responsible for the payment of all compensation and commissions owed to the Station's employees up to the Effective Time. Buyer may, as of the

Effective Time, employ those employees of the Station as Buyer may elect on terms and conditions determined by Buyer.

(5) There shall be no proration of music license fees (ASCAP, BMI, SESAC, etc.); Sellers shall be responsible for filing and paying all music license fees due and payable as of the Effective Time, and Buyer shall be responsible for filing and paying all such fees after the Effective Time.

(c) Manner of Determining Prorations and Credits. The prorations and Working Capital Credits required by Section 2.4(a) shall be determined finally in accordance with the following procedures:

(1) ValueVision, on behalf of Sellers, shall prepare and deliver to Buyer not later than five (5) days before the Closing Date a preliminary settlement statement which shall set forth ValueVision's good faith estimate of the Working Capital Credits, taking into account all prorations under Section 2.4(a). The preliminary settlement statement (A) shall contain all information reasonably necessary to determine the Working Capital Credits, taking into account all prorations under Section 2.4(a), to the extent such prorations can be determined or estimated as of the date of the preliminary settlement statement, and such other information as may be reasonably requested by Buyer, and (B) shall be certified by ValueVision to be true and complete to ValueVision's knowledge as of the date thereof.

(2) Not later than sixty (60) days after the Closing Date, Buyer shall deliver to ValueVision a statement setting forth Buyer's determination of the Working Capital Credits pursuant to Section 2.4(a). Buyer's statement (A) shall contain all information reasonably necessary to determine the Working Capital Credits, taking into account all prorations under Section 2.4(a), and such other information as may be reasonably requested by ValueVision, and (B) shall be certified by Buyer to be true and complete to Buyer's knowledge as of the date thereof. If ValueVision disputes the amount of the Working Capital Credits determined by Buyer, it shall deliver to Buyer within thirty (30) days after its receipt of Buyer's statement a statement setting forth its determination of the amount of the Working Capital Credits. If ValueVision notifies Buyer of its acceptance of Buyer's statement, or if ValueVision fails to deliver its statement within the thirty-day period specified in the preceding sentence, Buyer's determination of the Working Capital Credits shall be conclusive and binding on Sellers and ValueVision as of the last day of the thirty-day period.

(3) If ValueVision disputes the amount of the Working Capital Credits determined by Buyer, Buyer and ValueVision shall use good faith efforts to resolve any dispute involving the determination of the Working Capital Credits as expeditiously as practicable.

(d) Payments at Closing With Respect to Working Capital Credits. At Closing:

(1) Sellers shall pay or cause to be paid to or for the account of Buyer, by wire transfer, the amount, if any, by which Buyer's Working Capital Credits exceed Sellers' Working Capital Credits, each as estimated in ValueVision's preliminary settlement statement pursuant to Section 2.4(c)(1).

(2) Buyer shall pay or cause to be paid to or for the account of Sellers, by wire transfer, the amount, if any, by which Sellers' Working Capital Credits exceed Buyer's Working Capital Credits, each as estimated in ValueVision's preliminary settlement statement pursuant to Section 2.4 (c)(1).

(e) Payments to Reflect Final Determination of Working Capital Credits. Within five (5) business days after the date on which the Working Capital Credits are finally determined pursuant to Section 2.4(c):

(1) Sellers shall pay or cause to be paid to or for the account of Buyer, by wire transfer, the amount, if any, by which the sum of the amount of Buyer's Working Capital Credits, as finally determined pursuant to Section 2.4(c), plus the amount of any payment made by Buyer pursuant to Section 2.4(d)(2) exceeds the sum of amount of Sellers' Working Capital Credits, as finally determined pursuant to Section 2.4(c), plus the amount of any payment made by Sellers pursuant to Section 2.4(d)(1).

(2) Buyer shall pay or cause to be paid to or for the account of Sellers, by wire transfer, the amount, if any, by which the sum of the amount of Sellers' Working Capital Credits, as finally determined pursuant to Section 2.4(c), plus the amount of any payment made by Sellers pursuant to Section 2.4(d)(1) exceeds the sum of amount of Buyer's Working Capital Credits, as finally determined pursuant to Section 2.4(c), plus the amount of any payment made by Buyer pursuant to Section 2.4(d)(2).

2.5 Assumption of Liabilities and Obligations. As of the Closing Date, Buyer shall assume and undertake to pay, discharge, and perform all obligations and liabilities of any Seller under the Licenses and the Assumed Contracts to the extent that either (a) the obligations and liabilities relate to the time after the Effective Time or (b) Buyer received a Working Capital Credit therefor under Section 2.4(a) as a result of the proration of such obligations and liabilities. Buyer shall not assume any other obligations or liabilities of any Seller, including (i) any obligations or liabilities under any Contract (including any film or programming license agreement) not included in the Assumed Contracts, (ii) any obligations or liabilities under the Assumed Contracts relating to the period prior to the Effective Time except insofar as Buyer receives a Working Capital Credit therefor under Section 2.4(a), (iii) any claims, litigation, or proceedings relating to the operation of the Station prior to the Closing, whether asserted or filed before or after the Effective Time, (iv) any obligations or liabilities of any Seller under any management incentive, employee pension, retirement, or other benefit plans, (v) any obligations or liabilities of any Seller under any collective bargaining agreements, (vi) any obligation to any employee of the Station for severance benefits, vacation time, or sick leave accrued prior to the Closing Date, (vii) any credit agreements, note purchase agreements, indentures, or other financing arrangements, other than leases or agreements listed on Schedule 3.7 and included in the Assumed Contracts, (viii) any agreements entered into other than in the ordinary course of business of the Station, or (ix) any obligations or liabilities caused by, arising out of, or resulting from any action or omission of any Seller prior to the Closing, and all such obligations and liabilities shall remain and be the obligations and liabilities solely of Sellers.

SECTION 3 REPRESENTATIONS AND WARRANTIES OF SELLERS AND VALUEVISION.

Sellers and ValueVision, jointly and severally, represent and warrant to Buyer and PCC as follows:

3.1 Organization, Standing, and Authority. Each of VVI Manassas and ValueVision is a corporation duly organized, validly existing, and in good standing under the laws of the State of Minnesota. WVVI is a corporation duly organized, validly existing, and in good standing under the laws of the Commonwealth of Virginia. Each Seller is duly qualified to conduct business as a foreign corporation in each state in which the nature of its business or the ownership of its assets requires it to be so qualified, all of which are identified on Schedule 3.1. Each Seller has all requisite corporate power and authority (a) to own, lease, and use the Assets as now owned, leased, and used by it, (b) to conduct the business and operations of the Station as now conducted by it, and (c) to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by such Seller hereunder and thereunder. ValueVision owns, directly or indirectly, all of the outstanding shares of each Seller.

3.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by each Seller and ValueVision have been duly authorized by all necessary actions on the part of such Seller and ValueVision. This Agreement has been duly executed and delivered by each Seller and ValueVision and constitutes the legal, valid, and binding obligation of each Seller and ValueVision, enforceable against it in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors rights generally and by judicial discretion in the enforcement of equitable remedies.

3.3 Absence of Conflicting Agreements. Subject to obtaining the governmental Consents provided for in Section 6.1 and Section 6.8 and the other Consents listed on Schedule 3.3, the execution, delivery, and performance of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (a) do not require the consent of any third party; (b) will not conflict with any provision of the Articles of Incorporation or By-Laws of any Seller or ValueVision; (c) will not conflict with, result in a breach of, or constitute a default under, any law, judgment, order, ordinance, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality; (d) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which any Seller or ValueVision is a party or by which any Seller or ValueVision may be bound legally; and (e) will not create any claim, liability, mortgage, lien, pledge, condition, charge, or encumbrance of any nature upon any of the Assets.

3.4 Governmental Licenses.

(a) Schedule 3.4 includes a true and complete list of the Licenses. Sellers have made available to Buyer true and complete copies of the Licenses (including any amendments and other modifications thereto). The Licenses have been validly issued, and the Seller designated as such on Schedule 3.4 is the authorized legal holder thereof. The Licenses listed on Schedule 3.4 comprise all licenses, permits, and other authorizations required from the FCC and, to each Seller's knowledge, from any other governmental or regulatory authority for the lawful conduct in all material respects of the business and operations of the Station in the manner and to the full extent they are now conducted, and none of the Licenses is subject to any unusual or special restriction or condition that could reasonably be expected to limit the full operation of the Station as now operated. Seller has no reason to believe that, under existing law, rules, regulations, policies, and procedures of the FCC, any of the Licenses would not be renewed by the FCC or other granting authority in the ordinary course. Except as set forth in Schedule 3.4, the Licenses are in full force and effect. Sellers have timely paid to the FCC all annual regulatory fees payable with respect to the FCC Licenses.

(b) Schedule 3.4 also includes a true and complete list, to each Seller's knowledge, of (i) all cable television systems that carry the signal of the Station, (ii) all retransmission consent and other similar agreements entered into by any Seller with respect to the Station, and (iii) all cable television systems to which either Seller has delivered a must carry notice or retransmission consent notice in accordance with Section 4 of the Cable Television Consumer Protection and Competition Act of 1992 and the rules and regulations of the FCC promulgated thereunder.

3.5 Real Property. Schedule 3.5 contains a complete and accurate description of all Real Property and all Real Property Interests (including street address, legal description (where known), owner, and Sellers' use thereof), and all claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, covenants, easements, restrictions, encroachments, leases, or encumbrances known to any Seller.

3.6 Tangible Personal Property. Schedule 3.6 lists all material items of Tangible Personal Property, to the best of Sellers' knowledge without inquiry. Except as described in Schedule 3.6, one of the Sellers, as designated on Schedule 3.6, owns and has good title to each item of Tangible Personal Property and none of the Tangible Personal Property owned by any Seller is subject to any security interest, mortgage, pledge, conditional sales agreement, or other lien or encumbrance, except for liens for current taxes not yet due and payable.

3.7 Contracts. Schedule 3.7 is a true and complete list of all Contracts except contracts with advertisers for production or the sale of advertising time on the Station for cash at rates consistent with past practices and that may be canceled by Sellers without penalty on not more than thirty (30) days' notice. Sellers have delivered to Buyer true and complete copies of all written Assumed Contracts and true and complete descriptions of all oral Assumed Contracts (including any amendments and other modifications to such Contracts). Schedule 3.7 also includes (a) a schedule summarizing as of the date of such schedule all contracts with advertisers for production or the sale of advertising time on the Station and (b) a schedule setting forth the following information as of the date of such schedule with respect to each Assumed Contract under which the Station is licensed to broadcast any programming: (i) the identity of the licensed programming, (ii) the number of exhibitions thereof originally licensed, (iii) the number of exhibitions on the Station then available to Sellers, (iv) the unpaid license fees on a monthly basis, (v) the expiration of the license, (vi) the purchase price for each program, and (vii) the purchase price for additional episodes for which Buyer may be liable. Except for the need to obtain the Consents listed on Schedule 3.3, the Seller that is a party to each Assumed Contract has full legal power and authority to assign its rights under such Assumed Contracts to Buyer in accordance with this Agreement, and such assignment will not affect the validity, enforceability, or continuation of such Assumed Contract.

3.8 Consents. Except for the governmental Consents provided for in Section 6.1 and Section 6.8 and the other Consents described in Schedule 3.3, to each Seller's knowledge, no consent, approval, permit, or authorization of, or declaration to, or filing with any governmental or regulatory authority or any other third party is required to consummate this Agreement and the transactions contemplated hereby or to permit Sellers to assign or transfer the Assets to Buyer.

3.9 Intangibles. Schedule 3.9 is a true and complete list of all Intangibles (exclusive of Licenses listed in Schedule 3.4) that are used in the conduct of the business and operations of the Station as now conducted. Sellers have made available to Buyer copies of all documents establishing or evidencing the Intangibles listed on Schedule 3.9. There is no claim or action pending, or to the knowledge of any Seller threatened, relating to the Station with respect to any actual or alleged infringement by any Seller upon any trademark, trade name, service mark, service name, copyright, patent, patent application, know-how, method, or process owned by any other Person.

3.10 Financial Statements. Sellers have furnished Buyer with true and complete copies of the unaudited financial statements of the Station, containing a balance sheet and a statement of income, as at and for the period from February 1, 1995 through January 31, 1996, and the seven (7) months ended August 31, 1996 (collectively, the "Financial Statements").

3.11 Insurance. Schedule 3.11 is a true and complete list of all insurance policies of any Seller that insure any part of the Assets or the business of the Station. All policies of insurance listed in Schedule 3.11 are in full force and effect.

3.12 Reports. All reporting requirements of the FCC and, to each Seller's knowledge, any other governmental authority with respect to the Station have been complied with by Sellers in all material respects.

3.13 Labor Relations. No labor union or other collective bargaining unit represents or claims to represent any of the employees of the Station. To each Seller's knowledge, there is no union campaign being conducted to solicit cards from employees to authorize a union to request a National Labor Relations Board certification election with respect to any employees at the Station.

3.14 Taxes. Each Seller has filed or caused to be filed all federal, state, county, local, or city tax returns that are required to be filed with respect to the ownership and operation of the

Station, and each Seller has paid or caused to be paid all taxes shown on those returns or on any tax assessment received by it to the extent that such taxes have become due. There are no legal, administrative, or tax proceedings pursuant to which any Seller is or could be made liable for any taxes, penalties, interest, or other charges, the liability for which could extend to Buyer as transferee of the business of the Station, and no event has occurred that could impose on Buyer any transferee liability for any taxes, penalties, or interest due or to become due from any Seller.

3.15 Claims and Legal Actions. Except as disclosed on Schedule 3.15 and except for any FCC rulemaking proceedings generally affecting the television broadcasting industry and not particular to any Seller, there is no claim, legal action, counterclaim, suit, arbitration, or other legal, administrative, or tax proceeding, nor any order, decree, or judgment, in progress or pending, or to the knowledge of any Seller threatened, against or relating to any Seller with respect to its ownership or operation of the Station or otherwise relating to the Assets or the business or operations of the Station, nor does any Seller know of any basis for the same.

3.16 Compliance with Licenses. Each Seller has complied in all material respects with the Licenses.

3.17 Conduct of Business in Ordinary Course. Since August 31, 1996, the Sellers have conducted the business and operations of the Station only in the ordinary course and, except as disclosed in Schedule 3.17:

(a) The Station has not suffered any material damage, destruction, or loss affecting any assets or transferred any material assets used or useful in the conduct of the business of the Station;

(b) The Station has not suffered any material write-down of the value of any Assets; and

(c) The Station has not transferred or granted any right under, or entered into any settlement regarding the breach or infringement of, any license, patent, copyright, trademark, trade name, franchise, or similar right, or modified any existing right relating to the Station.

3.18 Transactions with Affiliates. No Seller has been involved in any business arrangement or relationship relating to the Station with any Affiliate of any Seller (other than another Seller or ValueVision), and no Affiliate of any Seller (other than another Seller or ValueVision) owns any property or right, tangible or intangible, that is used in the business of the Station.

3.19 No Broker. Except as set forth in Schedule 3.19, neither the Sellers nor ValueVision has employed, nor obligated itself, Buyer or PCC to compensate, any finder, broker, advisor or similar Person in connection with the transactions contemplated by this Agreement.

3.20 Accredited Investor; Investment Knowledge; Distribution. ValueVision is an accredited investor within the meaning of Rule 501 promulgated under the Securities Act. ValueVision has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the risks and merits of its investment in PCC and is capable of bearing the economic risks of such investment. ValueVision has had an opportunity to discuss the business,

management and financial affairs of PCC with PCC's representatives, and ValueVision has had its questions concerning PCC and its business answered to its full satisfaction. ValueVision has received from PCC all of the documentation it requires in order to make its investment decision. The shares of PCC Common Stock to be transferred hereunder to ValueVision are being acquired for ValueVision's own account for the purpose of investment and not with a view to or for resale in connection with any distribution thereof or interest therein. ValueVision understands that (a) such shares of PCC Common Stock have not been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, (b) such shares of PCC Common Stock must be held indefinitely unless subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, and
(c) such PCC Shares shall bear a legend to such effect.

3.21 Disclaimer of Warranties. Except for the foregoing representations and warranties specifically set forth in Section 3.1 through Section 3.20 of this Agreement and the representations and warranties in the certificate delivered by Sellers pursuant to Section 8.2(f), the Assets are being transferred by Sellers to Buyer on an "as-is-where-is" basis without any representation or warranty, all other representations and warranties of any kind, either express or implied, including warranties of fitness, being hereby expressly disclaimed.

SECTION 4 REPRESENTATIONS AND WARRANTIES OF BUYER AND PCC.

Buyer and PCC, jointly and severally, represent and warrant to Sellers and ValueVision as follows:

4.1 Organization, Standing, and Authority. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Florida and, on the Closing Date, will be duly qualified to conduct business in the Commonwealth of Virginia. PCC is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware. Buyer and PCC each has all requisite corporate power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all of the terms, covenants, and conditions to be performed and complied with by it hereunder and thereunder.

4.2 Authorization and Binding Obligation. The execution, delivery, and performance of this Agreement by Buyer and PCC have been duly authorized by all necessary actions on the part of Buyer and PCC. This Agreement has been duly executed and delivered by Buyer and PCC and constitutes the legal, valid, and binding obligation of Buyer and PCC, enforceable against Buyer and PCC in accordance with its terms except as the enforceability of this Agreement may be affected by bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by judicial discretion in the enforcement of equitable remedies.

4.3 Absence of Conflicting Agreements. Subject to obtaining the governmental Consents provided for in Section 6.1 and Section 6.8 and the other Consents listed on Schedule 4.3, the execution, delivery, and performance by Buyer and PCC of this Agreement and the documents contemplated hereby (with or without the giving of notice, the lapse of time, or both): (a) do not require the consent of any third party; (b) will not conflict with the Certificate of

Incorporation or By-Laws of Buyer or PCC; (c) will not conflict with, result in a breach of, or constitute a default under, any law, judgment, order, injunction, decree, rule, regulation, or ruling of any court or governmental instrumentality; or (d) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of, any agreement, instrument, license, or permit to which Buyer or PCC is a party or by which Buyer or PCC may be bound legally, such that Buyer could not acquire or operate the Assets or PCC could not perform its obligations hereunder.

4.4 Licensee Qualifications. To Buyer's knowledge, there is no fact that would, under the Communications Act of 1934, as amended, and the rules and regulations of the FCC, each as in effect on the date of this Agreement, disqualify Buyer from being the licensee of the Station other than Buyer's or its Affiliate's interest in the television station described on Schedule 4.3. Buyer has sufficient net liquid assets on hand or available from committed sources to consummate the transactions contemplated by this Agreement and to operate the Station for three (3) months after Closing and is otherwise financially qualified under the Communications Act of 1934, as amended, and the rules and regulations of the FCC, each as in effect on the date of this Agreement, to be the licensee of the Station.

4.5 No Broker. Except as set forth in Schedule 4.5, neither Buyer nor PCC has employed, nor obligated itself, any Seller or ValueVision to compensate, any finder, broker, advisor or similar Person in connection with the transactions contemplated by this Agreement.

4.6 Acknowledgment of "As-Is-Where-Is" Sale. Buyer acknowledges and agrees that it is purchasing and accepting the Assets on an "as-is-where-is" basis, except for the representations and warranties specifically set forth in Section 3.1 through Section 3.20 of this Agreement and the representations and warranties in the certificate delivered by Sellers pursuant to Section 8.2(f). To the fullest extent permitted by law, Buyer and PCC hereby unconditionally and irrevocably waive and release any and all actual or potential claims that it might have against any Seller or ValueVision regarding any form of warranty, express or implied, of any kind or type, including warranties of fitness, relating to or in connection with the purchase of the Assets, other than the representations and warranties specifically set forth in Section 3.1 through Section 3.20 of this Agreement and the representations and warranties in the certificate delivered by Sellers pursuant to Section 8.2(f). This waiver and release is, to the fullest extent permitted by law, absolute, complete, total, and unlimited in every way and includes, to the fullest extent permitted by law, a waiver and release of express warranties (other than the representations and warranties specifically set forth in Section 3.1 through Section 3.20 of this Agreement and the representations and warranties in the certificate delivered by Sellers pursuant to Section 8.2(f)), implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of habitability, claims based on apparent or latent defects or deficiencies, whether now or hereafter existing, and strict liability rights and claims of every kind and type (including claims regarding defects that were not or are not discoverable and all other extant or later created or conceived of strict liability or strict liability-type claims and rights).

SECTION 5 OPERATIONS OF THE STATION PRIOR TO CLOSING.

Between the date of this Agreement and the Closing Date, Sellers shall comply, and ValueVision shall cause each Seller to comply, with the covenants in this Section 5:

5.1 Generally. Except as otherwise provided in this Agreement, Sellers shall operate the Station diligently in the ordinary course of business in accordance with past practices (except where such conduct would conflict with the following covenants or with Sellers' other obligations under this Agreement).

5.2 Contracts. Sellers will not amend or terminate any Material Contract (or waive any material right thereunder), or enter into any contract or commitment relating to the Station or the Assets (except as provided in
Section 6.16), or incur any obligation (including obligations relating to the borrowing of money or the guaranteeing of indebtedness and obligations arising from the amendment of any existing Contract, regardless whether such Contract is a Material Contract) that will be binding on Buyer after Closing, except for
(a) cash time sales agreements and production agreements made in the ordinary course of business consistent with Sellers' past practices, and (b) other contracts (excluding film or programming license agreements and trade or barter agreements) entered into in the ordinary course of business consistent with Sellers' past practices that do not involve consideration, in the aggregate, in excess of $25,000 measured at Closing. Prior to the Closing Date, Sellers shall deliver to Buyer a list of all Contracts entered into between the date of this Agreement and the Closing Date and shall make available to Buyer copies of such Contracts.

5.3 Disposition of Assets. No Seller shall sell, assign, lease, or otherwise transfer or dispose of any assets that are used or useful in connection with the conduct of the business or operations of the Station, except for (a) any transaction permitted by Section 6.16, (b) dispositions of assets in connection with the acquisition of replacement property of equivalent kind and value and (c) the assignment and transfer of assets and liabilities between Sellers and/or ValueVision.

5.4 Encumbrances. No Seller shall create, assume, or permit to exist any claim, liability, security interest, mortgage, lien, pledge, condition, charge, covenant, easement, restriction, encroachment, lease, or encumbrance of any nature upon the Assets, except for (a) liens disclosed on Schedule 3.5 or Schedule 3.6 that will be removed prior to the Closing Date, and (b) Permitted Encumbrances.

5.5 Licenses. No Seller shall cause or permit, by any act or failure to act, any of the Licenses required to be listed on Schedule 3.4 to expire or to be revoked, suspended, or modified, or take any action that could reasonably be expected to cause the FCC or any other governmental authority to institute proceedings for the suspension, revocation, or material adverse modification of any of the Licenses. Sellers shall use reasonable efforts to prosecute (a) any applications to any governmental authority necessary for the operation of the Station and (b) any must-carry proceedings described on Schedule 5.5.

5.6 Obligations. Sellers shall pay all obligations relating to the Station as they become due, consistent with past practices, so that all such obligations shall be current as of the Closing Date.

5.7 Exclusivity.

(a) Neither any Seller nor any officer, director, representative, or agent of any Seller shall, directly or indirectly, (i) solicit, initiate, or encourage the submission of any proposal or offer relating to (A) any liquidation, dissolution, or recapitalization of any Seller, (B) any merger or consolidation of any Seller with any other Person,
(C) any acquisition or purchase of securities or assets by any Person from any Seller, or (D) any similar transaction or business combination involving any Seller, or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Sellers shall notify Buyer as soon as practicable if any Person makes any proposal with respect to any of the foregoing.

(b) Section 5.7(a) shall not apply to any action by any Seller or any officer, director, representative, or agent of any Seller with respect to (i) the assignment and transfer by either Seller of all its assets and liabilities to the other Seller or to ValueVision, or (ii) so long as ValueVision's ability to perform its obligations under this Agreement is not adversely affected, any recapitalization of ValueVision, any merger or consolidation of ValueVision with any other Person, or any acquisition or purchase of securities or assets (other than the Assets) by any Person from ValueVision.

5.8 Access to Information.

(a) Each Seller shall give Buyer and its counsel, accountants, engineers, and other authorized representatives reasonable access to the Assets and to all other books, records, and documents relating to the Station for the purpose of audit and inspection, and will furnish or cause to be furnished to Buyer or its authorized representatives all information with respect to the affairs and business of the Station that Buyer may reasonably request (including any financial reports and operations reports produced with respect to the affairs and business of the Station, a list of all employees of the Station and a description of their base compensation).

(b) Without limiting the generality of the foregoing, Sellers shall give Buyer and its counsel, accountants, and other authorized representatives reasonable access to Sellers' financial records relating to the operations of the Station and the Station's employees, counsel, accountants, and other representatives for the purpose of preparing and auditing such financial statements as Buyer determines, in its reasonable judgment, are required or advisable to comply with federal or state securities laws and the rules and regulations of securities markets as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Sellers agree to provide financial statements concerning the operations of the Station, reviewed by Sellers' accountants, containing reasonably requested customary representations; provided, however, that the parties hereto agree that Buyer shall have no right under any circumstance to delay the Closing or terminate this Agreement on account of the information contained in any such financial statement or the inability of Sellers or their accountants in good faith to make any representation requested by Buyer. The preparation and auditing of any financial statements pursuant to this Section 5.8(b) shall be at Buyer's sole cost and expense.

5.9 Maintenance of Assets. Except as provided in Section 6.16, Sellers shall maintain all of the Assets in their condition on the date of this Agreement (ordinary wear and tear excepted), and use, operate, and maintain all of the Assets in a reasonable manner. Seller shall maintain inventories of spare parts and expendable supplies at levels consistent with past practices. If any insured or indemnified loss, damage, impairment, confiscation, or condemnation of or to any of the Assets occurs, Sellers shall repair, replace, or restore the Assets to their prior condition as soon thereafter as possible, and Sellers shall use the proceeds of any claim under any property damage insurance policy or other recovery solely to repair, replace, or restore any of the Assets that are lost, damaged, impaired, or destroyed.

5.10 Insurance. Sellers shall maintain the existing insurance policies on the Station and the Assets.

5.11 Consents. Sellers shall use their respective reasonable efforts to obtain all Consents, without any change in the terms or conditions of any Assumed Contract or License that could reasonably be expected to be less advantageous to Buyer than those pertaining under the Assumed Contract or License as in effect on the date of this Agreement. Sellers shall request estoppel certificates from the lessors of all leasehold and subleasehold interests included in the Real Property Interests, consents of such lessors to the collateral assignment by Buyer to its lenders of such leasehold and subleasehold interests, and estoppel certificates of contracting parties to all Material Contracts. Sellers shall promptly advise Buyer of any difficulties experienced in obtaining any of the Consents and of any conditions proposed, considered, or requested for any of the Consents.

5.12 Books and Records. Each Seller shall maintain its books and records relating to the Station in accordance with past practices.

5.13 Notification. Sellers shall promptly notify Buyer in writing of any material change in any of the information contained in Sellers' and ValueVision's representations and warranties contained in Section 3 of this Agreement.

5.14 Financial Information. Sellers shall furnish to Buyer within forty-five (45) days after the end of each month ending between the date of this Agreement and the Closing Date a statement of income and expense and a balance sheet for and as of the end of such month. All financial information delivered by Sellers to Buyer pursuant to this Section shall be prepared from the books and records of Sellers in accordance with generally accepted accounting principles consistently applied, shall accurately reflect the books, records, and accounts of the Station, shall be complete and correct in all material respects, and shall present fairly the financial condition of the Station as at their respective dates and the results of operations for the periods then ended.

5.15 Compliance with Laws. Each Seller shall comply in all material respects with all laws, rules, and regulations applicable or relating to the ownership and operation of the Station.

SECTION 6 SPECIAL COVENANTS AND AGREEMENTS.

6.1 FCC Consent.

(a) The assignment of the FCC Licenses in connection with the purchase and sale of the Assets pursuant to this Agreement shall be subject to the prior consent and approval of the FCC.

(b) Sellers and Buyer shall prepare and within five (5) business days after the date of this Agreement shall file with the FCC appropriate applications for the FCC Consent, which shall include a commitment by Buyer to sell the television station described in Schedule 4.3. Buyer shall file with the FCC the necessary application to sell the television station described in Schedule 4.3, together with a copy of the executed purchase and sale agreement, within ten (10) business days of the aforementioned filings by Sellers and Buyer and shall use its reasonable efforts to sell such station as expeditiously as practicable. The parties shall prosecute the foregoing applications (including Buyer's application to sell the station described in Schedule 4.3) with all reasonable diligence and otherwise use their reasonable efforts to obtain a grant of the applications, as expeditiously as practicable. Each party agrees to comply with any condition imposed on it by the FCC Consent.

(c) Within five (5) business days of any written request of Sellers, Buyer agrees to use its best efforts to file for and prosecute a request for any temporary waiver of the FCC rules deemed by Sellers in their sole discretion to be necessary or desirable in order to permit the Closing to occur prior to the divestiture of the television station described in Schedule 4.3, the form and substance of which waiver request shall be reasonably acceptable to Sellers and Buyer.

6.2 Control of the Station. Prior to Closing, Buyer shall not, directly or indirectly, control, supervise, direct, or attempt to control, supervise, or direct, the operations of the Station; such operations, including complete control and supervision of all of the Station's programs, employees, and policies, shall be the sole responsibility of Sellers until the Closing.

6.3 Risk of Loss.

(a) The risk of any loss, damage or impairment, confiscation, or condemnation of any of the Assets from any cause shall be borne by Sellers at all times prior to the completion of the Closing, except that Buyer will be required to purchase the Assets notwithstanding any such loss, damage or impairment, confiscation, or condemnation if the conditions contained in Section 7.1 to the obligations of Buyer at the Closing are nonetheless satisfied.

(b) In the event of any damage or destruction of the Assets described above, if the damaged or destroyed Assets have not been restored or replaced prior to the Closing Date, Sellers shall deliver to Buyer all insurance proceeds received in connection with such damage or destruction of the Assets to the extent of the costs and expenses arising in connection with such restoration and replacement.

6.4 Confidentiality. (a) Except as necessary for the consummation of the transactions contemplated by this Agreement, including Buyer's obtaining of financing related hereto, and except as and to the extent required by law, including disclosure requirements of federal or state securities laws and rules and regulations of securities markets, each party will keep confidential any information obtained from any other party in connection with the transactions contemplated by this Agreement. If this Agreement is terminated, each party will return to any other party that furnished it with information in connection with the transactions contemplated by this Agreement all such information.

(b) No party shall publish any press release or make any other public announcement concerning this Agreement or the transactions contemplated hereby without the prior written consent of each other party, which shall not be withheld unreasonably; provided, however, that nothing contained in this Agreement shall prevent any party, after notification to each other party, from making any filings with governmental authorities that, in its judgment, may be required or advisable in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

6.5 Cooperation. Each party hereto shall cooperate fully with each other party and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement, and the parties hereto shall execute such other documents as may be necessary and desirable to the implementation and consummation of this Agreement, and otherwise use their reasonable efforts to consummate the transactions contemplated hereby and to fulfill their obligations under this Agreement. Notwithstanding the foregoing, and except as otherwise expressly provided in this Agreement, (a) Buyer shall have no obligation to expend funds to obtain any of the Consents (other than any fee payable to the FCC in connection with the filing of the applications for FCC Consent and any fee imposed by the FTC in connection with filings made pursuant to the HSR Act, in each case to the extent provided in Section 12.1), and (b) Sellers shall have no obligation to expend funds to obtain any of the Consents (other than any fee payable to the FCC in connection with the filing of the applications for FCC Consent and any fee imposed by the FTC in connection with filings made pursuant to the HSR Act, in each case to the extent provided in Section 12.1).

6.6 Access to Books and Records. Each Seller shall provide Buyer access and the right to copy for a period of two (2) years from the Closing Date any books and records relating to the Assets but not included in the Assets. Buyer shall provide Sellers access and the right to copy for a period of two (2) years after the Closing Date any books and records relating to the Assets that are included in the Assets.

6.7 [Intentionally omitted].

6.8 HSR Act Filing. ValueVision and Buyer agree to (a) file, or cause to be filed, with the U.S. Department of Justice ("DOJ") and Federal Trade Commission ("FTC") all filings, if any, that are required in connection with the transactions contemplated hereby under the HSR Act within forty-five
(45) days of the date of this Agreement; (b) submit to the other party, prior to filing, their respective HSR Act filings to be made hereunder, and to discuss with the other any comments the reviewing party may have; (c) cooperate with each other in connection with such

HSR Act filings, which cooperation shall include furnishing the other with any information or documents that may be reasonably required in connection with such filings; (d) promptly file, after any request by the FTC or DOJ, any information or documents requested by the FTC or DOJ; and (e) furnish each other with any correspondence from or to, and notify each other of any other communications with, the FTC or DOJ that relates to the transactions contemplated hereunder, and to the extent practicable, to permit each other to participate in any conferences with the FTC or DOJ.

6.9 Title to Real Property.

(a) Buyer may, at its option and expense, obtain the following title commitments, surveys, and related information:

(1) with respect to each fee estate included in the Real Property Interests, a title commitment issued by a title insurer satisfactory to Buyer disclosing the condition of title to such fee estate and all easements, rights-of-way, and restrictions of record with respect thereto, as of a date not earlier than the date of this Agreement;

(2) with respect to each leasehold included in the Real Property Interests, a title commitment issued by a title insurer satisfactory to Buyer disclosing the condition of title to such leasehold as of a date not earlier than the date of this Agreement;

(3) with respect to each Real Property Interest as to which a title commitment is obtained pursuant to this Section 6.9(a), copies of all instruments evidencing the scope and extent of all easements, rights-of-way, and restrictions of record with respect thereto; and

(4) with respect to each Real Property Interest as to which a title commitment is obtained pursuant to this Section 6.9(a), a current survey of the relevant parcel, prepared and certified to Buyer and to the title insurer of such Real Property Interest by a licensed surveyor and conforming to current ALTA Minimum Detail Requirements for Land Title Surveys, disclosing the location of all improvements, easements, party walls, sidewalks, roadways, utility lines, and other matters customarily shown on such surveys.

(b) If the title commitments, surveys, and related information obtained by Buyer pursuant to Section 6.9(a) reveal (i) any easement, covenant, condition, restriction, encroachment, lack of practical access to public roads, or other encumbrance, defect, or condition with respect to any Real Property Interest (other than any easement, covenant, condition, or restriction that is disclosed on Schedule 3.5) that, individually or in the aggregate, has a material adverse effect on the use of such Real Property Interest in the conduct of the business of the Station or materially detracts from the value of such Real Property Interest in the conduct of the business of the Station (each, a "Title Defect"), Buyer may give Sellers written notice of its objection to any such Title Defect at any time within thirty (30) days after the date of this Agreement. Within seven (7) days after their receipt of Buyer's objection to any such Title Defect, Sellers shall notify Buyer whether they agree to cure or correct such Title Defect prior to the Closing. If Sellers do not agree to cure or correct any such Title Defect, Buyer may terminate this Agreement pursuant to Section 9.2(a).

(c) For purposes of this Agreement, "Permitted Encumbrances" shall include, in addition to the matters described in Section 1.1, any Title Defect (other than any claim, liability, security interest, mortgage, lien (including any tax or judgment lien), pledge, or other monetary charge) that is disclosed in the title commitments, surveys, and related information obtained by Buyer pursuant to Section 6.9(a) if (i) Buyer does not object to such Title Defect on or before the date specified above for Buyer's objection, or (ii) Buyer objects to such Title Defect and Sellers notify Buyer within seven (7) days after their receipt of Buyer's objection of Sellers' election not to cure or correct such Title Defect.

(d) Sellers shall remove prior to Closing any claim, liability, security interest, mortgage, lien (including any tax or judgment lien), pledge, or other monetary charge except for Permitted Encumbrances with respect to any Real Property Interest.

6.10 Environmental Survey.

(a) Sellers have heretofore provided to Buyer a copy of the Phase I Environmental Site Assessment of 6740 Arrington Road, Fairfax, Virginia, prepared for Sellers by Law Engineering and Environmental Services, Inc., dated October 4, 1996, and Addendum No. 1 thereto dated October 10, 1996 (together, the "Law Engineering Phase I Report"), for the information of Buyer, but without any representation or warranty being made by Sellers or ValueVision as to the accuracy or completeness of any of the information contained therein.

(b) Buyer may, at its option and expense, retain an environmental consultant to be selected by Buyer to perform Phase I environmental surveys of the properties of the Station. If such survey discloses any material environmental hazard or material possibility of future material liability for environmental damages or clean-up costs not identified in the Law Engineering Phase I Report (each, an "Environmental Hazard"), Buyer shall so notify Sellers as soon as practicable.

(c) If Buyer notifies Sellers pursuant to Section 6.10(b) of any Environmental Hazard as indicated in an environmental study described in Section 6.10(b), within thirty (30) days after the date of this Agreement, then Sellers may, by notice delivered to Buyer within seven (7) days after their receipt of such notice from Buyer, agree to remedy such Environmental Hazard prior to the Closing Date. If Sellers do not agree prior to the end of such seven-day period to remedy such Environmental Hazard prior to the Closing Date, then Buyer may terminate this Agreement pursuant to Section 9.2(b).

6.11 Engineering Study.

(a) Buyer may, at its option and expense, retain an engineering firm or other broadcast engineer to conduct proof of performance studies of the Station and to prepare a report on the Station's compliance with customary engineering practices and all applicable FCC rules, regulations, prescribed practices, and technical standards. If either study discloses any material deficiencies in the operations or equipment of the Station (each, a "Technical Deficiency"), Buyer shall so notify Sellers as soon as practicable.

(b) If Buyer notifies Sellers pursuant to Section 6.11(a) of any Technical Deficiency, as indicated in either engineering study described in Section 6.11(a), within thirty (30) days after the date of this Agreement, then Sellers may, by notice delivered to Buyer within seven (7) days after Sellers' receipt of such notice from Buyer, agree to remedy such Technical Deficiency prior to the Closing Date. If Sellers do not agree pursuant to this Section 6.11(b) prior to the end of such seven-day period to remedy any Technical Deficiency prior to the Closing Date, then Buyer may terminate this Agreement pursuant to section 9.2(c).

6.12 Sales Tax Filings. Sellers shall continue to file Virginia sales tax returns with respect to the Station in accordance with all applicable legal requirements and shall concurrently deliver copies of all such returns to Buyer.
6.13 Accounts Receivable.

(a) Collection. At the Closing, Sellers shall designate Buyer as their agent to collect any accounts receivable of Sellers in existence on the Closing Date and arising from the sale of advertising time by the Station prior to the Closing Date (the "Station's Receivables"). Buyer shall use reasonable efforts to collect the Station's Receivables during the "Collection Period," which shall be the period beginning on the Closing Date and ending on the last day of the fourth calendar month beginning after the Closing Date. Buyer shall not be obligated to use any extraordinary efforts to collect any of the Station's Receivables or to refer any of the Station's Receivables to a collection agency or attorney for collection, and Buyer shall not make any such referral or compromise, nor settle or adjust the amount of any of the Station's Receivables, except with the approval of ValueVision. Sellers and their respective representatives and agents may undertake to collect any of the Station's Receivables during the Collection Period so long as Sellers first notify and consult with Buyer concerning Sellers' proposed collection efforts.

(b) Payments to ValueVision. On or before the twentieth day after the end of each full calendar month during the Collection Period, Buyer shall furnish to ValueVision (i) a list of the amounts collected before the end of such month with respect to the Station's Receivables, and (ii) the amount collected during such month with respect to the Station's Receivables. On or before the twentieth day after the end of the Collection Period, Buyer shall furnish ValueVision with a list of all of the Station's Receivables that remain uncollected at the end of the Collection Period.

(c) Further Obligations. After the expiration of the Collection Period, Buyer shall have no further obligation hereunder other than to make the payment under Section 6.13(b) and to remit to ValueVision any payments with respect to any of the Station's Receivables that Buyer subsequently receives, and any Seller itself may act to collect any of the Station's Receivables that remain uncollected without restriction.

6.14 No Inconsistent Action. Between the date of this Agreement and the Closing Date, no party shall take any action that is inconsistent with its obligations under this Agreement in any material respect or that could reasonably be expected to hinder or delay the consummation of the transactions contemplated by this Agreement. Between the date of this Agreement and the Closing Date, Buyer shall not take any action that would disqualify Buyer from being the licensee of the Station under the Communications Act of 1934, as amended, and the rules and regulations of the FCC, each as in effect on the date of this Agreement.

6.15 CTN Lease. VVI Manassas shall give notice of termination to CTN of that certain Lease by and between VVI Manassas and CTN dated as of March 28, 1994 (the "CTN Lease"), promptly after execution of this Agreement.

6.16 Acquisition of Transmitter Site and Relocation of Studio. Anything herein to the contrary notwithstanding, it is expressly agreed by the parties that Sellers may, in their sole discretion, elect to purchase the real property currently leased as the transmitter site for the Station and to relocate the studio for the Station to such site (the "Transmitter Site"). In the event Sellers elect to enter into any transaction described in the preceding sentence, such transaction shall be binding on Buyer and shall not result in any amendment to this Agreement or any change in the Purchase Price, and Buyer consents in advance to any such transaction(s), whether consummated before or after the Closing Date, and agrees to cooperate with Sellers in effectuating such transaction(s), provided that any initial purchase by Sellers of the Transmitter Site is consummated pursuant to terms and conditions which shall not impose liability for any portion of the purchase price of the Transmitter Site on Buyer and any relocation of the studio for the Station is accomplished at no cost to Buyer prior to Closing or as soon thereafter as reasonably practicable.

SECTION 7 CONDITIONS TO OBLIGATIONS OF BUYER AND SELLERS AT CLOSING.

7.1 Conditions to Obligations of Buyer. All obligations of Buyer at the Closing are subject to the fulfillment prior to or at the Closing Date of each of the following conditions, any of which may be waived by Buyer in writing:
(a) FCC Consent. The FCC Consent shall have been granted.

(b) [Intentionally omitted].

(c) HSR Act. The waiting period under the HSR Act shall have expired or been terminated without action by the DOJ or the FTC to prevent the Closing.

(d) Deliveries. Sellers shall have made or stand willing to make all the deliveries to Buyer set forth in Section 8.2(a),(b), and (e).

(e) Station. The FCC shall have (i) approved the sale of the television station described in Schedule 4.3 in accordance with the requirements of Section 6.1(b) and the closing of such sale shall have occurred or shall be scheduled to occur immediately prior to the Closing, or (ii) the FCC shall have granted to Buyer a temporary waiver permitting the Closing to occur prior to the sale of the station described in Schedule 4.3.

7.2 Conditions to Obligations of Sellers. All obligations of Sellers at the Closing are subject to the fulfillment prior to or at the Closing Date of each of the following conditions, any of which may be waived by ValueVision in writing:

(a) Representations and Warranties. All representations and warranties of Buyer contained in this Agreement shall be true and complete in all material respects at and as of the Closing Date as though made at and as of that time, and Sellers shall have received a certificate, executed on behalf of Buyer by an authorized officer, to that effect.

(b) Covenants and Conditions. Buyer shall have performed and complied in all material respects with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date, and Sellers shall have received a certificate, executed on behalf of Buyer by an authorized officer, to that effect.

(c) Deliveries. Buyer shall have made or stand willing to make all the deliveries set forth in Section 8.3.

(d) FCC Consent. The FCC Consent shall have been granted.

(e) HSR Act. The waiting period under the HSR Act shall have expired or been terminated without action by the DOJ or the FTC to prevent the Closing.

(f) Judgments. There shall not be in effect any judgment, decree, or order that would prevent or make unlawful the Closing.

SECTION 8 CLOSING AND CLOSING DELIVERIES.

8.1 Closing.

(a) Closing Date.

(1) Except as provided in the following sentence or as otherwise agreed to by Buyer and ValueVision, but subject to Section 8.1(a)(2), the Closing shall take place at 10:00 a.m. on a date, to be set by Buyer on at least five (5) days' written notice to ValueVision, which shall be not earlier than the later of February 3, 1997 or the first business day after the FCC Consent is granted and not later than twenty (20) business days following the date upon which the FCC Consent has become a Final Order. Except as otherwise agreed to by Buyer and ValueVision, but subject to Section 8.1(a)(2), if Buyer fails to specify the date for Closing pursuant to the preceding sentence prior to the fifteenth business day after the date upon which the FCC Consent has become a Final Order, the Closing shall take place on the twentieth business day after the date upon which the FCC Consent has become a Final Order.

(2) Notwithstanding Section 8.1(a)(1), if on the date that, but for this Section 8.1(a)(2), would be the Closing Date pursuant to Section 8.1(a)(1), the certificate provided to Buyer under Section 8.2(f) discloses, or the Buyer has notified Sellers in writing that it has determined that, any representation or warranty of Sellers and ValueVision contained in this Agreement is not true and complete In A Material Way, or that Sellers have failed to comply with their obligations and covenants to be performed under this Agreement In A Material Way, then (A) Sellers shall take any actions necessary or appropriate to make such representation or warranty true and complete or to comply with such obligations and covenants, and (B) the Closing shall be postponed for such period as is required to cure the conditions warranting such postponement.

(b) Closing Place. The Closing shall be held at the offices of Dow, Lohnes & Albertson in Washington, D.C., or any other place that is agreed upon by Buyer and ValueVision.

8.2 Deliveries by Sellers. Prior to or on the Closing Date, Sellers shall deliver to Buyer the following, in form and substance reasonably satisfactory to Buyer and its counsel:

(a) Deeds. Duly executed quitclaim deeds that are sufficient to vest all of any Seller's right, title, and interest in and to all Real Property Interests (including any real property acquired before Closing pursuant to Section 6.16 of this Agreement) in the name of Buyer, free and clear of all claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, covenants, easements, restrictions, encroachments, leases, or encumbrances of any nature, except for Permitted Encumbrances.

(b) Other Conveyancing Documents. Duly executed bills of sale, motor vehicle titles, assignments, and other transfer documents that are sufficient to vest good title to all Assets (other than Real Property Interests) in the name of Buyer, free and clear of all claims, liabilities, security interests, mortgages, liens, pledges, conditions, charges, covenants, easements, restrictions, encroachments, leases, or encumbrances of any nature.

(c) Working Capital Payment. Any payment required to be made by Sellers pursuant to Section 2.4(d)(1).

(d) Estoppel Certificates and Lessor's Consents. Any estoppel certificates and consents of lessors that Sellers shall have obtained pursuant to Section 5.11.

(e) Consents. A manually executed copy of any instrument evidencing receipt of any Consent.

(f) Certificate. A certificate, dated as of the Closing Date, executed on behalf of each Seller by an authorized officer, certifying that, except as specifically stated in such certificate, (1) the representations and warranties of each Seller and ValueVision contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date, and (2) each Seller and ValueVision has in all material respects performed and complied with all of its obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date; provided, however, that if such certificate shall disclose, or Buyer shall notify Sellers in writing prior to the Closing Date that Buyer has determined that, any representation or warranty of Sellers or ValueVision contained in this Agreement is not true and complete as of the Closing Date In A Material Way, or that Sellers or ValueVision have failed to comply with their obligations and covenants to be performed under this Agreement as of the Closing Date In A Material Way, Buyer may elect to delay the Closing until such representation or warranty is made materially true and complete or such obligation or covenant is complied with in all material respects, as the case may be, and Buyer's sole remedy hereunder shall be the remedy of specific performance to compel Sellers or ValueVision to make such representation or warranty materially true and complete or such obligation or covenant to be complied with in all material respects. For purposes of this Agreement, "In A Material Way" shall mean that an expenditure in excess of $100,000.00 is reasonably estimated to be required to make such representation or warranty materially true and complete or to materially comply with such obligation or covenant.

(g) Licenses, Contracts, Business Records, Etc. Copies of all Licenses, Assumed Contracts, blueprints, schematics, working drawings, plans, projections, engineering records, and all files and records used by any Seller in connection with its operation of the Station and included in the Assets.

8.3 Deliveries by Buyer and PCC. Prior to or on the Closing Date, Buyer and PCC shall deliver to Sellers the following, in form and substance reasonably satisfactory to Sellers and their counsel:

(a) Purchase Price. The Purchase Price as provided in Section 2.3.

(b) Working Capital Payment. Any payment required to be made by Buyer pursuant to Section 2.4(d)(2).

(c) Assumption Agreements. Appropriate assumption agreements pursuant to which Buyer shall assume and undertake to perform each Seller's obligations under the Licenses and Assumed Contracts to the extent provided in Section 2.5.

(d) Certificate. A certificate, dated as of the Closing Date, executed on behalf of Buyer by an authorized officer, certifying that, except as specifically stated in such certificate, (1) the representations and warranties of Buyer and PCC contained in this Agreement are true and complete in all material respects as of the Closing Date as though made on and as of that date, and (2) Buyer and PCC have in all material respects performed and complied with all of their obligations, covenants, and agreements set forth in this Agreement to be performed and complied with on or prior to the Closing Date.

SECTION 9 TERMINATION.

9.1 Termination by Sellers and ValueVision. This Agreement may be terminated by Sellers and ValueVision and the purchase and sale of the Station abandoned, upon written notice to Buyer, upon the occurrence of any of the following:

(a) Conditions. If on the date that would otherwise be the Closing Date any of the conditions precedent to the obligations of Sellers set forth in this Agreement have not been satisfied or waived in writing by Sellers.

(b) Judgments. If there shall be in effect on the date that would otherwise be the Closing Date any judgment, decree, or order that would prevent or make unlawful the Closing.

(c) Upset Date. If the Closing shall not have occurred on or prior to October 1, 1997; provided, however, that Sellers and ValueVision shall not be entitled to terminate this Agreement pursuant to this Section 9.1(c) if
(a) the Closing shall not have occurred on or prior to October 1, 1997, as a result of the intentional breach of this Agreement by Sellers or (b) the Closing has been postponed beyond October 1, 1997 pursuant to Section 8.1(a)(2), but only for such period as is required to cure the condition warranting such postponement.

(d) Breach. If Buyer or PCC is in breach in any material respect of any of its representations, warranties, or covenants under this Agreement.

(e) If Buyer shall not have filed with the FCC the necessary application to sell the station described in Schedule 4.3 within fifteen (15) business days of the date that Seller and Buyer shall have filed with the FCC the necessary applications for the FCC Consent, as required by Section 6.1(b).

9.2 Termination by Buyer and PCC. This Agreement may be terminated by Buyer and PCC and the purchase and sale of the Station abandoned, if Buyer and PCC are not then in material default, upon written notice to Sellers and ValueVision, upon the occurrence of any of the following:

(a) Title Defects. If Buyer shall have notified Sellers pursuant to Section 6.9(b) of any Title Defect within thirty (30) days after the date of this Agreement and Sellers shall not have agreed within the period specified in Section 6.9(b) to cure or correct such Title Defect; provided, however, that Buyer may only terminate this Agreement pursuant to this Section 9.2(a) by delivering written notice to ValueVision within seven (7) days after the end of the period specified in Section 6.9(b) during which Sellers had the right to elect to cure or correct such Title Defect.

(b) Environmental Hazards. If Buyer shall have notified Sellers pursuant to Section 6.10(a) of any Environmental Hazard within thirty (30) days after the date of this Agreement and Sellers shall not have agreed within the period specified in Section 6.10(b) to remedy such Environmental Hazard; provided, however, that Buyer may only terminate this Agreement pursuant to this Section 9.2(b) by delivering written notice to ValueVision within seven (7) days after the end of the period specified in Section 6.10(b) during which Sellers had the right to elect to remedy such Environmental Hazard.

(c) Technical Deficiencies. If Buyer shall have notified Sellers pursuant to Section 6.10(a) of any Technical Deficiency within thirty (30) days after the date of this Agreement and Sellers shall not have agreed within the period specified in Section 6.11(b) to remedy such Technical Deficiency; provided, however, that Buyer may only terminate this Agreement pursuant to this Section 9.2(c) by delivering written notice to ValueVision within seven (7) days after the end of the period specified in Section 6.11(b) during which Sellers had the right to elect to remedy such Technical Deficiency.

(d) Material Contracts. If Sellers shall not have obtained and delivered to Buyer, within thirty (30) days after the date of this Agreement, with respect to each Material Contract, any consent required for the assignment to Buyer of such Material Contract, without any change in the terms or conditions of such Material Contract that could reasonably be expected to be less advantageous to Buyer than those pertaining under the Material Contract as in effect on the date of this Agreement; provided, however, that Buyer may only terminate this Agreement pursuant to this Section 9.2(d) by delivering written notice to ValueVision within seven (7) days after the end of such thirty-day period if such Consent has not been delivered to Buyer.

9.3 Escrow Deposit. Simultaneously with the execution and delivery of this Agreement, Buyer has deposited with the Escrow Agent the amount of One Million Dollars ($1,000,000.00) in accordance with the Escrow Agreement. All funds and documents deposited with the Escrow Agent shall be held and disbursed in accordance with the terms of the Escrow Agreement and the following provisions:

(a) At the Closing, Buyer and ValueVision shall jointly instruct the Escrow Agent to disburse all amounts held by the Escrow Agent pursuant to the Escrow Agreement, including any interest or other proceeds from the investment of funds held by the Escrow Agent, to or at the direction of Buyer.

(b) If this Agreement is terminated pursuant to Section 9.1(a), (b) or (c), by Sellers and ValueVision, Buyer and ValueVision shall jointly instruct the Escrow Agent to disburse all amounts held by the Escrow Agent pursuant to the Escrow Agreement, including any interest or other proceeds from the investment of funds held by the Escrow Agent, to or at the direction of ValueVision.

(c) If this Agreement is terminated by Buyer and PCC pursuant to Section 9.2, then Buyer and ValueVision shall jointly instruct the Escrow Agent to disburse all amounts held by the Escrow Agent pursuant to the Escrow Agreement, including any interest or other proceeds from the investment of funds held by the Escrow Agent, to or at the direction of Buyer.

9.4 Rights on Termination.

(a) If this Agreement is terminated by Sellers and ValueVision pursuant to Section 9.1(a), (b), (c), or (e), Buyer shall promptly pay or cause to be paid to Sellers the sum of Two Million Dollars ($2,000,000.00), which amount shall be liquidated damages and shall constitute full payment and the exclusive remedy for any damages suffered by Sellers and ValueVision by reason of such event. The parties hereto agree in advance that actual damages would be difficult to ascertain and that the sum of Two Million Dollars ($2,000,000.00) is a fair and equitable amount to reimburse Sellers and ValueVision for damages sustained due to such event. Any payment to ValueVision pursuant to Section 9.3(b) shall be credited against Buyer's obligation to Sellers pursuant to this Section 9.4(a).

(b) If this Agreement is terminated by Sellers and ValueVision pursuant to Section 9.1(d), Sellers and ValueVision may pursue any remedy available at law or equity against Buyer and PCC as a result of such breach, including without limitation an action to recover damages from such breach (without any limitation as set forth in Section 9.4(a) of this Agreement).

(c) Termination of this Agreement by Buyer and PCC pursuant to Section 9.2 shall be without liability or obligation on the part of any Seller or ValueVision to Buyer or PCC.

9.5 Specific Performance. The parties recognize that if any Sellers breach this Agreement and refuse to perform under the provisions of this Agreement, monetary damages alone would not be adequate to compensate Buyer for its injury. Buyer shall therefore be entitled to obtain specific performance of the terms of this Agreement, which shall be Buyer's exclusive remedy hereunder. If any action is brought by Buyer to enforce this Agreement, each Seller shall waive the defense that there is an adequate remedy at law.

9.6 No Special Damages. No party to this Agreement shall be entitled to any special, incidental, or consequential damages as a result of the breach of this Agreement by any other party to this Agreement.

SECTION 10 INDEMNIFICATION.

10.1 Indemnification by Sellers and ValueVision. After the Closing, and regardless of any investigation made at any time by or on behalf of Buyer or PCC or any information Buyer or PCC may have, each Seller and ValueVision hereby agree, jointly and severally, to indemnify and hold Buyer and PCC and their officers, directors, employees, and representatives harmless against and with respect to, and shall reimburse Buyer and its officers, directors, employees, and representatives for:

(a) Any and all losses, liabilities, or damages resulting from the operation or ownership of the Station prior to the Closing, including any liabilities arising under the Licenses or the Assumed Contracts that relate to events occurring prior the Closing Date, or resulting from any other obligations of any Seller that are not assumed by Buyer pursuant to this Agreement, including any liabilities arising at any time under any Contract that is not included in the Assumed Contracts;

(b) Any loss, liability, obligation, or cost resulting from any agreement with any finder, broker, advisor, or similar Person retained by or on behalf of any Seller relating to the transactions contemplated by this Agreement;

(c) Any and all out-of-pocket costs and expenses, including reasonable legal fees and expenses, incident to any action, suit, proceeding, claim, demand, assessment, or judgment incident to the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

10.2 Indemnification by Buyer and PCC. After the Closing, and regardless of any investigation made at any time by or on behalf of any Seller or ValueVision or any information any Seller or ValueVision may have, Buyer and PCC hereby agree, jointly and severally, to indemnify and hold each Seller and ValueVision and their officers, directors, employees, and representatives harmless against and with respect to, and shall reimburse each Seller and ValueVision and their officers, directors, employees, and representatives for:

(a) Any and all obligations of such Seller assumed by Buyer pursuant to this Agreement;

(b) Any and all losses, liabilities, or damages resulting from the operation or ownership of the Station after the Closing;

(c) Any loss, liability, obligation, or cost resulting from any agreement with any finder, broker, advisor, or similar Person retained by or on behalf of Buyer relating to the transactions contemplated by this Agreement; and

(d) Any and all out-of-pocket costs and expenses, including reasonable legal fees and expenses, incident to any action, suit, proceeding, claim, demand, assessment, or judgment incident to the foregoing or incurred in investigating or attempting to avoid the same or to oppose the imposition thereof, or in enforcing this indemnity.

10.3 Procedure for Indemnification. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give notice to the party from which indemnification is claimed (the "Indemnifying Party") of any claim, whether between the parties or brought by a third party, specifying in reasonable detail the factual basis for the claim.

(b) With respect to claims solely between the parties, following receipt of notice from the Claimant of a claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the claim as the indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of the thirty-day period (or any mutually agreed upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the claim. If the Claimant and the Indemnifying Party do not agree within the thirty-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate remedy at law or equity or under the arbitration provisions of this Agreement, as applicable.

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification under this Agreement, if the Indemnifying Party notifies the Claimant in writing within ten (10) days of its receipt of notice from the Claimant of the third-party claim that the Indemnifying Party acknowledges its potential liability to the Claimant under this Agreement, the Indemnifying Party shall have the right at its own expense, to participate in or assume control of the defense of such claim, and the Claimant shall cooperate fully with the Indemnifying Party, subject to reimbursement for actual out-of-pocket expenses incurred by the Claimant as the result of a request by the Indemnifying Party. If the Indemnifying Party elects to assume control of the defense of any third-party claim, the Claimant shall have the right to participate in the defense of such claim at its own expense. If the Indemnifying Party fails timely to notify the Claimant in writing that the Indemnifying Party acknowledges its potential liability to the Claimant under this Agreement or if the Indemnifying Party does not elect to assume control or otherwise participate in the defense of any third-party claim, the Indemnifying Party shall be bound by the results obtained by the Claimant with respect to such claim.

(d) If a claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

(e) For the purpose of the procedures set forth in this
Section 10.3, any indemnification claim by any officer, director, employee, or representative of Buyer shall be made

by and through PCC, and any indemnification claim by any officer, director, employee, or representative of any Seller shall be made by and through ValueVision.

SECTION 11 [Intentionally omitted]

SECTION 12 MISCELLANEOUS.

12.1 Fees and Expenses. ValueVision and Buyer shall each pay one-half of any filing fees, transfer taxes, recordation taxes, sales taxes, document stamps, or other charges levied by any governmental entity in connection with the transactions contemplated by this Agreement, including any fees payable to the FCC in connection with the filing of the applications for FCC Consent and the fee imposed by the FTC in connection with filings made pursuant to the HSR Act. Except as otherwise provided in this Agreement, each party shall pay its own expenses incurred in connection with the authorization, preparation, execution, and performance of this Agreement, including all fees and expenses of counsel, accountants, agents and representatives, and each party shall be responsible for all fees or commissions payable to any finder, broker, advisor, or similar Person retained by or on behalf of such party.

12.2 Notices. All notices, demands, and requests required or permitted to be given under the provisions of this Agreement shall be (a) in writing, (b) delivered by telecopier, by personal delivery, by commercial delivery service, or by registered or certified mail, return receipt requested,
(c) deemed to have been given on the date on which the telecopy is confirmed, the date of personal delivery, or the date set forth in the records of the delivery service or on the return receipt, as applicable, and (d) addressed as follows:

If to any Seller or ValueVision:	ValueVision International, Inc. 6740 Shady Oak Road Eden Prairie, Minnesota 55344 Attention: Robert L. Johander Telecopier: 1-612-947-0188
With copies to:	Wilmer, Cutler & Pickering 2445 M Street, N.W. Washington, D.C. 20037-1420 Attention: M. Carolyn Cox Telecopier: 1-202-663-6363
If to Buyer or PCC:	Paxson Communications Corporation 601 Clearwater Park Road West Palm Beach, Florida 33401 Attention: Lowell W. Paxson, Chairman Telecopier: 1-407-659-4252

With a copy to:

Dow, Lohnes & Albertson
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, D.C. 20036-1802
Attention: John R. Feore, Jr.
Telecopier: 1-202-776-2222

or to any other or additional Persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section 12.2.

12.3 Arbitration. Except as otherwise provided to the contrary below, any dispute arising out of or related to this Agreement that Sellers and/or ValueVision and Buyer and/or PCC are unable to resolve by themselves shall be settled by arbitration in Washington, D.C., by a panel of three arbitrators. Sellers and/or ValueVision and Buyer and/or PCC shall each designate one disinterested arbitrator, and the two arbitrators so designated shall select the third arbitrator. The persons selected as arbitrators need not be professional arbitrators, and persons such as lawyers, accountants, brokers, and bankers shall be acceptable. Before undertaking to resolve the dispute, each arbitrator shall be duly sworn faithfully and fairly to hear and examine the matters in controversy and to make a just award according to the best of his or her understanding. The arbitration hearing shall be conducted in accordance with the commercial arbitration rules for large cases of the American Arbitration Association. The written decision of a majority of the arbitrators shall be final and binding on all Sellers, ValueVision, Buyer, and PCC. The costs and expenses of the arbitration proceeding shall be assessed between Sellers and Buyer in a manner to be decided by a majority of the arbitrators, and the assessment shall be set forth in the decision and award of the arbitrators. Judgment on the award, if it is not paid within thirty days, may be entered in any court having jurisdiction over the matter. No action at law or suit in equity based upon any claim arising out of or related to this Agreement shall be instituted in any court by any Seller, ValueVision, Buyer or PCC against any other party except (a) an action to compel arbitration pursuant to this Section 12.3, (b) an action to enforce the award of the arbitration panel rendered in accordance with this Section, or (c) a suit for specific performance pursuant to Section 9.5.

12.4 Benefit and Binding Effect. (a) No party may this Agreement without the prior written consent of the other parties hereto, except that (a) without the consent of any Seller or ValueVision, Buyer may (i) collaterally assign its rights and interests under this Agreement to its lenders, and (b) without the consent of Buyer or PCC, either Seller may assign its rights and interests under this Agreement to the other or to ValueVision in connection with the assignment of all its assets and liabilities to the other or to ValueVision. If either Seller assigns all its assets to the other or to ValueVision as contemplated by the preceding sentence and, in connection therewith, ValueVision assumes all obligations and liabilities of such Seller under this Agreement, Buyer and Sellers agree to amend this Agreement so as to eliminate such Seller as a party hereto and to reflect the assumption by ValueVision of all obligations and liabilities of Seller under this

Agreement. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

(b) Upon notice by either Seller or Buyer that an assignment permitted by Section 12.4(a) has occurred, the other party shall enter into an Amended and Restated Asset Purchase Agreement to reflect the new parties hereto as a result of such assignment; provided that the other party shall not condition its execution of such Amended and Restated Asset Purchase Agreement upon the modification or inclusion of any provision therein. The other party shall execute any such Amended and Restated Asset Purchase Agreement within two
(2) business days of presentation of same by Sellers or Buyer, as the case may be, and any failure or refusal to do so shall be a material breach of this Agreement.

12.5 Further Assurances. The parties shall take any actions and execute any other documents that may be necessary or desirable to the implementation and consummation of this Agreement, including, in the case of Sellers, any additional deeds, bills of sale, or other transfer documents that, in the reasonable opinion of Buyer, may be necessary to ensure, complete, and evidence the full and effective transfer of the Assets to Buyer pursuant to this Agreement.

12.6 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED, AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO THE CHOICE OF LAW PROVISIONS THEREOF).

12.7 Headings. The headings in this Agreement are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.

12.8 Gender and Number. Words used in this Agreement, regardless of the gender and number specifically used, shall be deemed and construed to include any other gender, masculine, feminine, or neuter, and any other number, singular or plural, as the context requires.

12.9 Entire Agreement. This Agreement, the Escrow Agreement, the schedules, hereto, and all documents, certificates, and other documents to be delivered by the parties pursuant hereto, collectively represent the entire understanding and agreement between Buyer, PCC, Sellers, and ValueVision with respect to the subject matter of this Agreement. This Agreement supersedes all prior negotiations among Buyer, PCC, Sellers, and ValueVision and cannot be amended, supplemented, or changed except by an agreement in writing that makes specific reference to this Agreement and that is signed by the party against which enforcement of any such amendment, supplement, or modification is sought.

12.10 Waiver of Compliance: Consents. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement, or condition in this Agreement may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, representation, warranty, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 12.10.

12.11 Counterparts. This Agreement may be signed in counterparts with the same effect as if the signature on each counterpart were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed by Sellers, ValueVision, Buyer, and PCC as of the date first written above.

VALUEVISION INTERNATIONAL, INC.

By:

Name:
Title:

VVI MANASSAS, INC.

By:

Name:
Title:

WVVI(TV), INC.

By:

Name:
Title:

PAXSON COMMUNICATIONS OF WASHINGTON-66, INC.

By:

Name:

Title:

PAXSON COMMUNICATIONS CORPORATION

By:

Name:

Title:

EXHIBIT 10.51

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 1st day of February, 1997, by and between ValueVision International, Inc., a Minnesota corporation (hereinafter referred to as "Employer"), and David T. Quinby (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, Employee and Employer have agreed that Employee will become an employee of Employer; and

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

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

1. EMPLOYMENT. Employer hereby employs Employee and Employee hereby accepts employment with Employer on the terms and conditions set forth in this Agreement.

2. TERM. The term of Employee's employment hereunder shall commence on February 1, 1997 ("Commencement Date"), and shall continue on a full-time basis for a period of twenty-four (24) months. The "Employment Period" for purposes of this Agreement shall be the period beginning on the Commencement Date and ending at the time Employee shall cease to act as an employee of Employer.

3. DUTIES. Employee shall serve as Vice President, General Counsel and Secretary of Employer and shall perform the duties as assigned by Employer, from time to time, and shall faithfully, and to the best of his ability, perform such reasonable duties and services of an active, executive, administrative and managerial nature as shall be specified and designated, from time to time, by Employer. Employee agrees to devote his full time and skills to such employment while he is so employed, subject to a vacation allowance of not less than three (3) weeks during each year of the term, or such additional vacation allowance as may be granted in the sole discretion of the Employer. Employer's Chief Executive Officer shall provide Employee with a performance review at least annually.

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

a. Base Salary. Employee shall receive a base salary of at least One Hundred Forty Thousand and No/100 Dollars ($140,000.00) per year for the term of this Agreement ("Base Salary").

b. Bonus Compensation. Employee may receive bonus pay ("Bonus Pay"), from time to time, based upon Employee's job performance. Employer's Chief Executive Officer and Employee shall establish job performance criteria for Employee at least annually, which shall be the basis of such Bonus Pay.

c. Automobile Allowance. Employer shall pay Employee a monthly automobile allowance of $450.00 per month.

d. Bar and Continuing Legal Education. Employer shall pay all of Employee's bar fees and memberships, and all of Employee's continuing legal education fees and expenses, up to $5,000 annually.

5. OTHER BENEFITS DURING THE EMPLOYMENT PERIOD.

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

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

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

6. TERMINATION OF EMPLOYMENT.

a. Death. In the event of Employee's death, this Agreement shall terminate and Employee shall cease to receive Base Salary, rights to any Bonus Pay and Benefits as of the date on which his death occurs.

b. Disability. If Employee becomes disabled such that Employee cannot perform the essential functions of his job, and the disability shall have continued for a period of more than sixty (60) consecutive days, then Employer may, in its sole discretion, terminate this Agreement and Employee shall then cease to receive Base Salary, rights to any Bonus Pay and all other Benefits, on the date this Agreement is so terminated; provided however, Employee shall then be entitled to such disability, medical, life insurance, and other benefits as may be provided generally for disabled employees of Employer when payments and benefits hereunder ceases.

c. Voluntary Termination. In the event that Employee voluntarily terminates his employment, he shall cease to receive Base Salary, rights to any Bonus Pay and all other Benefits as of the date of such termination.

d. Termination With Cause. The Employer shall be entitled to terminate this Agreement and Employee's employment hereunder for Cause (as herein defined), and in the event that the Employer elects to do so, Employee shall cease to receive Base Salary, Bonus Pay and Benefits as of the date of such termination specified by the Employer. For purposes of this Agreement, "Cause" shall mean: (i) a material act or act of fraud which results in or is intended to result in Employee's personal enrichment at the direct expense of the Employer, including without limitation, theft or embezzlement of Employer; (ii) public conduct by Employee substantially detrimental to the reputation of the Employer, (iii) material violation by Employee of any Employer policy, regulation or practice; (iv) conviction of a felony; (v) habitual intoxication, drug use or chemical substance use by any intoxicating or chemical substance; (vi) failure to perform under the terms of this Agreement as determined by the Board in its sole discretion which shall continue without cure for thirty (30) days after notice to Employee by Employer, provided, however, that if this Agreement is terminated as a result of this Section 6.d.(vi) hereof, Employer shall pay Employee a severance payment (the "Severence Payment") equal to (y) six (6) months of the Base Salary hereunder or
(z) if such termination occurs after a Change of Control (as defined herein), twelve (12) months of the Base Salary hereunder. For purposes of this Agreement, a "Change of Control" shall mean a sale, consolidation or merger as set forth in Section 12 hereof or if the Chief Executive Officer or Chairman of the Board of Employer shall no longer be Robert L. Johander.

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

(i) The Employer substantially diminishes Employee's duties such that they are no longer of an executive nature as contemplated by Section 3 hereof or Employer requires Employee to relocate his offices and perform his duties hereunder more than 25 miles from Employer's current corporate offices located at 6740 Shady Oak Road, Eden Prairie, Minnesota 55344 or

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

f. Other. If Employer shall terminate this Agreement for any reason other than those set forth in Sections 6.a, 6.b., 6.c and 6.d. above, or if Employee terminates this Agreement pursuant to
Section 6.e. above, Employee shall continue to receive from

Employer the Base Salary, Bonus Pay and Benefits until the end of the Term, provided however, that the Base Salary payable pursuant to this Section 6.f. shall in no event be less than the Severance Payment Employee would be entitled to receive pursuant to Section 6.d.(vi)(y) or (z) hereof as would be applicable regarding a Change of Control.

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

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

9. NONCOMPETE AND RELATED AGREEMENTS.

a. Employee agrees that during the Noncompetition Period (as herein defined), he will not: (i) directly or indirectly own, manage, control, participate in, lend his name to, act as consultant or advisor to or render services (alone or in association with any other person, firm, corporation or other business organization; provided however, that the parties hereto agree that this provision may not be used to prohibit employee for working for a law firm which so provides such services, so long as Employee does not specifically provide legal services to a Restricted Business as defined herein) for any other person or entity engaged in the television home shopping business or any mail order business that directly competes with Employer or any of its affiliates by selling merchandise primarily of the type offered in and using a similar theme as any of the Employer's or its affiliates' catalogs during the term of this Agreement (the "Restricted Business"), anywhere that Employer or any of its affiliates operates during the term of this Agreement within the continental United States (the "Restricted Area"); (ii) have any interest directly or indirectly in any business engaged in the Restricted Business in the Restricted Area other than Employer (provided that nothing herein will prevent Employee from owning in the aggregate not more than one percent (1%) of the outstanding stock of any class of a corporation engaged in the Restricted Business in the Restricted Area which is publicly traded, so long as Employee has no participation in the management or conduct of business of such corporation), (iii) induce or attempt to induce any employee of the Employer or any entity related to Employer to leave his, her or their employ, or in any other way interfere with the relationship between the Employer or any entity related to Employer and any other employee of Employer or any entity related to Employer, or (iv) induce or attempt to induce any customer, supplier, franchisee, licensee, other business relation of any member of the Employer or any entity related to Employer to cease doing business with Employer or any entity related to Employer, or in any way interfere with the relationship between any customer, franchisee or other business relation and the Employer or any entity related to Employer, without the prior written consent of the Employer. For purposes of this Agreement, "Noncompetition Period" shall mean the period commencing as of the Commencement Date and ending on the last day of the sixth (6th) month following the date on which Employee is terminated during the term of this Agreement.

b. If, at the time of enforcement of any provisions of
Section 9, a court of competent jurisdiction holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances will be substituted for the stated period, scope or area.

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

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

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

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

13. STOCK OPTIONS. Employee shall be granted incentive stock options in accordance with the Second Amended 1990 Stock Option Pland of Employerfor 50,000 shares of ValueVision International, Inc. common stock ("Stock Options") subject to the provisions thereof and exercisable at the time or times established by the Stock Option Agreement. The Stock Options shall vest in equal amounts, one-fifth each, for the next successive five (5) years as measured from the anniversary of the Commencement Date, or such earlier date in the sole discretion of the Employer's Chief Executive Officer.

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

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

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

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

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

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

20. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Minnesota.

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

EMPLOYER: *VALUEVISION INTERNATIONAL, INC.*

By /s/ Robert L. Johander

Robert L. Johander
Its: Chief Executive Officer

EMPLOYEE: */s/ David T. Quinby*

David T. Quinby

EXHIBIT 10.52

VALUEVISION INTERNATIONAL, INC.

TO

DAVID T. QUINBY

OPTION AGREEMENT made as of the 2nd day of February, 1997, between ValueVision International, Inc., a Minnesota corporation ("ValueVision"), and DAVID T. QUINBY, an employee of ValueVision ("Employee").

WHEREAS, ValueVision desires, by affording Employee an opportunity to purchase its shares of Common Stock, $0.01 par value ("Shares"), reserved under and pursuant to the Second Amended Valuevision International 1990 Stock Option Plan, as amended, ("Plan"), as hereinafter provided, to carry out the resolutions of the Board of Directors of ValueVision granting an option to Employee as partial compensation for his efforts on behalf of ValueVision as its employee.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Grant of Option. ValueVision hereby irrevocably grants to Employee the right and option, hereinafter called the Option, to purchase all or any part of an aggregate of fifty thousand (50,000) Shares (such number being subject to adjustment as provided in paragraph 7 hereof) on the terms and conditions herein set forth. This grant is intended to qualify as an Incentive Stock Option pursuant to the Plan.

2. Purchase Price. The purchase price of the Shares covered by the Option shall be $4.675, which is equal to the last price on the NASDAQ System of one share of ValueVision's Common Stock on the last trade date prior to the date hereof day first written above.

3. Exercise of Option. The right to exercise the Option in whole or in part, shall be effective, except as otherwise specifically limited herein, as follows: on and after February 1, 1998, Employee may purchase up to 10,000 Shares; on and after February 1, 1999, Employee may purchase up to an additional 10,000 Shares; on and after February 1, 2000, Employee may purchase up to 10,000 Shares; on and after February 1, 2001, Employee may purchase up to 10,000 Shares; and on and after February 1, 2002, Employee may purchase up to an additional 10,000 Shares, or such earlier date in the sole discretion of the Employer's Chief Executive Officer. Each of the rights to purchase Shares granted in the preceding sentence shall expire five (5) years after the right to purchase the Shares became effective, except as otherwise specifically limited herein. The purchase price of Shares acquired through exercise of any part of the Option shall be paid in full in cash at the time of exercise. Employee, as holder of the Option, shall not have any of the rights of a Shareholder with respect to the Shares covered by the Option except to the extent that one or more certificates for such Shares shall be delivered to him upon the due exercise of all or any part of the Option.

4. Non-Transferability. The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of Employee, only

the Option may be exercised, during the lifetime of Employee, only by Employee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment, or similar process upon the Option shall be null and void and without effect.

5. Exercise Upon Termination. If Employee ceases to serve as an employee of ValueVision, while the Option remains in effect, whether as a result of resignation or termination, with or without cause, the Option may be exercised (to the extent that Employee shall have been entitled to do so on the last day in which he served as an employee of ValueVision) by Employee at anytime within ninety (90) days of the day in which he ceased to serve as an employee of ValueVision. Upon the expiration of such ninety (90) day period, or, if earlier, upon the expiration date of the Option as set forth in Paragraph 3 hereof, the Option shall become null and void.

6. Exercise Upon Death. If Employee dies while the Option remains in effect, the Option may be exercised (to the extent that Employee shall have been entitled to do so at the date of his death) by the legatee or legatees of Employee under his will, or by his personal representatives or distributees, at any time within ninety (90) days after his death. Upon the expiration of such

ninety (90) day period, or, if earlier, upon the expiration date of the Option as set forth in paragraph 3 hereof, the Option shall become null and void.

7. Changes in Capital Structure. If all or any portion of the Option shall be exercised subsequent to any Share dividend, split- up, recapitalization, merger, consolidation, combination or exchange of Shares, separation, reorganization, or liquidation occurring after the date hereof, as a result of which Shares of any class shall be issued in respect of outstanding Shares, or Shares shall be changed into the same or a different number of Shares of the same or another class or classes, the person or persons so exercising the Option shall receive, for the aggregate price paid upon such exercise, the aggregate number and class of Shares which, if Shares (as authorized at the date hereof) had been purchased at the date hereof for the same aggregate price (on the basis of the price per Share set forth in paragraph 2 hereof) and had not been disposed of, such person or persons would be holding, at the time of such exercise, as a result of such purchase and all such shared dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of Shares, separations, reorganizations, or liquidations; provided, however, that no fractional Share shall be issued upon any such exercise, and the aggregate price paid shall be appropriately reduced on account of any fractional Share not issued.

8. Method of Exercising Option. Subject to the terms and conditions of this Agreement, the Option may only be exercised by written notice to ValueVision. Such notice shall state the

election to exercise the Option and the number of Shares in respect of which it is being exercised, and shall be signed by the person or person so exercising the Option. Such notice shall either: (a) be accompanied by payment of the full purchase price of such Shares, in which event ValueVision shall deliver a certificate or certificates representing such Shares as soon as practicable after the notice shall be received; or (b) fix a date (not less than five (5) nor more than ten (10) business days from the date such notice shall be received by ValueVision) for the payment of the full purchase price of such Shares against delivery of a certificate or certificates representing such Shares. Payment of such purchase price shall, in either case, be made by certified or cashier's check payable to the order of ValueVision. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

9. Investment Certificate and Registration. Prior to the receipt of the certificates pursuant to the exercise of the Option granted hereunder, Employee shall agree to hold the Shares acquired by exercise of the Option for investment and not with a view to resale or distribution thereof to the public, and shall deliver to ValueVision a certificate to that effect. Nothing in this Agreement shall require ValueVision to register the Option or the Shares purchased upon the exercise of said Option.

10. General. ValueVision shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Option Agreement.

This Option shall be construed in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREOF, ValueVision and Employee have executed this Agreement as of the date first written above.

VALUEVISION INTERNATIONAL, INC.

By /s/ Robert L. Johander

Robert L. Johander,
Chief Executive Officer

Employee:

/s/ David T. Quinby

Employee Name

EXHIBIT 10.53

VALUEVISION INTERNATIONAL, INC.

TO

STUART R. ROMENESKO

OPTION AGREEMENT made as of the 20th day of March, 1997, between ValueVision International, Inc., a Minnesota corporation ("ValueVision"), and STUART R. ROMENESKO, an employee of ValueVision ("Employee").

WHEREAS, ValueVision desires, by affording Employee an opportunity to purchase its shares of Common Stock, $0.01 par value ("Shares"), reserved under and pursuant to the Second Amended Valuevision International 1990 Stock Option Plan, as amended, ("Plan"), as hereinafter provided, to carry out the resolutions of the Board of Directors of ValueVision granting an option to Employee as partial compensation for his efforts on behalf of ValueVision as its employee.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Grant of Option. ValueVision hereby irrevocably grants to Employee the right and option, hereinafter called the Option, to purchase all or any part of an aggregate of fifty thousand (50,000) Shares (such number being subject to adjustment as provided in paragraph 7 hereof) on the terms and conditions herein set forth. This grant is intended to qualify as an Incentive Stock Option pursuant to the Plan.

2. Purchase Price. The purchase price of the Shares covered by the Option shall be $3.875, which is equal to the last price on the NASDAQ System of one share of ValueVision's Common Stock on the last trade date prior to the date hereof day first written above.

3. Exercise of Option. The right to exercise the Option in whole or in part, shall be effective, except as otherwise specifically limited herein, as follows: on and after March 20 1998, Employee may purchase up to 10,000 Shares; on and after March 20, 1999, Employee may purchase up to an additional 10,000 Shares; on and after March 20, 2000, Employee may purchase up to 10,000 Shares; on and after March 20, 2001, Employee may purchase up to 10,000 Shares; and on and after March 20, 2002, Employee may purchase up to an additional 10,000 Shares, or such earlier date in the sole discretion of the Employer's Chief Executive Officer. Each of the rights to purchase Shares granted in the preceding sentence shall expire five (5) years after the right to purchase the Shares became effective, except as otherwise specifically limited herein. The purchase price of Shares acquired through exercise of any part of the Option shall be paid in full in cash at the time of exercise. Employee, as holder of the Option, shall not have any of the rights of a Shareholder with respect to the Shares covered by the Option except to the extent that one or more certificates for such Shares shall be delivered to him upon the due exercise of all or any part of the Option.

4. Non-Transferability. The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of Employee, only by Employee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment, or similar process upon the Option shall be null and void and without effect.

5. Exercise Upon Termination. If Employee ceases to serve as an employee of ValueVision, while the Option remains in effect, whether as a result of resignation or termination, with or without cause, the Option may be exercised (to the extent that Employee shall have been entitled to do so on the last day in which he served as an employee of ValueVision) by Employee at anytime within ninety (90) days of the day in which he ceased to serve as an employee of ValueVision. Upon the expiration of such ninety (90) day period, or, if earlier, upon the expiration date of the Option as set forth in Paragraph 3 hereof, the Option shall become null and void.

6. Exercise Upon Death. If Employee dies while the Option remains in effect, the Option may be exercised (to the extent that Employee shall have been entitled to do so at the date of his death) by the legatee or legatees of Employee under his will, or by his personal representatives or distributees, at any time within

ninety (90) days after his death. Upon the expiration of such ninety (90) day period, or, if earlier, upon the expiration date of the Option as set forth in paragraph 3 hereof, the Option shall become null and void.

7. Changes in Capital Structure. If all or any portion of the Option shall be exercised subsequent to any Share dividend, split- up, recapitalization, merger, consolidation, combination or exchange of Shares, separation, reorganization, or liquidation occurring after the date hereof, as a result of which Shares of any class shall be issued in respect of outstanding Shares, or Shares shall be changed into the same or a different number of Shares of the same or another class or classes, the person or persons so exercising the Option shall receive, for the aggregate price paid upon such exercise, the aggregate number and class of Shares which, if Shares (as authorized at the date hereof) had been purchased at the date hereof for the same aggregate price (on the basis of the price per Share set forth in paragraph 2 hereof) and had not been disposed of, such person or persons would be holding, at the time of such exercise, as a result of such purchase and all such shared dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of Shares, separations, reorganizations, or liquidations; provided, however, that no fractional Share shall be issued upon any such exercise, and the aggregate price paid shall be appropriately reduced on account of any fractional Share not issued.

8. Method of Exercising Option. Subject to the terms and conditions of this Agreement, the Option may only be exercised by

written notice to ValueVision. Such notice shall state the election to exercise the Option and the number of Shares in respect of which it is being exercised, and shall be signed by the person or person so exercising the Option. Such notice shall either: (a) be accompanied by payment of the full purchase price of such Shares, in which event ValueVision shall deliver a certificate or certificates representing such Shares as soon as practicable after the notice shall be received; or (b) fix a date (not less than five (5) nor more than ten (10) business days from the date such notice shall be received by ValueVision) for the payment of the full purchase price of such Shares against delivery of a certificate or certificates representing such Shares. Payment of such purchase price shall, in either case, be made by certified or cashier's check payable to the order of ValueVision. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

9. Investment Certificate and Registration. Prior to the receipt of the certificates pursuant to the exercise of the Option granted hereunder, Employee shall agree to hold the Shares acquired by exercise of the Option for investment and not with a view to resale or distribution thereof to the public, and shall deliver to ValueVision a certificate to that effect. Nothing in this Agreement shall require ValueVision to register the Option or the Shares purchased upon the exercise of said Option.

10. General. ValueVision shall at all times during the term of the Option reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Option Agreement.

This Option shall be construed in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREOF, ValueVision and Employee have executed this Agreement as of the date first written above.

VALUEVISION INTERNATIONAL, INC.

By /s/ Robert L. Johander

Robert L. Johander,
Chief Executive Officer

Employee:

/s/ Stuart R. Romenesko

Stuart R. Romenesko

Exhibit 11

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

Computation of Net Income (Loss) Per Share

	1997	1996	1995
Net income (loss)	$18,089,722	$11,019,565	$(6,104,095)
Weighted average number of common shares outstanding	31,718,390	28,627,356	27,264,856
Shares assumed to be issued upon the exercise of common stock options and warrants under the treasury stock method	266,073	-	-
Weighted average number of common and dilutive common equivalent shares outstanding	31,984,463	28,627,356	27,264,856
Net income (loss) per common and dilutive common equivalent share	$ 0.57	$ 0.38	$ (0.22)

Exhibit 21

Significant Subsidiaries of the Registrant

All of the Company's subsidiaries listed below are wholly owned and incorporated in the state of Minnesota, except for Beautiful Images, Inc., which is incorporated in the state of Delaware.

ValueVision Acquisition I Corp.

VVI Baytown, Inc.
VVI Seattle, Inc.
VVI LPTV, Inc.

ValueVision Direct Marketing Company, Inc. (d/b/a "Montgomery Ward Direct") Beautiful Images, Inc. Catalog Ventures, Inc.

VVI Fulfillment Center, Inc.

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File Nos. 33-60549, 33-68646, 33-68648, 33-86616, 33-93006 and 33-96950.

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota,

April 29, 1997

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) VALUEVISION INTERNATIONAL, INC.'S CONSOLIDATED BALANCE SHEET AS OF JANUARY 31, 1997 AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE-MONTH PERIOD ENDED JANUARY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH (B) CONSOLIDATED FINANCIAL STATEMENTS AS FILED ON FORM 10K

PERIOD TYPE	YEAR
FISCAL YEAR END	JAN 31 1997
PERIOD START	FEB 01 1996
PERIOD END	JAN 31 1997
CASH	28,618,943
SECURITIES	24,239,840
RECEIVABLES	6,488,094
ALLOWANCES	0
INVENTORY	28,109,081
CURRENT ASSETS	99,355,352
PP&E	24,283,108
DEPRECIATION	0
TOTAL ASSETS	166,412,670
CURRENT LIABILITIES	37,723,874
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	288,422
OTHER SE	126,957,185
TOTAL LIABILITY AND EQUITY	166,412,670
SALES	159,477,917
TOTAL REVENUES	159,477,917
CGS	92,114,663
TOTAL COSTS	70,003,038
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	29,689,722
INCOME TAX	11,600,000
INCOME CONTINUING	18,089,722
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,089,722
EPS PRIMARY	.57
EPS DILUTED	0

End of Filing