VALUEVISION MEDIA INC

FORM 10-K
(Annual Report)

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Address	6740 SHADY OAK RD
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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, 1998 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 Registrant as Specified in Its Charter)

MINNESOTA (State or Other Jurisdiction of Incorporation or Organization)	41-1673770 (I.R.S. Employer Identification No.)
6740 SHADY OAK ROAD, EDEN PRAIRIE, MN (Address of Principal Executive Offices)	55344-3433 (Zip Code)

612-947-5200
(Registrant'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 here-in, 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 20, 1998, 26,780,778 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 20, 1998, was approximately $79,660,000. 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 1998 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, 1998

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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, Eden Prairie, 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 (i.e., the Company's fiscal year ended January 31, 1998 shall be referred to as "fiscal 1998").

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 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 and other women's apparel through VVDM's subsidiary Beautiful Images, Inc. ("BII").

Recent Developments

National Media Merger. On January 5, 1998, the Company entered into an Agreement and Plan of Reorganization and Merger (the "Merger Agreement"), by and among the Company, National Media Corporation ("National Media") and Quantum Direct Corporation, formerly known as V-L Holdings Corp. ("Quantum Direct"), a newly-formed Delaware corporation. If the mergers (the "Mergers") contemplated by the Merger Agreements were to be consummated, the Company and National Media would have become wholly-owned subsidiaries of Quantum Direct, with each outstanding share of the Company's common stock being converted into 1.19 shares of common stock of Quantum Direct and each outstanding share of common stock of National Media being converted into one share of common stock of Quantum Direct. Consummation of the Mergers is subject to the satisfaction of a number of conditions, including, but not limited to, holders of no more than 5% of the issued and outstanding shares of common stock of the Company making the demands and giving the notices required under Minnesota law to assert dissenters' appraisal rights.

On April 8, 1998, it was announced that the Company received preliminary notification from holders of more than 5% of ValueVision's common stock that they intended to exercise their dissenter's rights with respect to the proposed Mergers. The Company also reported that it had advised National Media that it does not intend to waive the Merger Agreement condition to closing requiring that holders of not more than 5% of the shares of the Company's common stock have demanded their dissenter's rights. The Company and National Media had special meetings of their shareholders scheduled on April 14, 1998 to vote on the proposed Mergers. In light of the receipt of the dissenters' notice, the companies mutually agreed to postpone their respective shareholder meetings while the companies attempted to negotiate a restructuring of the Mergers that is acceptable to each of the companies and in the best interest of their shareholders. As of the date hereof, the Company and National Media are still attempting to negotiate a restructuring of the Mergers and have not yet rescheduled their respective special meetings. There can be no assurances that the companies will successfully be able to negotiate such a restructuring, or if negotiated, that such Mergers will be consummated. See "Item 1. Business -- G. National Media Corporation -- 1998 Merger Proposal."

Chief Executive Officer. Mr. Gene McCaffery and Quantum Direct have entered into a three year employment agreement pursuant to which Mr. McCaffery will serve as Quantum Direct's Chief Executive Officer with a base salary of $500,000 during the first year, $525,000 during the second year, and $550,000 during the third year. The agreement also provides for bonus salary of up to 100% of the base salary, which may be earned only upon Quantum Direct meeting certain operating income, revenue and stock performance criteria. In addition, pursuant to the agreement, Mr. McCaffery is being issued stock options to acquire 800,000 shares of Quantum Direct's common stock, $.01 par value, with an exercise price equal to $3.375 per share, the last trading price of the Company's common stock on March 30, 1998. The exercise price of such options will be adjusted to the last trading price of Quantum Direct's common stock on the first day it trades, to the extent such price is lower than $3.375. In the event the Mergers are not consummated, the Company and Mr. McCaffery have agreed to enter into an employment agreement on substantially the same terms pursuant to which Mr. McCaffery would become the Chief Executive Officer of the Company. See "Item 1. Business -- G. National Media Corporation -- 1998 Merger Proposal."

Annual Meeting. The Company has scheduled its 1998 Annual Meeting of Shareholders for June 2, 1998. The Company did not hold an 1997 Annual Meeting of Shareholders. Accordingly, the 1998 Annual Meeting will address the Company's performance for both the 1997 and 1998 fiscal years.

Electronic Media

The Company's principal electronic media activity is its live 24-hour per day television home shopping network program. The Company's 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 $106,571,000 and $99,419,000, representing 49% and 62% of net sales, for fiscal 1998 and 1997, respectively. Products are presented by on-air television home shopping personalities and orders are placed directly with the Company by viewers who call a toll-free telephone number. Orders are processed on-site by the Company's call center representatives who use the Company's customized computer processing system which provides real-time feedback to the on-air hosts. The Company's television programming is produced at the Company's Eden Prairie, Minnesota 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 1998. Jewelry accounted for 61% of the programming air time during fiscal 1998 compared with 67% for fiscal 1997. Jewelry is the largest single category of merchandise, representing 60% of net sales in fiscal 1998, 62% of net sales in fiscal 1997 and 73% of net sales in fiscal 1996. The Company has developed this product group to include proprietary lines such as New York Collection(TM), Ultimate Ice(TM), Vincenza Collections(TM), Brillante(R), C-Band, Daywear and Illusions(TM) products produced to ValueVision's specifications or designed exclusively for sale by the Company.

Program Distribution. Since the inception of the Company's television operations, ValueVision has experienced continued growth in the number of full-time equivalent cable homes ("FTEs") which receive the Company's programming. As of January 31, 1998, the Company served a total of 17.4 million cable homes or 11.7 million FTEs, compared with a total of 16.4 million cable homes or 11.4 million FTEs as of January 31, 1997 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 8.6 million, 7.7 million and 7.2 million cable homes at January 31, 1998, 1997 and 1996, respectively, received the Company's television home shopping programming on a full-time basis. As of January 31, 1998, the Company's television home shopping programming was carried by two full power broadcast television stations owned by the Company, 208 cable systems (188 in fiscal 1997) on a full-time basis and 75 cable systems (77 in fiscal 1997) 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 27% 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 $111,411,000 and $60,059,000, representing 51% and 38% of net sales for fiscal 1998 and 1997, respectively.

Effective July 27, 1996, VVDM acquired substantially all of the assets and assumed certain obligations of Montgomery Ward Direct L.P., a four year old catalog business operated under the Montgomery Ward Direct name ("MWD"). In fiscal 1998, the Company changed the name of the MWD catalog to HomeVisions. HomeVisions' 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 HomeVisions. HomeVisions also produces and mails special issues during the holiday season and produces inventory clearance catalogs. Historically, a significant portion of HomeVisions' catalogs have been targeted mainly to Montgomery Ward & Co., Incorporated ("Montgomery Ward") credit card account holders. Effective March 31, 1998, overall circulation of the HomeVisions catalog is expected to be reduced pursuant to the restructuring of the Montgomery Ward Operating and License Agreement in November 1997, whereby, among other things, the Company agreed to cease the use of the Montgomery Ward and Montgomery Ward Direct names in its catalog operations in exchange for Montgomery Ward's return of 3.8 million common stock purchase warrants. See "Strategic Alliances -- Montgomery Ward Alliance".

On October 22, 1996, VVDM acquired all of the outstanding shares of BII, a manufacturer and direct marketer of women's foundation undergarments and other women's apparel. 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 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 HomeVisions 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 and other women's apparel designed to provide comfort, support and posture enhancement.

Circulation. HomeVisions' catalogs are primarily targeted to educated middle income women aged 35 to 50. Approximately 42 million HomeVisions catalogs were mailed in fiscal 1998. At January 31, 1998, HomeVisions had approximately 548,000 "active" customers (defined as individuals that have purchased from the Company within the preceding 12 months) and combined customer and prospect files that totaled approximately 3.4 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 35 million CVI catalogs were mailed in fiscal 1998. At January 31, 1998, CVI had approximately 553,000 active catalog customers and approximately 4.8 million customer names in its catalog customer list database. During fiscal 1998, BII had approximately 678 million printed space advertisements or "impressions" circulated in national and regional newspapers and magazines. At January 31, 1998, BII had approximately 210,000 active customers and approximately 650,000 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 marketing companies.

Cable Affiliation Agreements

As of January 31, 1998, the Company had entered into long-term cable affiliation agreements with thirteen 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 thirteen MSOs is approximately 20.5 million, of which approximately 7.9 million cable homes (7.6 million FTEs) currently receive the Company's programming. The stated terms of the affiliation agreements range from two to seven years. Under certain circumstances, the MSOs may cancel the agreements prior to their expiration. There can be no assurance that such agreements will not be so terminated or that such termination will not materially or adversely affect the Company's business. In addition, these MSOs are also carrying the Company's programming on an additional 690,000 cable homes (265,000 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 one-time 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 a judicial 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 in any particular case. However, the Company's preliminary impression has been that the new rates remain largely unaffordable. 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. 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. The timing of any FCC or court action is uncertain.

Broadcast Television Stations

The Company currently owns one full power broadcast television station that carries the ValueVision television home shopping program primarily on a full-time basis, KVVV (TV), licensed to Baytown, Texas and serving the Houston, Texas 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 -- 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 1998, the Company completed the sale of its television station KBGE, which serves the Seattle-Tacoma, Washington market. In July 1997, the Company completed the sale of its television station WVVI (TV), licensed to Manassas, Virginia. In February 1996, the Company sold two stations serving the New York City (WHAI) and Cleveland-Akron, Ohio (WAKC) markets. Television station KVVV (TV) is currently carrying the Company's television home shopping programming and is located in the Houston, Texas market which has a total of approximately 1.6 million homes, including approximately 894,000 cable homes within its combined ADI. Approximately 287,000 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%. On February 27, 1998, the Company completed the sale of KBGE (TV), Channel 33, along with two of the Company's non-cable, low-power stations in Portland, Oregon and Indianapolis, Indiana and a minority interest in which an entity had applied for a new full-power station to Paxson Communications Corporation ("Paxson") for a total of approximately $35 million in cash. Under the terms of the agreement, Paxson paid the Company approximately $25 million upon closing and the remaining $10 million is to be paid when KBGE, which is currently operating at reduced power from downtown Seattle, is able to relocate its antenna and increase its transmitter power to a level at or near its licensed full power. The Company will retain and continue to serve the Seattle market via its recently-launched low-power station K58DP (TV), which transmits from downtown Seattle. Management believes that the sale will not have a significant impact on the ongoing operations of the Company. The pre-tax gain to be recorded on the first cash installment with respect to the sale of this television station is expected to be approximately $19.8 million and will be recognized in the first quarter of fiscal 1999.

The Company purchased WVVI (TV), 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 July 31, 1997, the Company completed the sale of WVVI (TV), which serves the Washington, D.C. market, to Paxson for approximately $30 million in cash and the receipt of 1,197,892 shares of Paxson common stock valued at $11.92 per share as determined pursuant to an independent financial appraisal. Under the terms of the agreement, Paxson paid the Company $20 million in cash upon closing and was 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) carried the Company's television home shopping programming to approximately 874,000 cable television households. The pre-tax gain recorded on the sale of this television station was approximately $38.9 million and was recognized in the second fiscal quarter ended July 31, 1997.

The Company acquired WHAI (TV), 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 for $40.0 million in cash plus the assumption of certain obligations. The pre-tax gain on the sale of these two television stations of approximately $27 million was recognized in the first fiscal quarter ended April 30, 1996.

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, and as a result, the Company paid the remaining $1,600,000 upon a second closing.

"Must Carry." The Company has achieved 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 "C"-band satellite dish owners and homes via thirteen 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 1998, the Company acquired five LPTV stations located in Charlotte, North Carolina, Kansas City, Missouri (two LPTV stations), Cleveland, Ohio, and Houston, Texas. In February 1998, the Company also sold two LPTV stations located in Portland, Oregon and Indianapolis, Indiana. The Company now owns and operates ten LPTV stations. The Company is preparing to close on the acquisition of an additional LPTV station in Seattle, Washington with which the Company has a programming lease agreement. One other LPTV station, located in Richmond, Virginia, with which the Company currently has a programming agreement, is scheduled to be acquired in fiscal 1999.

Internet Website

In April 1997, the Company launched an interactive shopping site address on the Internet located at WWW.VVTV.COM. The Internet site provides 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. In addition, the Company, through CVI, also uses a different website to liquidate its overstock merchandise.

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 marketing 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 (iv) 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 then 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. 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 servicemark of Montgomery Ward for direct-mail catalogs and ancillary promotions. In addition, the strategic alliance between the companies had been restructured and amended such that (i) 18 million warrants not immediately exercisable granted to Montgomery Ward in August 1995 and with exercise prices ranging from $7.00 - $17.00 were terminated in exchange for the issuance by the Company of 1,484,467 new immediately exercisable warrants exercisable at $0.01 per share, and valued at $5.625 per warrant, which approximated the book value of the 18,000,000 unvested warrants returned as of the date of the transaction, (ii) the Company issued 1,484,993 new immediately exercisable warrants, valued at $5.625 per warrant and exercisable at $0.01 per share, to Montgomery Ward as full consideration for the acquisition of approximately $4.0 million in net assets, representing substantially all of the assets and the assumption of certain liabilities of MWD, (iii) Montgomery Ward committed to provide $20 million in supplemental advertising support over a five-year period, (iv) the Montgomery Ward operating agreements and licenses were amended and expanded, as defined in the agreements, and extended to July 31, 2008 and (v) the Company issued to Montgomery Ward new immediately exercisable 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 immediately exercisable warrants granted to Montgomery Ward in August 1995 which were exercisable at prices ranging from $6.50 - $6.75 per share. The fair value of the warrants approximated the book value of the warrants exchanged. The Operating Agreement has a twelve-year term and may be terminated under certain circumstances as defined in the agreement.

Effective November 1, 1997, the Company restructured its operating agreement with Montgomery Ward, which governs the use of the Montgomery Ward name. In exchange for Montgomery Ward's return to ValueVision of warrants covering the purchase of 3,842,143 shares of ValueVision common stock (representing all remaining warrants held by Montgomery Ward), the Company ceded exclusive use of the Montgomery Ward name for catalog, mail order, catalog "syndications" and television shopping programming back to Montgomery Ward. Under the agreement, the Company has ceased the use of the Montgomery Ward name in all outgoing catalog, syndication, and mail order communication through March 31, 1998, with a wind down of incoming orders and customer service permitted after March 31, 1998. The agreement also includes the reduction of Montgomery Ward's minimum commitment to support ValueVision's cable television spot advertising purchases. Under the new terms, Montgomery Ward's commitment is reduced from $4 million to $2 million annually, and the time period decreased from five years to three years effective November 1, 1997. In addition, the agreement limits the Company to offer the Montgomery Ward credit card only in conjunction with its various television offers and subject to the normal approvals by the credit card grantor. The Company has accounted for the restructuring of the Operating Agreement as an exchange or disposition of assets at fair value, in accordance with the provisions of Accounting Principles Board Opinion No. 29. The return of the warrants, which were valued at approximately $19,211,000, represents consideration given by Montgomery Ward for the assets relinquished by the Company, which effectively include the remaining goodwill attributable to the acquisition of MWD, as well as a portion of the Montgomery Ward Operating Agreement and License asset. The warrants were valued at $5.00 per warrant, which represented the fair market value of the Company's stock on October 22, 1997, the date on which ValueVision and Montgomery Ward reached agreement on the terms and consideration of the restructuring agreement and the date the transaction was effectively announced. The warrant return has been reflected as a reduction in shareholders' equity for the fair value of the warrants, and the intangible asset amounts reflecting the assets sold back to Montgomery Ward have been reduced accordingly to their remaining estimated fair values as determined through analysis of future cash flows and benefits to be received. The difference between the consideration given by the Company (the assets sold back to Montgomery Ward) and the consideration received (the warrants returned to the Company) was not material. The agreement also called for the repurchase by the Company of 1,280,000 shares of its common stock owned by Montgomery Ward, at a price of $3.80 per share. This repurchase was completed on January 15, 1998. Management does not believe that this restructuring will have any other material impact on the Company's financial condition, results of operations or liquidity.

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 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" 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 Styles, Everything Electric, New York Collection, The Personal Jeweler, Brillante, Ultimate Ice and Estate Collectibles.

In addition to the Company's daily produced television 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. The Company may seek to enter into joint ventures, acquisitions or similar arrangements with other consumer merchandising companies, 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 60% of the Company's net sales in fiscal 1998 compared to 62% in fiscal 1997 and 73% in fiscal 1996. 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. 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 Brillante(R), C-Band, Day Wear, Illusions(TM), New York Collections(TM) and Vincenza 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 $11.95; $16.95 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 HomeVisions, 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. HomeVisions' 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 HomeVisions. HomeVisions also produces and mails special issues during the holiday season and produces inventory clearance catalogs. Historically, a significant portion of HomeVisions' 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 CD's 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 and other women's apparel. Products include the Posture X Bra(TM), cotton jumpers 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 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. Many of the Company's purchasing arrangements with its television home shopping vendors 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 Eden Prairie, 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 in connection with the fulfillment operations of HomeVisions and the non-jewelry segment of the Company's television home-shopping business. 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 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 generally 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. United Parcel Service and the United States Postal Service, through a third-party carrier, 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. The Company's return rates on its television sales have been approximately 27%, 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; and higher than average unit price points of approximately $83 in fiscal 1998 ($85 in fiscal 1997). 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 maintains a very liberal return policy for its direct-mail operations. The return rate for the Company's direct-mail operations for fiscal 1998 was approximately 11% 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, other mail order, catalog and television home shopping companies and other direct sellers.

The television home shopping industry is highly competitive and is dominated by two companies, QVC Network, Inc. ("QVC") and HSN, Inc. (formerly known as 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 in operation has been 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. In addition, four direct broadcast satellite ("DBS") systems currently transmit programming to subscribers, and at least three other companies have been issued licenses to provide DBS service. One foreign company is also authorized to operate earth stations in the United States that receive signals from a

Mexican satellite. As of June 1997, there were nearly 5.1 million DBS subscribers. The DBS industry is developing antennas to improve over-the-air broadcast transmission reception for DBS subscribers, and at least one DBS system has approved plans to transmit local broadcast signals. Furthermore, satellite master antenna television systems ("SMATV") have begun to deliver video programming to multiple dwelling units. SMATV systems receive and process satellite signals at on-site facilities and then distribute the programming to individual units. It is estimated that there were 1,126,000 SMATV residential subscribers as of June 30, 1997. Finally, a number of telephone companies have acquired cable franchises and obtained FCC certification to operate open video systems ("OVS") in order to provide video programming to customers. 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 1.1 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 March 1998, the FCC completed the auction of 986 LMDS licenses nationwide. An additional potential competing 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, 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

1994 Merger Proposal

In January 1994, the Company proposed an acquisition of National Media Corporation ("National Media"). National Media is a publicly-held direct marketer of consumer products through the use of direct response transactional television programming, known as infomercials, and currently makes its programming available to more than 370 million television households in more than 70 countries worldwide 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 asserting 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 for the warrants. As of January 31, 1998, $800,000 has been paid with a final installment of $400,000 to be paid on September 1, 1998.

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

1998 Merger Proposal

On January 5, 1998, the Company entered into a Merger Agreement, by and among the Company, National Media and Quantum Direct Corporation. If the Mergers were to be consummated, the Company and National Media would have become wholly-owned subsidiaries of Quantum Direct, with each outstanding share of the Company's common stock being converted into 1.19 shares of common stock in Quantum Direct and each outstanding share of common stock of National Media, being converted into one share of common stock in Quantum Direct.

Concurrently with the execution of the Merger Agreement, the Company agreed to loan (the "Loan") to National Media, pursuant to a Demand Promissory Note, up to an aggregate of $10.0 million (the "Demand Note"), $7.0 million of which was advanced upon signing of the Demand Note on January 5, 1998 and the remaining $3.0 million of which has subsequently been advanced. The Loan proceeds have been used by National Media for various purposes, including the funding of accounts receivable, inventory and media purchases. The Loan bears interest at prime rate plus 1.5% per annum and is due on the earlier of January 1, 1999 or upon termination of the Merger Agreement in certain circumstances. In the event National Media is unable to repay the Loan when due, ValueVision may elect to receive payment in shares of National Media's common stock at the then present market value. In consideration for providing the Loan, National Media issued to ValueVision warrants to acquire 250,000 shares of National Media's common stock with an exercise price per share equal to $2.74. The warrants are exercisable until the earlier of (i) January 5, 2003 and (ii) the occurrence of one of the following termination events: (x) the consummation of the Merger or (y) the termination by National Media of the Merger Agreement, if such termination results from a breach of a covenant by ValueVision or in the event ValueVision's shareholders do not approve the Merger Agreement; provided, however, that if, within 75 days after the termination event described in clause (y) above, National Media has not repaid the Loan in full or if during such 75 days, National Media defaults under its obligations pursuant to the Loan, no termination event will be deemed to have occurred and the warrants shall remain exercisable.

Consummation of the Mergers is subject to the satisfaction (or waiver) of a number of conditions, including, but not limited to: (i) approval by holders of a majority of the issued and outstanding shares of National Media's common stock and ValueVision's common stock; (ii) redemption of National Media's Series C Preferred Stock; (iii) the receipt of certain regulatory and other approvals, including those from the Federal Trade Commission and the Federal Communication Commission; and (iv) not more than 5% of the holders of the issued and outstanding shares of the Company's common stock shall have made demands and given the notices required under Minnesota law to assert dissenters' appraisal rights.

On April 8, 1998, it was announced that the Company received preliminary notification from holders of more than 5% of the Company's common stock that they intended to exercise their dissenter's rights with respect to the proposed merger of the Company and National Media. The Company also reported that it had advised National Media that it does not intend to waive the Merger Agreement condition to closing requiring that holders of not more than 5% of the shares of the Company's common stock have demanded their dissenter's rights. The Company and National Media had special meetings of their shareholders scheduled on April 14, 1998 to vote on the Mergers. In light of the receipt of the dissenters' notice, the companies mutually agreed to postpone their respective shareholder meetings while the companies attempt to negotiate a restructuring of the Mergers that is acceptable to each of the companies and in the best interest of their shareholders. As of the date hereof, National Media and the Company are still attempting to negotiate a restructuring of the Mergers and have not rescheduled their respective special meetings. There can be no assurance that the companies will be able to successfully negotiate such a restructuring, or if negotiated, that such Mergers will be consummated.

On March 30, 1998, the Company and National Media announced the selection of veteran marketing, direct response and retail executive, Gene McCaffery, 50, as Chief Executive Officer of Quantum Direct. Mr. McCaffery brings to Quantum Direct 25 years in retail and marketing experience, as well as substantial executive experience. He most recently served as Chief Executive Officer and managing partner of Marketing Advocates, a celebrity-driven product and service development company based in Los Angeles, California. Mr. McCaffery was formerly Senior executive Vice President of Montgomery Ward, in charge of its merchandising, strategic planning, advertising and marketing operations before leaving in 1996 to start Marketing Advocates. While at Montgomery Ward, Mr. McCaffery also oversaw The Signature Group, one of the nation's largest direct marketing companies, and also served as Vice-Chairman of the Board of ValueVision from August 1995 to March 1996. Mr. McCaffery served as an infantry officer in the Vietnam War and was appointed as Civilian Aide to the Secretary of the Army by President George Bush in 1991, a position that he still holds.

Mr. McCaffery and Quantum Direct have entered into a three year employment agreement pursuant to which Mr. McCaffery will become Chief Executive Officer of Quantum Direct, and receive a base salary of $500,000 during the first year, $525,000 during the second year, and $550,000 during the third year. The agreement also provides for bonus salary of up to 100% of the base salary, which may be earned only upon Quantum Direct meeting certain operating income, revenue and stock performance criteria. In addition, pursuant to the agreement, Mr. McCaffery is being issued stock options to acquire 800,000 shares of Quantum Direct's common stock, $.01 par value, with an exercise price equal to $3.375 per share, the last trading price of ValueVision's common stock on March 30, 1998. The exercise price of such options will be adjusted to the last trading price of Quantum Direct's common stock on the first day it trades, to the extent such price is lower than $3.375. Of such options, 200,000 vest monthly on a pro rata basis over the term of the employment agreement, and 600,000 vest on the earlier of the fifth anniversary of Mr. McCaffery's start date (provided he is still an employee of Quantum Direct) or in equal 20% (120,000 share) blocks based on the average closing price of Quantum's common stock for 20 consecutive trading days being at $5.00, $6.00, $7.00, $8,00 and $9.00, respectively. Such options are being issued as a stand-alone plan of Quantum Direct, outside of Quantum Direct's 1998 Equity Participation Plan. The employment agreement generally provides for a one year non-compete. In addition, in the event of a change of control (as defined) of Quantum Direct, Mr. McCaffery's employment can be terminated by Quantum Direct or Mr. McCaffery in certain circumstances. In the event of such a termination, Mr. McCaffery would be entitled to receive the base salary and bonus salary remaining to be paid through the end of the term of the employment agreement, together with accrued benefits. In the event the Mergers are not consummated, ValueVision and Mr. McCaffery have agreed to enter into an employment agreement on substantially the same terms pursuant to which Mr. McCaffery would become the Chief Executive Officer of ValueVision.

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 in any particular case. 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. 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.

"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 digital television stations ("DTV") stations is as yet uncertain. The FCC is expected to begin a proceeding 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. FCC rules 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. Home shopping programming is not exempt from this requirement. Several parties have filed petitions for reconsideration of the Commission's order adopting these rules. The rules remain in effect while these petitions are pending, and no prediction can be made as to the outcome of the petitions. These 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. A subsidiary of the Company holds a license for one full power television station, KVVV (TV), Baytown, Texas, whose license expires August 1, 1998 and which has pending an application for renewal of license. Television licenses are now issued for a term of eight years.

The Company and its subsidiaries have pending applications for construction permits for nine full power television stations in the following locations:
Douglas, Arizona; Rapid City, South Dakota; Provo, Utah; Destin, Florida; Des Moines, Iowa; Virginia Beach, Virginia; Waterloo, Iowa; Spokane, Washington; and Tallahassee, Florida. In each of these cases, there are competing applications for the construction permits. The FCC has proposed to award the construction permits to the highest bidder in an auction whose rules, proceedings, and timetable have not been established. The auction will be limited to the mutually exclusive applicants for the initial licenses. However, the FCC will not conduct an auction to select an applicant if it approves a settlement agreement that was filed by February 2, 1998 by the applicants for a construction permit and that removes the conflict between their applications. The Company has entered into timely settlement agreements with the applicants for construction permits at Spokane, Washington; Douglas, Arizona; and

Waterloo, Iowa. The Company has agreed to dismiss its applications in exchange for monetary consideration of, respectively, $416,666, $50,000, and $65,000. The FCC approved the settlement agreement for Spokane, Washington by order which has not yet become final, and the settlement agreements for Douglas, Arizona and Waterloo, Iowa are currently pending.

Two of the Company's pending applications propose to operate on channels above channel 59: Des Moines, Iowa and Destin, Florida. The FCC has recently concluded that it will not authorize new analog full power television stations on channel 60-69 and that applications for stations on these channels will be dismissed if they are not amended to seek a new channel below channel 60, in accordance with a timetable and procedure not yet established. The Company and others have filed petitions for reconsideration of this portion of the FCC's order. The petition is currently pending, and there is no assurance that the FCC will reconsider its Order or that the Company will be able to find available channels below channel 60. Accordingly, the Company's applications for these two stations may be dismissed.

Seven of the Company's pending applications propose to operate below channel 60: Douglas, Arizona; Rapid City, South Dakota; Provo, Utah; Virginia Beach, Virginia; Waterloo, Iowa; Spokane, Washington; and Tallahassee, Florida. The ultimate permittees of these stations may construct either an analog or digital station on the channel that they are granted. The FCC will not assign these stations an additional channel on which to broadcast DTV until analog transmission is terminated. They may convert from analog to digital on their single channel. If they choose to transmit initially in analog, they may, upon application to the Commission, convert their analog facility to DTV at any time during the transition period to DTV, which is currently scheduled to end in 2006.

Paxson Communications Corporation has purchased a 49% interest in the Company's subsidiary that has a pending application for a construction permit at Tallahassee, Florida and holds an option to purchase the remaining 51% interest.

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, which is currently pending. The Commission has recently commenced a biennial review of other television ownership rules pursuant to Section 202(h) of the Telecommunications Act, which requires the Commission to review all of its ownership rules every two years and to repeal or modify regulations that are no longer in the public interest. The Commission has requested comment on whether the following rules should be retained, modified, or eliminated: (i) the rule that prohibits, 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; (ii) the rule that discounts by 50% the audience reach of UHF stations when calculating the national television reach of a licensee of UHF stations; (iii) the rule that prohibits any party or entity with an attributable interest in a television (or radio) station from owning or controlling a daily newspaper in the same locale, and
(iv) the rule that prohibits any party or entity with an attributable interest in a television broadcast station from owning or controlling a cable system in the same local community. No prediction can be made as to the outcome of this biennial review.

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 rules. No prediction can be made as to the outcome of these proposals.

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 now 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 have allocated 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 has increased to approximately 5.1 million households since July 1996. Approximately 1.1 million households now subscribe to wireless cable systems, also known as MMDS systems, which provide traditional video programming and are beginning to provide advanced data transmission services. The FCC has completed auctions for MMDS licenses throughout the nation. 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 auctioned 986 LMDS licenses nationwide in March 1998. 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 has begun to issue construction permits to build DTV stations.

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 is expected to begin proceedings 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 transition to DTV; 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 seven OVS systems for operation and three open video systems are currently operating. 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, 1998, the Company, including its wholly-owned subsidiaries, had approximately 1,100 employees, the majority of whom are employed in telemarketing, customer service, order fulfillment and production. Approximately 27% 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. 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..................	52	Chairman of the Board and Chief Executive Officer
Nicholas M. Jaksich..................	53	President, Chief Operating Officer and Director
Gregory D. Lerman....................	52	Executive Vice President, General Manager ValueVision Television
Stuart R. Romenesko..................	35	Senior Vice President Finance, Chief Financial Officer, Treasurer and Assistant Secretary
David T. Quinby......................	37	Vice President, General Counsel and Secretary
Michael L. Jones.....................	40	Vice President, Television Broadcasting
Scott A. Lindquist...................	51	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.

Gregory D. Lerman joined the Company as Executive Vice President, General Manager ValueVision Television in January 1998. From February 1997 to October 1997, Mr. Lerman was President and Chief Operating Officer of Kent and Spiegel Direct, a major television direct marketing and infomercial company. From November 1989 to December 1994, Mr. Lerman served as Executive Vice President of Fingerhut Companies.

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 ("Arthur Andersen"), 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 a senior associate at the law firm of Maslon Edelman Borman & Brand PLLP and from August 1990 to May 1993, Mr. Quinby was an associate at the law firm of Faegre & Benson, LLP, practicing at both firms primarily in the areas of general corporate, mergers and acquisitions, and securities law. From September 1983 until August 1987, Mr. Quinby served in a variety of capacities at Arthur Andersen, leaving for law school in 1987 as an experienced senior 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.

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.

L. CAUTIONARY STATEMENT CONCERNING 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 the consummation of the merger between the Company and National Media, the outcome of the Time Warner litigation, 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. The factors, among others, that could cause actual results to differ materially include: the ability to negotiate a restructuring of the proposed National Media Merger and successful completion of all conditions thereto, including obtaining shareholder approval, the ability to resolve satisfactorily the disputed issues in the Time Warner Cable litigation, 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, the identification and availability of potential acquisition targets at prices favorable to the Company and the matters discussed below under "-- Risk Factors." Investors are cautioned that all forward-looking statements involve risk and uncertainty.

M. RISK FACTORS

In addition to the general investment risks and those factors set forth throughout this document (including those set forth under the caption "Cautionary Statement Concerning Forward-Looking Information"), the following risks should be considered regarding the Company.

Risks Associated With the National Media Merger. On April 8, 1998, the Company and National Media announced that each of the companies were postponing their respective special shareholder meetings while they attempt to negotiate a restructuring of the Merger. This was a result of the Company receiving preliminary notification from holders of more than 5% of its common stock that they intended to exercise their dissenters' rights with respect to the Merger. Although the Company and National Media are currently negotiating to restructure the Merger, no assurance can be given that such negotiations will be successful, or that if successful, that the Merger will be consummated. See "Business -- National Media Corporation." For a discussion of risks associated with National Media and the combined companies, see "Risk Factors" in the Joint Proxy Statement/Prospectus of the Company and National Media dated March 16, 1998.

Repayment by National Media of Demand Note. Concurrently with the execution of the Merger Agreement, the Company agreed to loan to National Media, pursuant to the Demand Note, up to an aggregate of $10.0 million, $7.0 million of which was advanced upon signing of the Demand Note on January 5, 1998 and the remaining $3.0 million of which has subsequently been advanced. The Demand Note is payable on the earlier of January 1, 1999 and the happening of certain events. In the event the Merger is consummated, the Loan will become an intercompany payable between the Company and National Media.

However, in the event the Merger is not consummated, there can be no assurance that National Media will be able to repay the Demand Note when due. Although the Company would then have the ability to convert the Demand Note into shares of National Media, no assurance can be given that the Company will be able to recover any portion of the Loan.

Recent Losses. The Company experienced operating losses of approximately $1.7 million, $3.7 million, $.8 million, $2.6 million and $11.0 million in fiscal 1994, 1995, 1996, 1997 and 1998, respectively, and a net loss per diluted share of $.13 and $.22 in fiscal 1994 and 1995, respectively, and net income per diluted share of $.38, $.56 and $.57 in fiscal 1996, 1997 and 1998, respectively. Net profits of approximately $10.5 million, $17.2 million and $23.6 million and net profits per diluted share of $.36, $.53 and $.74 in fiscal 1996, 1997 and 1998, respectively, were derived from gains on sale of broadcast stations and other investments, which are not generally expected to occur in the future. In addition, the Company recently restructured its relationship with Montgomery Ward regarding the Company's catalog operations. Although the Company's management anticipates that such restructuring may result in a reduction of the Company's revenues, it has not yet determined if such restructuring will have a material adverse impact on the Company's results of operations or its financial position. There can be no assurance that the Company will be able to achieve or maintain profitable operations.

Sale of Television Stations to Paxson. On February 27, 1998, the Company sold to Paxson Television Station KBGE (TV), Channel 33, Bellevue, Washington along with two of the Company's non-cable, low power television stations in Portland, Oregon and Indianapolis, Indiana, and a minority interest (and option to acquire the remaining interest) in an entity which has applied for a new station for aggregate proceeds of approximately $24.5 million. An additional $10.0 million (the "Additional Proceeds") will be payable by Paxson to the Company if and when Television Station KBGE (TV), currently operating at reduced power from downtown Seattle, Washington, is able to relocate its antenna and increase its transmitter power to a level at or near its licensed full power. There can be no assurance that Paxson will ever relocate the station and increase its transmitter power to a level at or near its licensed full power so that Paxson will be required to pay the Additional Proceeds.

Competition. As a general merchandise retailer, the Company competes for consumer expenditures with other forms of retail businesses, including department, discount, warehouse and specialty stores, television home shopping, mail order and catalog companies and other direct sellers. The catalog and direct mail industry includes a wide variety of specialty and general merchandise retailers and is both highly fragmented and highly competitive. In addition, the Company competes with a wide variety of department, discount and specialty stores which have greater financial, distribution and marketing resources than the Company. The home shopping industry is also highly competitive and is dominated by two companies, HSN and QVC. The Company's television home shopping programming competes directly with HSN and QVC in virtually all of the Company's 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 many of its markets, and that the Company may have less desirable cable channels in many markets. QVC and HSN are well-established and, similar to the Company, offer home shopping programming through cable systems, owned or affiliated full- and low-power television stations and directly to satellite dish owners and, accordingly, reach a large percentage of United States television households. The television home shopping industry is also experiencing vertical integration. QVC and HSN are both affiliated with cable operators serving significant numbers of subscribers nationwide. While the Cable Television Consumer Protection and Competition Act of 1992 includes provisions designed to prohibit coercion and discrimination in favor of such affiliated programmers, the FCC has decided that it will rule on the scope and effect of these provisions on a case-by-case basis.

Potential Termination of Cable Time Purchase Agreements; Media Access; Related Matters. The Company's television home shopping programming is distributed primarily through purchased blocks of cable television time. Much of the Company's cable television affiliation agreements are terminable by either party upon 30 days, or less notice. The Company's television home shopping business could be materially adversely affected in the event that a significant number of its cable television affiliation agreements are terminated or not renewed on acceptable terms.

Potential Loss of Satellite Service. The Company's programming is presently distributed, in the first instance, to cable systems, full- and low-power television stations and satellite dish owners via a leased communications satellite transponder. In the future, 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 for 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.

Year 2000 Considerations. The Company has reviewed the implications of year 2000 compliance and has taken steps designed to ensure that the Company's computer systems and applications will manage dates beyond 1999. The Company believes that it has allocated adequate resources for this purpose and that planned software upgrades, which are underway and in the normal course of business, will address the Company's internal year 2000 needs. While the Company expects that efforts on the part of current employees of the Company will be required to monitor year 2000 issues, no assurances can be given that these efforts will be successful. The Company does not expect the cost of addressing any year 2000 issue to be a material event or uncertainty that would have a material adverse effect on future operating results or financial condition.

Litigation. On December 17, 1997, Time Warner Entertainment Company, L.P., d/b/a Time Warner Cable ("Time Warner Cable"), filed a complaint (the "Complaint") in the Connecticut Superior Court, Judicial District of Ansonia/Milford (the "Court"), against Bridgeways Communications Corporation ("Bridgeways"), and the Company, alleging, among other things, tortious interference with contractual and business relations and breach of contract. According to the Complaint, Bridgeways and Time Warner Cable have been in dispute since 1993 regarding Bridgeways' attempt to assert "must-carry" rights with respect to television station WHAI-TV in the New York City Area of Dominant Influence. The Company purchased television station WHAI-TV from Bridgeways in 1994 and subsequently sold it in 1996. The Company and Time Warner Cable entered into a cable affiliation agreement in 1995 (the "Time Warner Cable Agreement"), pursuant to which the Company agreed not to assert "must-carry" rights with respect to television station WHAI-TV and pursuant to which the Company's programming is currently carried by Time Warner Cable in approximately 4.4 million full-time equivalent cable households out of the Company's total distribution of approximately 11.7 million full-time equivalent cable households. Time Warner Cable seeks in the Complaint to receive unspecified damages from the Company and to have the Court declare the Time Warner Cable Agreement null and void. Responsive pleadings have not yet been filed in this matter. The Company believes the Complaint is completely without merit and it intends to vigorously defend itself. However, if Time Warner Cable were to prevail under the Complaint, such an outcome could have a material adverse effect on the Company's financial position and/or costs of operations to the extent it jeopardized access to, or increased the cost of access to, these 4.4 million full-time equivalent households, which represent approximately 38% of the full-time equivalent households to which the Company currently has access.

Product Liability Claims. Products sold by the Company may expose it to potential liability from claims by users of such products, subject to the Company's rights, in certain instances, to indemnification against such liability from the manufacturers of such products. The Company has instead generally required the manufacturers and/or vendors of these products to carry product liability insurance, although in certain instances where a limited quantity of products are purchased from non-U.S. vendors, the vendor may not be formally required to carry product liability insurance. Certain of such vendors, however, may in fact maintain such insurance. There can be no assurance that such parties will maintain this insurance or that this coverage will be adequate to cover all potential claims, including coverage in amounts which it believes to be adequate. There can be no assurance that the Company will be able to maintain such coverage or obtain additional coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims.

Seasonability. The television home shopping and mail order businesses in general are somewhat seasonal, with the primary selling season occurring during the first and last quarters of the calendar year. These businesses are also sensitive to general economic conditions and business conditions affecting consumer spending.

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 HomeVisions and non-jewelry merchandise for the Company's television home shopping operations. The Company also purchased approximately 34 acres of land in Eden Prairie, Minnesota during fiscal 1997 which is being held for future potential 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. Additionally, the Company rents transmitter site and studio locations used to transmit programming for KVVV (TV), serving the Houston market. 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 a complaint filed December 17, 1997, (Time Warner Entertainment Company, L.P., d/b/a Time Warner Cable v. Bridgeways Communications Corporation and ValueVision International, Inc. (U.S. Superior Court, Judicial District of Ansonia/Milford at Milford, CT)), Time Warner Cable filed a lawsuit against Bridgeways Communications Corporation and ValueVision alleging, among other things, tortious interference with contractual and business relations and breach of contract. According to the complaint, Bridgeways and Time Warner Cable have been in a dispute since 1993 regarding Bridgeways' attempt to assert "must carry" rights with respect to television station WHAI-TV in the New York City Area of Dominant Influence. ValueVision purchased television station WHAI-TV from Bridgeways in 1994 and subsequently sold it in 1996. ValueVision and Time Warner Cable entered into a cable affiliation agreement in 1995 pursuant to which ValueVision agreed not to assert "must carry" rights with respect to television station WHAI-TV and pursuant to which ValueVision's programming is currently carried by Time Warner Cable in approximately 4.2 million full time equivalent cable households. The complaint seeks unspecified damages and for the court to declare the cable affiliation agreement between Time Warner Cable and ValueVision null and void. The Company is confident that it remains in full compliance with the terms and conditions of the cable affiliation agreement and that it has been inappropriately named in this lawsuit involving Time Warner Cable and Bridgeways. The Company believes that the lawsuit is completely without merit and intends to vigorously defend itself. However, if Time Warner Cable were to prevail under the Complaint, such an outcome could have a material adverse effect on the Company's financial position and/or costs of operations to the extent it jeopardized access to, or increased the cost of access to, these 4.4 million full-time equivalent households, which represent approximately 38% of the full-time equivalent households to which the Company currently has access.

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

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

No matters were submitted to shareholders during the fourth quarter ended January 31, 1998.

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 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
FISCAL 1998		
First Quarter	4 3/4	3 7/16
Second Quarter	5 7/16	3 7/16
Third Quarter	5 3/8	3 13/16
Fourth Quarter	4 7/8	3 1/8

HOLDERS

As of April 20, 1998, the Company had approximately 490 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

(IN THOUSANDS, EXCEPT PER SHARE AND STATISTICAL DATA)

The selected financial data for the five years ended January 31, 1998 have been derived from the audited consolidated 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,				
	1998	1997(A)	1996	1995	1994
STATEMENT OF OPERATIONS DATA:					
Net sales	$217,982	$159,478	$ 88,910	$53,931	$ 37,614
Gross profit	95,174	67,363	36,641	22,454	14,583
Operating loss	(10,975)	(2,640)	(766)	(3,712)	(1,745)
Income (loss) before income taxes and extraordinary item(b)	29,604	29,690	11,120	(6,104)	(1,414)
Net income (loss)(b)	18,104	18,090	11,020	(6,104)	(1,925)
PER SHARE DATA:(C)					
Net income (loss) per common share	$ 0.57	$ 0.57	$ 0.38	$ (0.22)	$ (0.13)
Net income (loss) per common share -- assuming dilution	$ 0.57	$ 0.56	$ 0.38	$ (0.22)	$ (0.13)
Weighted average shares outstanding:					
Basic	31,745	31,718	28,627	27,265	15,400
Diluted	31,888	32,342	29,309	27,265	15,400

	JANUARY 31,				
	1998	1997	1996	1995	1994
BALANCE SHEET DATA:					
Cash and short-term investments	$ 31,866	$ 52,859	$ 46,451	$26,659	$ 48,382
Inventories, net	20,427	28,109	8,889	7,833	7,226
Current assets	79,661	101,029	65,045	39,246	57,684
Property, equipment and other assets	55,103	67,057	51,666	38,258	20,014
Total assets	134,764	168,086	116,711	77,504	77,698
Current liabilities	29,590	37,724	13,519	10,124	7,533
Long-term obligations	2,906	3,708	447	578	147
Shareholders' equity	102,268	126,654	102,745	66,802	70,018

	YEAR ENDED JANUARY 31,				
	1998	1997	1996	1995	1994
OTHER DATA:					
Gross margin percentage	43.7%	42.2%	41.2%	41.6%	38.8%
Working capital	$ 50,071	$ 63,305	$ 51,526	$29,122	$ 50,151
Current ratio	2.7	2.7	4.8	3.9	7.7
EBITDA (as defined)(b)(d)	$ 34,465	$ 31,774	$ 13,790	$(5,553)	$ (1,342)
Cash Flows:					
Operating	$(19,445)	$ (5,779)	$ 2,304	$ (463)	$ (3,345)
Investing	$ 23,065	$ 19,223	$(11,443)	$(5,902)	$(39,257)
Financing	$(15,041)	$ (4,888)	$ 7,547	$ (235)	$ 70,007

(a) Results of operations for the year ended January 31, 1997, included the operations of HomeVisions (f/k/a Montgomery Ward Direct), Beautiful Images, Inc. and Catalog Ventures, Inc. which were acquired by the Company in the second half of fiscal 1997. See Note 4 of Notes to Consolidated Financial Statements as of January 31, 1998 and 1997.

(b) Income (loss) before income taxes and extraordinary item, net income (loss) and EBITDA (as defined) include a pre-tax gain of $38.9 million from the sale of broadcast properties for fiscal 1998, a $28.2 million pre-tax gain on sale of broadcast properties and other assets for fiscal 1997, an $8.5 million pre-tax gain on the sale of an investment in National Media Corporation, $2.0 million equity in earnings of affiliates in fiscal 1996 and $3.7 million of costs associated with the National Media Corporation tender offer in fiscal 1995. See Notes 2 and 4 of Notes to Consolidated Financial Statements as of January 31, 1998 and 1997.

(c) The Company computes per share data in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share." Under this statement, basic and diluted earnings (loss) per share have replaced primary and fully diluted earnings (loss) per share.

(d) EBITDA (as defined) represents net income (loss) before interest income (expense), income taxes and depreciation and amortization expense. EBITDA (as defined) is viewed by management as an important alternative measure of cash flows because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA (as defined) should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of operating performance or as a measure of liquidity. EBITDA (as defined), as presented, may not be comparable to similarly entitled measures reported by other companies.

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) contain various "forward looking statements" within the meaning of federal securities laws which represent management's expectations or beliefs concerning future events, including statements regarding the consummation of the merger between the Company and National Media, the outcome of the Time Warner litigation, 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: the ability to negotiate a restructuring of the proposed National Media Merger and successful completion of all conditions thereto, including obtaining shareholder approval, the ability to resolve satisfactorily the disputed issues in the Time Warner Cable litigation, 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.

NATIONAL MEDIA CORPORATION PROPOSED MERGER

On January 5, 1998, the Company entered into an Agreement and Plan of Reorganization and Merger (the "Merger Agreement"), by and among the Company, National Media Corporation ("National Media") and Quantum Direct Corporation, formerly known as V-L Holdings Corp. ("Quantum Direct"), a newly-formed Delaware corporation. National Media is a publicly-held direct marketer of consumer products through the use of direct response transactional television programming, known as infomercials, and currently makes its programming available to more than 370 million television households in more than 70 countries worldwide. If the mergers (the "Mergers") contemplated by the Merger Agreement were to be consummated, the Company and National Media would have become wholly-owned subsidiaries of Quantum Direct, with each outstanding share of the Company's common stock being converted into 1.19 shares of common stock in Quantum Direct and each outstanding share of common stock of National Media, being converted into one share of common stock in Quantum Direct.

Concurrently with the execution of the Merger Agreement, the Company agreed to loan to National Media, pursuant to a Demand Promissory Note, up to an aggregate of $10.0 million, $7.0 million of which was advanced upon signing of the Demand Note on January 5, 1998 and the remaining $3.0 million of which has subsequently been advanced. The Loan proceeds have been used by National Media for various purposes, including the funding of accounts receivable, inventory and media purchases. The Loan bears interest at prime rate plus 1.5% per annum and is due on the earlier of January 1, 1999 or upon termination of the Merger Agreement in certain circumstances. In the event National Media is unable to repay the Loan when due, ValueVision may elect to receive payment in shares of National Media's common stock at the then present market value. In consideration for providing the Loan, National Media issued to ValueVision warrants to acquire 250,000 shares of National Media's common stock with an exercise price per share equal to $2.74. The warrants are exercisable until the earlier of (i) January 5, 2003 and (ii) the occurrence of one of the following termination events: (x) the consummation of the Merger or (y) the termination by National Media of the Merger Agreement, if such termination results from a breach of a covenant by ValueVision or in the event ValueVision's shareholders do not approve the Merger Agreement; provided, however, that if, within 75 days after the termination event described in clause (y) above, National Media has not repaid the Loan in full or if during such 75 days, National Media defaults under its obligations pursuant to the Loan, no termination event will be deemed to have occurred and the warrants shall remain exercisable.

Consummation of the Mergers is subject to the satisfaction (or waiver) of a number of conditions, including, but not limited to: (i) approval by holders of a majority of the issued and outstanding shares of National Media's common stock and the Company's common stock; (ii) redemption of National Media's Series C Preferred Stock; (iii) the receipt of certain regulatory and other approvals, including those from the Federal Trade Commission and the Federal Communication Commission; and (iv) not more than 5% of the holders of the issued and outstanding shares of the Company's common stock shall have made demands and given the notices required under Minnesota law to assert dissenters' appraisal rights.

On April 8, 1998, it was announced that the Company received preliminary notification from holders of more than 5% of the Company's common stock that they intended to exercise their dissenter's rights with respect to the proposed merger of the Company and National Media. The Company also reported that it had advised National Media that it does not intend to waive the Merger Agreement condition to closing requiring that holders of not more than 5% of the shares of the Company common stock have demanded their dissenter's rights. The Company and National Media had special meetings of their shareholders scheduled on April 14, 1998 to vote on the Mergers. In light of the receipt of the dissenters' notice, the companies mutually agreed to postpone their respective shareholder meetings while the companies attempt to negotiate a restructuring of the Mergers that is acceptable to each of the companies and in the best interest of their shareholders. As of the date hereof, National Media and the Company are still attempting to negotiate a restructuring of the Mergers and have not reschedule their respective special meetings. There can be no assurance that the companies will be able to successfully negotiate such a restructuring, or if negotiated, that such Mergers will be consummated.

ACQUISITIONS AND DISPOSITIONS

MONTGOMERY WARD DIRECT CATALOG OPERATIONS

Effective July 27, 1996, the Company acquired, through ValueVision Direct Marketing Company, Inc. ("VVDM"), 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 $4.0 million in net assets of MWD.

The Company's acquisition of MWD was for an aggregate purchase price of $8,497,000, which included approximately $4.0 million in net assets, including acquired cash of $5,764,000. Acquisition related costs approximated $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.

The excess of the purchase price over the net assets acquired was $4,531,000, had been recorded as goodwill and other intangible assets and was being amortized on a straight-line basis over 5-12 years. As discussed in Notes 2 and 3 of Notes to Consolidated Financial Statements as of January 31, 1998 and 1997, intangible assets recorded in connection with this acquisition were reduced to zero in fiscal 1998 in connection with the restructuring transaction with Montgomery Ward. 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 diluted share, in fiscal 1997 and $4,341,000, or $.14 per diluted 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. In fiscal 1998, the Company changed the name of the MWD catalog to HomeVisions.

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 and other women's apparel. 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 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 one full power television broadcast station serving part of 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 fair 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 whereby the Company paid $800,000 to the former owner of WVVI 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 had been classified as excess purchase price and was 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 and as a result, the Company paid an additional $1,600,000 for the Houston, Texas station upon a second closing. The additional payment has been classified as unallocated excess purchase price and is being amortized over 25 years on a straight-line basis. Pro forma results of operations have not been presented because the effects were not significant. The Company views and treats the acquisition of its television broadcast stations as a "purchase of assets" rather than as a purchase of a stand alone operating business unit. This treatment is due to the fact that planned revenues of acquired television broadcast stations do not constitute either a separate business of ValueVision or represent a significant portion of the Company=s operating businesses.

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 pre-tax gain recorded on the sale of these two television stations was approximately $27 million and was recognized in the first fiscal quarter ended April 30, 1996.

On July 31, 1997, the Company completed the sale of its television broadcast station WVVI (TV), which serves the Washington, D.C. market, to Paxson for approximately $30 million in cash and the receipt of 1,197,892 shares of Paxson common stock valued at $11.92 per share as determined pursuant to an independent financial appraisal. Under the terms of the agreement, Paxson paid the Company $20 million in cash upon closing and was 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) was acquired by the Company in March 1994 for $4,850,000. The pre-tax gain recorded on the sale of the television station was $38.9 million and was recognized in the second fiscal quarter ended July 31, 1997.

On February 27, 1998, the Company completed the sale of its television broadcast station, KBGE-TV Channel 33, which serves the Seattle, Washington market along with two of the Company=s non-cable, low-power stations in Portland, Oregon and Indianapolis, Indiana and a minority interest in an entity which had applied for a new full-power station to Paxson for a total of approximately $35 million in cash. Under the terms of the agreement, Paxson paid the Company approximately $25 million upon closing and the remaining $10 million is to be paid when KBGE, which is currently operating at reduced power from downtown Seattle, is able to relocate its antenna and increase its transmitter power to a level at or near its licensed full power. The Company will retain and continue to serve the Seattle market via its recently-launched low-power station K58DP-TV, which transmits from downtown Seattle. The pre-tax gain to be recorded on the first installment with respect to the sale of this television station is expected to be approximately $19.8 million and will be recognized in the financial statements in the first quarter of fiscal 1999.

Management believes that sales of its television stations will not have a significant impact on the ongoing operations of the Company.

RESULTS OF OPERATIONS

Results of operations for the year ended January 31, 1997 include the direct-mail operations of HomeVisions 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,		
	1998	1997	1996
NET SALES	100.0 %	100.0 %	100.0 %
GROSS MARGIN	43.7 %	42.2 %	41.2 %
OPERATING EXPENSES:			
Distribution and selling	40.8 %	35.6 %	31.7 %
General and administrative	4.7 %	4.5 %	5.0 %
Depreciation and amortization	3.2 %	3.8 %	5.4 %
Total operating expenses	48.7 %	43.9 %	42.1 %
OPERATING LOSS:	(5.0)%	(1.7)%	(.9)%
Other income (expense), net	18.6 %	20.3 %	13.4 %
INCOME BEFORE INCOME TAXES	13.6 %	18.6 %	12.5 %
Income taxes	(5.3)%	(7.3)%	(.1)%
NET INCOME	8.3 %	11.3 %	12.4 %

NET SALES

Net sales for the year ended January 31, 1998 (fiscal 1998), were $217,982,000 compared to $159,478,000 for the year ended January 31, 1997 (fiscal 1997), a 36.7% increase. The majority of the increase in net sales is attributed to revenues associated with the Company's acquisition of the direct marketing businesses in the second half of fiscal 1997. Sales attributed to direct marketing operations totaled $111,411,000 or 51.1% of total net sales for the year ended January 31, 1998 and 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 ("FTE") cable homes able to receive the Company's television home shopping programming, which increased approximately 300,000 or 2.6% from 11.4 million at January 31, 1997 to 11.7 million at January 31, 1998. During fiscal 1998, the Company added approximately 900,000 full-time cable homes, an 11.7% 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 and an increase in repeat sales to existing customers. The increase in repeat sales to existing customers experienced in fiscal 1998 was due, in part, to the effects of continued testing of certain merchandising and programming strategies in the second half of fiscal 1998. 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 continued growth in direct mail-order operations, the Company anticipates that net sales and operating expenses will continue to increase in fiscal 1999.

Net sales for the year ended January 31, 1997, were $159,478,000 compared to fiscal 1996 net sales of $88,910,000, a 79.4% increase. The increase in net sales was primarily attributed to revenues associated with the Company's direct marketing businesses which were acquired in the second half of fiscal 1997. 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 was also attributed to an increase in total number of full-time and FTE cable homes able to receive the Company's programming, which increased from 7.2 million (10.5 million FTEs) at January 31, 1996 to 7.7 million (11.4 million FTEs) at January 31, 1997, a 6.9% increase in full-time cable homes and an 8.6% 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 1998, 1997 and 1996 were approximately 19.4%, 21.9% and 26.8%, respectively. The lower return rates in fiscal 1998 and fiscal

1997 are directly attributable to the effect of the Company's recently acquired direct marketing businesses which typically experience lower average return rates. The fiscal 1998 return rate for the Company's television home shopping operations was 26.6% compared to 27.8% in fiscal 1997 and 26.8% in fiscal 1996. The return rate for the television home shopping operations 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 $83 in fiscal 1998 ($85 in fiscal 1997) as compared to the industry average selling price per unit of approximately $40 to $50. 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. The returns rate for the Company's direct marketing operations were 11.2% and 9.8% in fiscal 1998 and 1997, respectively, and the Company believes that this return rate is comparable to industry averages.

GROSS PROFIT

Gross profits for fiscal 1998 and 1997 were $95,174,000 and $67,363,000, respectively, an increase of $27,811,000 or 41.3%. Gross margins for fiscal 1998 were 43.7% compared to 42.2% for fiscal 1997. The principal reason for the increase in gross profits was increased sales volume primarily as a result of the direct mail operations included in the fiscal 1998 results. Television home shopping gross margins for fiscal 1998 and 1997 were 39.9% and 40.1%, respectively. Gross margins for the Company's direct mail operations were 47.3% and 45.9% for the same respective periods. Television home shopping gross margins between comparable periods remained consistent, primarily as a result of an increase in gross margin percentages in the jewelry and houseware product categories and a greater proportion of higher margin non-jewelry products such as houseware products, offset by a decline in volume of higher margin jewelry products. During fiscal 1998, the Company continued to broaden its merchandise mix as compared to the same period last year 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 products accounted for 61% of air time during fiscal 1998, compared with 67% for fiscal 1997. Gross margins for the Company's direct mail operations increased primarily due to the acquisition of CVI which generally has higher margins and was included in prior year's results of operations only in the fourth quarter. In addition, there was also a slight change in merchandise mix to higher margin home accessories (furniture, giftware and wall decor) which also contributed to the improvement in direct-mail margins.

Gross profits for fiscal 1997 and 1996 were $67,363,000 and $36,641,000, respectively, which represented an increase of $30,722,000 or 83.8%. Gross margins for the respective years were 42.2% and 41.2%. The increase in gross profit was a direct result of increased sales volume primarily due to the 1997 direct mail acquisitions. Television home shopping gross margins for fiscal 1997 were 40.1% and gross margins on the Company's direct mail operations were 45.9%. Television home shopping gross margins declined slightly as a result of increased sales of traditionally lower margin electronic merchandising categories, offset partially by an increase in gross margin percentages in jewelry, giftware and apparel product categories and by the mix of a greater proportion of higher margin non-jewelry products, such as housewares and seasonal products.

OPERATING EXPENSES

Total operating expenses were $106,149,000, $70,003,000 and $37,408,000 for the years ended January 31, 1998, 1997 and 1996, respectively, representing increases of $36,146,000 or 51.6% from fiscal 1997 to fiscal 1998 and $32,595,000 or 87.1% from fiscal 1996 to fiscal 1997.

Distribution and selling expenses for fiscal 1998 increased $32,199,000 or 56.7% to $89,018,000 or 40.8% of net sales compared to $56,819,000 or 35.6% of net sales in fiscal 1997. Distribution and selling costs increased primarily as a result of additional distribution and selling expenses associated with the Company's direct marketing businesses, which were acquired in the second half of fiscal 1997, increases in cable access fees resulting from the growth in the number of cable homes receiving the Company's television home shopping 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 for fiscal

1998 increased as a percentage of net sales over prior year primarily as a result of increases in cable access fees on a full-time equivalent basis with respect to the Company's television home shopping operations, a softening of sales on front-end acquisition and sale/clearance catalogs, sales softening on books mailed to customers in the Montgomery Ward & Co., Incorporated ("Montgomery Ward" or "MW") credit file as a direct result of the MW bankruptcy announcement in July 1997, increased mail promotion costs, the experience of slightly higher than historical return rates with respect to the Company's direct-mail operations and additional unusual costs incurred by the Company during the first quarter of fiscal 1998 in connection with the conversion and integration of the Company's direct-mail operations and start-up costs associated with the Company's new fulfillment and warehouse facility located in Bowling Green, Kentucky.

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, primarily due to additional distribution and selling expenses associated with the Company's acquired direct marketing businesses, increases in cable access fees as a result of the growth in the number of cable homes, additional personnel costs associated with increased staffing levels and additional costs associated with handling increased sales volumes.

General and administrative expenses for fiscal 1998 increased $2,966,000 or 41.3% to $10,154,000 or 4.7% of net sales compared to $7,187,000 or 4.5% of net sales in fiscal 1997. General and administrative costs increased as a result of increased costs associated with the Company's direct-mail operations which were acquired in the second half of fiscal 1997, increased personnel in support of expanded operations and additional legal costs incurred relative to clarification of certain cable regulations. General and administrative costs remained relatively consistent between fiscal years as a percentage of net sales as the Company continues to leverage its existing operating infrastructure.

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 primarily as a direct result of increased costs associated with the Company's acquired direct-mail operations, increased personnel costs and additional legal costs incurred relative to cable regulations.

Depreciation and amortization costs were $6,978,000, $5,996,000 and $4,808,000 for the years ended January 31, 1998, 1997 and 1996, respectively, representing an increase of $981,000 or 16.4% from fiscal 1997 to fiscal 1998 and $1,189,000 or 24.7% from fiscal 1996 to fiscal 1997. Depreciation and amortization costs as a percentage of net sales were 3.2% in fiscal 1998, 3.8% in fiscal 1997 and 5.4% in fiscal 1996. The dollar increase is primarily due to additional depreciation and amortization of approximately $989,000 relating to assets associated with the Company's acquired direct-mail operations, depreciation on property and equipment additions, particularly with respect to the Company's fulfillment facility, offset by a reduction in amortization associated with the Montgomery Ward operating agreement and licenses entered into in August 1995 and amended in November 1997. Depreciation and amortization expense increased from fiscal 1996 to fiscal 1997 primarily due to additional amortization expense of $690,000 relating to the Montgomery Ward operating agreement and licenses and depreciation and amortization of $640,000 relating to direct-mail acquisition assets offset by reductions associated with the sale of WAKC and WHAI in February 1996.

OPERATING LOSS

The operating loss was $10,975,000, $2,640,000 and $766,000 for the years ended January 31, 1998, 1997 and 1996, respectively. The increase in the operating loss for fiscal 1998 resulted primarily from increases in distribution and selling costs over the prior year largely due to increases in front-end cable access fees associated with new cable distribution, expansion of operations, lower than anticipated response rates from catalog solicitations and television home-shopping offerings as a result of the Montgomery Ward bankruptcy notification in July 1997, higher than historical return rates on catalog operations and certain unusual costs incurred by the Company in the first quarter of fiscal 1998 in connection with the conversion and integration of the Company's acquired direct-mail operations, as well as start-up costs associated with the Company's new fulfillment and warehouse facility located in Bowling Green, Kentucky. These increases were offset by increased sales volume, margins and a corresponding increase in gross profits. 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 fiscal 1996, as well as increases in distribution and selling costs, general and administrative and depreciation and amortization expenses due to expanded operations. These increases were offset by increased sales volume and a corresponding increase in gross profits.

OTHER INCOME (EXPENSE)

Total other income was $40,579,000 in fiscal 1998, $32,330,000 in fiscal 1997 and $11,886,000 in fiscal 1996. Total other income for fiscal 1998 resulted primarily from a $38,850,000 gain recorded on the sale of television station WVVI (TV), Channel 66, in July 1997, gains of $215,000 recorded from sales of other investments and interest income of $2,116,000 earned on cash and cash equivalents and short-term investments. These gains were offset by equity in losses of affiliates of $431,000 recorded for the year. The equity in losses of affiliates represents amounts lost on a 13% ownership interest in a limited partnership accounted for under the equity method of accounting. Interest income decreased $1,796,000 from fiscal 1997 due to decreases in cash and cash equivalents and short-term investments from fiscal 1997 to fiscal 1998. 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 of $3,912,000 earned on cash and cash equivalents and short-term investments. 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 of $2,138,000 earned on cash and cash equivalents and short-term investments. These items were partially offset by a $617,000 provision for estimated litigation costs associated with settling the shareholder litigation arising from the Company's terminated tender offer for National Media.

NET INCOME

Net income was $18,104,000 or $.57 per diluted share ($.57 per basic share) for the year ended January 31, 1998. Excluding the gain on the sale of television station WVVI, the gain on the sale of investments and loss on earnings from affiliates, the Company had a net loss of $9,030,000 or $.28 per diluted share ($.28 per basic share). Net income was $18,090,000 or $.56 per diluted share ($.57 per basic 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 $.03 per diluted share ($.03 per basic share). Net income was $11,020,000 or $.38 per diluted share ($.38 per basic 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 $.04 per diluted share ($.04 per basic share). For the years ended January 31, 1998, 1997 and 1996, respectively, the Company had approximately 31,888,000, 32,342,000 and 29,309,000, diluted weighted average common shares outstanding and 31,745,000, 31,718,000 and 28,627,000 basic weighted average common shares outstanding.

For the years ended January 31, 1998 and 1997, net income reflects an income tax provision of $11,500,000 and $11,600,000, respectively, which results in an effective tax rate of 39% for each year. For the year ended January 31, 1996, net income reflects an income tax provision of $100,000. As of January 31, 1998 all net tax carryforwards available to offset future taxable income had been utilized.

PROGRAM DISTRIBUTION

The Company's television home shopping program was available to approximately 17.4 million cable homes as of January 31, 1998 as compared to 16.4 million cable homes as of January 31, 1997 and to 13.6 million cable homes as of January 31, 1996. The Company's programming is currently available through affiliation and time-block purchase agreements with approximately 285 cable systems and one wholly-owned full power UHF television broadcast station. In addition, the Company's programming is broadcast full-time over thirteen owned or affiliated low power television stations in major markets, and is available unscrambled to homes equipped with satellite dishes. As of January 31, 1998, 1997 and 1996, the Company's programming was available to approximately 11.7 million, 11.4 million and 10.5 million full-time equivalent cable homes ("FTE"), respectively. Approximately 8.6 million, 7.7 million and 7.2 million cable homes at January 31, 1998, 1997 and 1996, 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.

CIRCULATION

With respect to the Company's direct marketing operations, approximately 42 and 40 million HomeVisions catalogs were mailed in fiscal 1998 and 1997, respectively. At January 31, 1998, HomeVisions had approximately 548,000 "active" customers (defined as individuals that have purchased from the Company within the preceding 12 months) and combined customer and prospect files that totaled approximately 3.4 million names. Approximately 35 and 26 million CVI catalogs were mailed in fiscal 1998 and 1997, respectively. At January 31, 1998, CVI had approximately 553,000 active catalog customers and approximately 4.8 million customer names in its catalog customer list database. During fiscal 1998 and 1997, BII had approximately 678 million printed space advertisements or "impressions" circulated in national and regional newspapers and magazines. At January 31, 1998, BII had approximately 210,000 active customers and approximately 650,000 customer names in its customer list database.

YEAR 2000 CONSIDERATIONS

The Company has reviewed the implications of year 2000 compliance and has taken steps designed to ensure that the Company's computer systems and applications will manage dates beyond 1999. The Company believes that it has allocated adequate resources for this purpose and that planned software upgrades, which are underway and in the normal course of business, will address the Company's internal year 2000 needs. While the Company expects that efforts on the part of current employees of the Company will be required to monitor year 2000 issues, no assurances can be given that these efforts will be successful. The Company does not expect the cost of addressing any year 2000 issue to be a material event or uncertainty that would have a material adverse effect on future operating results or financial condition.

QUARTERLY RESULTS

The following summarized unaudited results of operations for the quarters in the fiscal years ended January 31, 1998 and 1997 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 1998:					
Net sales	$51,062	$48,500	$58,325	$60,095	$217,982
Gross profit	22,695	19,924	25,726	26,829	95,174
Gross margin	44.4%	41.1%	44.1%	44.6%	43.7%
Operating expenses	25,819	24,632	27,411	28,287	106,149
Operating loss	(3,124)	(4,708)	(1,685)	(1,458)	(10,975)
Other income, net	212	39,219	548	600	40,579
Net income (loss)	$(1,761)	$21,059	$ (666)	$ (528)	$ 18,104
Net income (loss) per share:	$(.05)	$.66	$(.02)	$(.02)	$.57
Net income (loss) per share -- assuming dilution	$(.05)	$.66	$(.02)	$(.02)	$.57
Weighted average shares outstanding:					
Basic	32,949	31,829	31,874	30,330	31,745
Diluted	33,109	31,953	32,064	30,427	31,888
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)	$.56	$--	$.02	$.03	$.57
Net income per share -- assuming dilution(a)	$.54	$--	$.02	$.03	$.56
Weighted average shares outstanding:					
Basic	29,352	29,577	33,628	34,317	31,718
Diluted	30,416	30,266	34,060	34,626	32,342

(a) The sum of quarterly per share amounts does not equal the annual amount due to changes in the average common and dilutive shares outstanding, as well as the effects of rounding.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 1998 and 1997, cash and cash equivalents and short-term investments were $31,866,000 and $52,859,000, respectively, a $20,993,000 decrease. For the year ended January 31, 1998, working capital decreased $13,234,000 to $50,071,000 compared to an increase of $11,779,000 to $63,305,000 for the year ended January 31, 1997. The current ratio was 2.7 at January 31, 1998 and 1997. At January 31, 1998, short-term investments and cash equivalents were primarily invested in debt securities with original maturity dates of less than 270 days.

Total assets at January 31, 1998 were $134,764,000 compared to $168,086,000 at January 31, 1997. Shareholders' equity was $102,268,000 at January 31, 1998, compared to $126,654,000 at January 31, 1997, a decrease of $24,386,000. The decrease in shareholders' equity for fiscal 1998 primarily relates to an $18,387,000 reduction in equity recorded in connection with the Company's restructuring of its Operating and License Agreement with Montgomery Ward. As discussed further in Note 3 to the consolidated financial statements, the Company restructured its operating agreement in an equity transaction whereby, among other matters, the Company agreed to cease the use of the Montgomery Ward and Montgomery Ward Direct names in its catalog operations in exchange for Montgomery Ward's return of 3.8 million common stock purchase warrants. In addition, shareholders' equity decreased as a result of the following:
$17,360,000 relating to the purchase of 2,417,000 shares of Company common stock made in connection with the Company's authorized stock repurchase program and the repurchase of 1,280,000 shares from Montgomery Ward; unrealized holding losses of $6,345,000 on available-for-sale investments; increased notes to officers of $369,000; and a $366,000 tax effect relating to the repurchase of warrants. The decreases in shareholders' equity were offset primarily by reported net income of $18,104,000 and proceeds received on the exercise of stock options of $299,000. The increase in shareholders' equity from fiscal 1996 to 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. As of January 31, 1998, 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 $284,000 related to one of the Company's acquisitions and a five-year non-compete obligation totaling $153,000 related to the acquisition of WAKC, Akron, Ohio. The Company has no other long-term debt obligations.

For the year ended January 31, 1998, net cash used for operating activities totaled $19,445,000 compared to net cash used of $5,779,000 in fiscal 1997. Net cash provided by operating activities totaled $2,304,000 in fiscal 1996. Cash flows from operations before consideration of changes in working capital items and investing and financing activities was a negative $3,998,000 in fiscal 1998 compared to a positive $3,357,000 in fiscal 1997 and a positive $4,042,000 in fiscal 1996. Net cash used for operating activities for fiscal 1998 reflects net income, as adjusted for depreciation and amortization, equity in losses of affiliates and gain on sale of broadcast station and investments, increased accounts payable and accrued liabilities, increased net taxes receivable and funding required to support a higher level of accounts receivable, offset by a decrease in inventories and prepaid expenses. Accounts receivable primarily increased due to the 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 decreased from prior year as a result of tighter inventory management and changes in merchandise mix. 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 as a result of increased sales volume and merchandise mix.

During fiscal 1995, the Company introduced an installment payment program called ValuePay which entitles customers to purchase merchandise and generally pay for the merchandise in two to four equal monthly installments. As of January 31, 1998, the Company had approximately $2,756,000 due from customers under the ValuePay installment program compared to $1,847,000 at January 31, 1997. 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 1999 from the Company's present capital resources and future operating cash flows.

Net cash provided by investing activities totaled $23,065,000 in fiscal 1998 compared to $19,223,000 for fiscal 1997 and net cash used of $11,443,000 for fiscal 1996. Expenditures for property and equipment approximated $3,543,000 in fiscal 1998 compared to $14,365,000 for fiscal 1997 and $3,041,000 for fiscal 1996.

Expenditures for property and equipment for fiscal 1998 and 1997 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) increased leasehold improvements as a result of expanded operations. The increases in property and equipment in fiscal 1998 were offset by a decrease of approximately $3,000,000 of transmission and production equipment and other fixed assets resulting from the sale of its television broadcast station WVVI. In addition, fiscal 1997 expenditures include a $4.7 million land purchase 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. During the second quarter of fiscal 1998, the Company received approximately $30 million in cash proceeds from the sale of television station WVVI. During fiscal 1998, the Company disbursed $6,632,000 relating to certain strategic investments and other long-term assets, granted a $7 million working capital loan in the form of a Demand Note to National Media Corporation bearing interest at prime plus 1.5%, received $1,381,000 in net proceeds from sales and distributions of certain long-term investments and received proceeds of $1,603,000 in collection of a long-term note receivable. Subsequent to January 31, 1998, the Company had loaned National Media the remaining $3 million available under the Demand Note.

During fiscal 1997, the Company used net cash of approximately $4,114,000 in connection with the acquisition of three direct-mail companies and 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.

Net cash used for financing activities totaled $15,041,000 for fiscal 1998 and $4,888,000 for fiscal 1997. Net cash used for financing activities primarily relates to common stock repurchases made under the Company's common stock repurchase program, installment payments 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 fiscal 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.

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 1999 and costs and expenses associated with the proposed National Media Merger. 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, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1998 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota,
March 16, 1998

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	AS OF JANUARY 31, 1998	AS OF JANUARY 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,198,074	$ 28,618,943
Short-term investments	14,667,669	24,239,840
Accounts receivable, net	8,694,293	6,446,649
Inventories, net	20,426,862	28,109,081
Prepaid expenses and other	10,478,848	10,933,394
Note receivable -- National Media Corporation	7,000,000	--
Income taxes receivable	748,319	--
Deferred income taxes	447,000	2,681,000
Total current assets	79,661,065	101,028,907
PROPERTY AND EQUIPMENT, NET	21,403,724	24,283,108
FEDERAL COMMUNICATIONS COMMISSION LICENSES, NET	5,807,187	6,934,546
MONTGOMERY WARD OPERATING AGREEMENT AND LICENSES, NET	2,073,360	15,052,935
INVESTMENT IN PAXSON COMMUNICATIONS CORPORATION	9,847,688	--
GOODWILL AND OTHER INTANGIBLE ASSETS, NET	6,892,454	10,764,011
INVESTMENTS AND OTHER ASSETS, NET	9,078,826	10,022,718
	$134,764,304	$168,086,225
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term obligations	$ 410,648	$ 392,921
Accounts payable	17,643,895	24,887,904
Accrued liabilities	11,535,551	12,398,041
Income taxes payable	--	45,008
Total current liabilities	29,590,094	37,723,874
LONG-TERM OBLIGATIONS	1,036,821	1,443,189
DEFERRED INCOME TAXES	1,869,660	2,265,000
Total liabilities	32,496,575	41,432,063
COMMITMENTS AND CONTINGENCIES (Notes 4, 7, 9, and 10)		
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value, 100,000,000 shares authorized; 26,780,778 and 28,842,198 shares issued and outstanding	267,808	288,422
Common stock purchase warrants; 0 and 5,368,557 shares	--	26,984,038
Additional paid-in capital	74,538,225	83,309,455
Net unrealized holding gains (losses) on investments available-for-sale	(6,275,652)	69,437
Notes receivable from officers	(960,476)	(591,445)
Retained earnings	34,697,824	16,594,255
Total shareholders' equity	102,267,729	126,654,162
	$134,764,304	$168,086,225

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,		
	1998	1997	1996
NET SALES	$217,981,886	$159,477,917	$88,909,853
COST OF SALES	122,807,613	92,114,663	52,268,398
Gross profit	95,174,273	67,363,254	36,641,455
OPERATING EXPENSES:			
Distribution and selling	89,018,303	56,819,304	28,177,953
General and administrative	10,153,565	7,187,377	4,421,924
Depreciation and amortization	6,977,594	5,996,357	4,807,735
Total operating expenses	106,149,462	70,003,038	37,407,612
OPERATING LOSS	(10,975,189)	(2,639,784)	(766,157)
OTHER INCOME (EXPENSE):			
Gain on sale of broadcast stations	38,850,000	27,050,000	--
Gain on sale of investments	214,694	808,449	8,480,453
Litigation costs	--	--	(617,000)
Equity in earnings (losses) of affiliates	(431,241)	419,430	1,983,226
Interest income	2,116,352	3,912,231	2,137,720
Other, net	(171,047)	139,396	(98,677)
Total other income	40,578,758	32,329,506	11,885,722
INCOME BEFORE PROVISION FOR INCOME TAXES	29,603,569	29,689,722	11,119,565
Provision for income taxes	11,500,000	11,600,000	100,000
NET INCOME	$ 18,103,569	$ 18,089,722	$11,019,565
NET INCOME PER COMMON SHARE	$ 0.57	$ 0.57	$ 0.38
NET INCOME PER COMMON SHARE -- ASSUMING DILUTION	$ 0.57	$ 0.56	$ 0.38
Weighted average number of common shares outstanding:			
Basic	31,745,437	31,718,390	28,627,356
Diluted	31,888,229	32,342,082	29,308,692

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, 1998, 1997 AND 1996

	COMMON STOCK		COMMON STOCK PURCHASE WARRANTS	ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED HOLDING GAINS (LOSSES) ON INVESTMENTS AVAILABLE-FOR-SALE	NOTES RECEIVABLE FROM OFFICERS
	NUMBER OF SHARES	PAR VALUE				
BALANCE, January 31, 1995.........	27,986,426	$279,864	$ --	$ 79,651,718	$ (614,526)	$ --
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...	--	--	--	--	429,756	--
Issuance of note to officers......	--	--	--	--	--	(558,670)
Net income........................	--	--	--	--	--	--
BALANCE, January 31, 1996.........	29,343,748	293,437	17,500,000	87,189,939	(184,770)	(558,670)
Exercise of stock options and warrants.........................	545,150	5,452	--	1,144,943	--	--
Repurchases of common stock.......	(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...	--	--	--	--	254,207	--
Increase in notes receivable from officers.........................	--	--	--	--	--	(32,775)
Net income........................	--	--	--	--	--	--
BALANCE, January 31, 1997.........	28,842,198	288,422	26,984,038	83,309,455	69,437	(591,445)
Exercise of stock options and warrants.........................	1,636,080	16,361	--	282,161	--	--
Repurchases of common stock and warrants.........................	(3,697,500)	(36,975)	(18,386,927)	(17,323,502)	--	--
Value transferred from common stock purchase warrants..........	--	--	(8,597,111)	8,597,111	--	--
Income tax effect of warrants repurchased......................	--	--	--	(366,000)	--	--
Income tax benefit from stock options exercised................	--	--	--	39,000	--	--
Unrealized holding loss on investments available-for-sale...	--	--	--	--	(6,345,089)	--
Increase in notes receivable from officers.........................	--	--	--	--	--	(369,031)
Net income........................	--	--	--	--	--	--
BALANCE, January 31, 1998.........	26,780,778	$267,808	$ --	$ 74,538,225	$(6,275,652)	$(960,476)

	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDERS' EQUITY
BALANCE, January 31, 1995.........	$(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
Issuance of note to officers......	--	(558,670)
Net income........................	11,019,565	11,019,565
BALANCE, January 31, 1996.........	(1,495,467)	102,744,469
Exercise of stock options and warrants.........................	--	1,150,395
Repurchases of common stock.......	--	(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
Increase in notes receivable from officers.........................	--	(32,775)
Net income........................	18,089,722	18,089,722

BALANCE, January 31, 1997.........	16,594,255	126,654,162
Exercise of stock options and warrants.........................	--	298,522
Repurchases of common stock and warrants.........................	--	(35,747,404)
Value transferred from common stock purchase warrants..........	--	--
Income tax effect of warrants repurchased......................	--	(366,000)
Income tax benefit from stock options exercised................	--	39,000
Unrealized holding loss on investments available-for-sale...	--	(6,345,089)
Increase in notes receivable from officers.........................	--	(369,031)
Net income........................	18,103,569	18,103,569
BALANCE, January 31, 1998.........	$ 34,697,824	$102,267,729

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

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1998	1997	1996
OPERATING ACTIVITIES:			
Net income	$ 18,103,569	$ 18,089,722	$ 11,019,565
Adjustments to reconcile net income to net cash provided by (used for) operating activities --			
Depreciation and amortization	6,977,594	5,996,357	4,807,735
Deferred taxes	1,838,660	(236,668)	(250,000)
Gain on sale of broadcast stations	(38,850,000)	(27,050,000)	--
Gain on sale of investments	(214,694)	(808,449)	(8,480,453)
Equity in (earnings) losses of affiliates	431,241	(419,430)	(1,983,226)
Other non-cash charges	--	--	646,268
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(3,762,629)	(555,925)	(2,064,405)
Inventories, net	5,682,219	(4,479,713)	(1,056,425)
Prepaid expenses and other	627,401	1,889,663	(3,230,141)
Accounts payable and accrued liabilities	(9,157,557)	1,433,867	2,894,713
Income taxes payable (receivable), net	(1,120,327)	361,481	--
Net cash provided by (used for) operating activities	(19,444,523)	(5,779,095)	2,303,631
INVESTING ACTIVITIES:			
Property and equipment additions, net of effect of acquisitions	(3,543,054)	(14,364,600)	(3,040,865)
Purchase of broadcast stations	--	(4,618,743)	--
Acquisition of direct-mail companies, net of cash acquired	--	(4,113,984)	--
Proceeds from sale of broadcast stations	30,000,000	40,000,000	--
Proceeds from sale of investments	1,381,162	6,103,541	16,438,979
Purchase of short-term investments	(43,866,856)	(84,506,099)	(55,094,124)
Proceeds from sale of short-term investments	51,121,965	87,256,886	33,710,220
Loan to National Media	(7,000,000)	--	--
Payment for investments and other assets	(6,631,791)	(6,534,383)	(3,457,071)
Proceeds from long-term notes receivable	1,603,439	--	--
Net cash provided by (used for) investing activities	23,064,865	19,222,618	(11,442,861)
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and warrants	298,522	1,150,395	141,844
Payments for repurchases of common stock	(14,963,837)	(5,825,894)	--
Proceeds from sale of common stock	--	--	8,000,000
Payment of offering costs	--	--	(464,167)
Payment of long-term obligations	(375,896)	(212,982)	(130,500)
Net cash provided by (used for) financing activities	(15,041,211)	(4,888,481)	7,547,177
Net increase (decrease) in cash and cash equivalents	(11,420,869)	8,555,042	(1,592,053)
BEGINNING CASH AND CASH EQUIVALENTS	28,618,943	20,063,901	21,655,954
ENDING CASH AND CASH EQUIVALENTS	$ 17,198,074	$ 28,618,943	$ 20,063,901

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 1998 AND 1997

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 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 and other women's apparel 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 HomeVisions (formerly known as Montgomery Ward Direct) effective July 27, 1996, BII effective October 22, 1996 and CVI 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 $453,000 at January 31, 1998 and $529,000 at January 31, 1997.

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 due to the short maturities of these instruments.

INVESTMENTS IN EQUITY SECURITIES

The Company classifies certain investments in equity securities as "available-for-sale" under the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS No. 115"), and reports these investments at fair value. Under SFAS No. 115, unrealized holding gains and losses on available-for-sale securities are excluded from income and are reported as a separate component of shareholders' equity. Realized gains and losses from securities classified as available-for-sale are included in income and are determined using the average cost method for ascertaining the cost of securities sold.

Information on investments in equity securities is as follows:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
January 31, 1998 equity securities............	$21,044,000	$ --	$6,276,000	$14,768,000
January 31, 1997 equity securities............	$ 181,000	$69,000	$ --	$ 250,000

As of January 31, 1998 and 1997 respectively, $4,920,000 and $0 of available-for-sale investments were classified as short-term investments in the accompanying consolidated balance sheets.

Proceeds from sales of investment securities available-for-sale were $3,084,000, $4,608,000 and $16,439,000 in fiscal 1998, 1997 and 1996, respectively, and related net realized gains included in income were $215,000, $808,000 and $8,480,000 in fiscal 1998, 1997 and 1996, respectively.

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.

ADVERTISING COSTS

Promotional advertising expenditures are expensed in the period the advertising initially takes place. Direct response advertising costs, consisting primarily of catalog preparation, printing and postage expenditures, are deferred and amortized over the period during which the benefits are expected, generally three to six months. Advertising costs of $44,894,000, $21,164,000 and $2,013,000 for the years ended January 31, 1998, 1997 and 1996, respectively, are included in the accompanying consolidated statements of operations. Prepaid expenses and other includes deferred advertising costs of $6,114,000 at January 31, 1998 and $6,268,000 at January 31, 1997, which will be reflected as an expense during the quarterly period benefited.

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)	1998	1997
Land and improvements	--	$ 6,564,000	$ 7,151,000
Buildings and improvements	40	4,326,000	4,630,000
Transmission and production equipment	5-20	7,744,000	10,226,000
Office and warehouse equipment	3-10	4,033,000	2,962,000
Computer and telephone equipment	3-5	4,267,000	3,726,000
Leasehold improvements	3-10	2,074,000	1,720,000
Less -- Accumulated depreciation and amortization		(7,604,000)	(6,132,000)
		$21,404,000	$24,283,000

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 $653,000 at January 31, 1998 and $529,000 at January 31, 1997.

Although the FCC has established eight year license terms for television stations, the Telecommunications Act of 1996 requires the FCC to grant applications for renewal of such licenses upon a finding that (i) the station has served the public interest, convenience, and necessity; (ii) there have been no serious violations by the licensee of the Communications act or the FCC's rules and regulations; and (iii) there have been no other violations by the licensee of such Act or rules and regulations which, taken together, would constitute a pattern of abuse. The Company has met and continues to meet the requirements set forth above, and based further on standard industry practice, the Company has determined that 25 years is a reasonable estimated useful life for its FCC licenses, considering the future periods to be benefited.

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 (see discussion below and Note 3). 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.

In the fourth quarter of fiscal 1998, the Company and Montgomery Ward restructured the Operating Agreement in an equity transaction whereby certain rights and arrangements with respect to both the Company's television home shopping and catalog operations were modified and amended and, among other matters, the Company agreed to cease the use of the Montgomery Ward and Montgomery Ward Direct names in its catalog operations in exchange for Montgomery Ward's return of 3.8 million common stock purchase warrants. As a result of the restructuring, the Montgomery Ward Operating Agreement and License asset was reduced to $2,115,000 which represents the asset's remaining fair value assigned to the Company's non-catalog operations. The value assigned to the asset was determined through an analysis of the future cash flows and benefits expected to be received and is being amortized on a straight-line basis over the remaining term of the agreement.

GOODWILL AND OTHER INTANGIBLE ASSETS

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 15 to 25 years. Other intangible assets represent costs allocated to customer lists arising from business acquisitions and are amortized on a straight-line basis over 5 years. The carrying values of goodwill are evaluated periodically by the Company in relation to the operating performance and future undiscounted net cash flows of the related acquired businesses.

As discussed further in Note 3, in the fourth quarter of fiscal 1998, the Company restructured its operating agreement with Montgomery Ward in an equity transaction whereby, among other matters, the Company agreed to cease the use of the Montgomery Ward and Montgomery Ward Direct names in its catalog operations in exchange for Montgomery Ward's return of 3.8 million common stock purchase warrants. As a result of the restructuring, $5,259,000, representing the remaining balance of goodwill and other intangible assets relating to the acquisition of Montgomery Ward Direct were reduced to zero through equity in the transaction. Accumulated amortization was $671,000 at January 31, 1998 and $660,000 at January 31, 1997.

INVESTMENTS AND OTHER ASSETS

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

	1998	1997
Investments	$4,211,000	$ 4,444,000
Prepaid cable launch fees, net	1,622,000	2,382,000
Other, net	3,246,000	3,197,000
	$9,079,000	$10,023,000

Included in these investments are certain nonmarketable investments in private companies and other enterprises which are carried at the lower of cost or net realizable value. The fair values of these investments are estimated based primarily on recent financing and securities transactions, present value and other pricing models, and, to a lesser extent, other pertinent information, including financial condition and operating results.

At January 31, 1998, investments also include approximately $1,179,000 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 from the limited partnership, including common stock and common stock purchase warrants, valued at $2,744,000, as determined pursuant to an independent financial appraisal. During fiscal 1998, the Company received cash distributions of approximately $1,101,000 from the limited partnership.

At January 31, 1998, investments also include approximately $1,030,000 related to the Company's investment interest in Net Radio Corporation ("Net Radio") which was purchased in March 1997 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 where the Company's 24-hour per day shopping program is currently being carried. The investment is being accounted for under the cost method.

Prepaid cable launch fees represent amounts paid to cable operators upon entering into cable affiliation agreements. These fees are capitalized and amortized over the lives of the related cable affiliation contracts, which range from 2-7 years.

Other assets consist principally of non-compete agreements, prepaid satellite transponder launch fees, long-term deposits, notes receivable, deferred acquisition costs, 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 25 years. Accumulated amortization was $685,000 at January 31, 1998 and $433,000 at January 31, 1997.

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 PER COMMON SHARE

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings per Share" ("SFAS No. 128"), which established new guidelines for computing and presenting earnings per share data ("EPS"). SFAS No. 128 replaces primary EPS with basic EPS. Basic EPS is computed by dividing reported earnings by weighted average shares outstanding, excluding potentially dilutive securities. Fully diluted EPS, termed diluted EPS under SFAS No. 128, is also to be disclosed. The Company adopted SFAS No. 128 in the fourth quarter of fiscal 1998. The adoption of SFAS No. 128 did not have a significant effect on previously reported earnings per share information.

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

	FOR THE YEARS ENDED JANUARY 31,		
	1998	1997	1996
Net income	$18,104,000	$18,090,000	$11,020,000
Weighted average number of common shares outstanding -- Basic	31,745,000	31,718,000	28,627,000
Dilutive effect of stock options	143,000	624,000	682,000
Weighted average number of common shares outstanding -- Diluted	31,888,000	32,342,000	29,309,000
Net income per common share	$0.57	$0.57	$0.38
Net income per common share -- assuming dilution	$0.57	$0.56	$0.38

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS No. 107"), requires disclosures of fair value information about financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating its fair values for financial instruments:

The carrying amount reported in the balance sheet approximates the fair value for cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, due to the short maturities of those instruments.

Fair values for long-term investments are based on quoted market prices, where available. For equity securities not actively traded, fair values are estimated by using quoted market prices of comparable instruments or, if there are no relevant comparables, on pricing models or formulas using current assumptions.

The fair value for the Company's long-term debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates, for similar types of borrowing arrangements, and approximated carrying value at January 31, 1998 and 1997.

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 1997 and 1996 amounts in the accompanying consolidated financial statements have been reclassified to conform to the fiscal 1998 presentation, with no impact on previously reported net income.

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 then 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. 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 had been restructured and amended such that (i) 18,000,000 warrants not immediately exercisable granted to Montgomery Ward in August 1995 and with exercise prices ranging from $7.00 - $17.00 were terminated in exchange for the issuance by the Company of 1,484,467 new immediately exercisable warrants exercisable at $0.01 per share and valued at $5.625 per warrant, which approximated the book value of the 18,000,000 warrants not immediately exercisable returned as of the date of the transaction, (ii) the Company issued 1,484,993 new immediately exercisable warrants, valued at $5.625 per warrant and exercisable at $0.01 per share, to Montgomery Ward as full consideration for the acquisition of approximately $4.0 million in net assets, representing substantially all of the assets and the assumption of certain liabilities of MWD, (iii) Montgomery Ward committed to provide $20 million in supplemental advertising support over a five-year period, (iv) the Montgomery Ward operating agreements and licenses were amended and expanded, as defined in the agreements, and extended to July 31, 2008 and (v) the Company issued to Montgomery Ward new immediately exercisable 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 immediately exercisable warrants granted to Montgomery Ward in August 1995 which were exercisable at prices ranging from $6.50 - $6.75 per share. The fair value of the warrants approximated the book value of the warrants exchanged. The Operating Agreement has a twelve-year term and may be terminated under certain circumstances as defined in the agreement.

Effective November 1, 1997, the Company restructured its operating agreement with Montgomery Ward, which governs the use of the Montgomery Ward name. In exchange for Montgomery Ward's return to ValueVision of warrants covering the purchase of 3,842,143 shares of ValueVision common stock (representing all remaining warrants held by Montgomery Ward), the Company ceded exclusive use of the Montgomery Ward name for catalog, mail order, catalog "syndications" and television shopping programming back to Montgomery Ward. Under the agreement, the Company has ceased the use of the Montgomery Ward name in all outgoing catalog, syndication, and mail order communication through March 31, 1998, with a wind down of incoming orders and customer service permitted after March 31, 1998. The agreement also includes the reduction of Montgomery Ward's minimum commitment to support ValueVision's cable television spot advertising purchases. Under the new terms, Montgomery Ward's commitment is reduced from $4 million to $2 million annually, and the time period decreased from five years to three years effective November 1, 1997. In addition, the agreement limits the Company to offer the Montgomery Ward credit card only in conjunction with its various television offers and subject to the normal approvals by the credit card grantor. The Company has accounted for the restructuring of the Operating Agreement as an exchange or disposition of assets at fair value, in accordance with the provisions of Accounting Principles Board Opinion No. 29. The return of the warrants, which were valued at approximately $19,211,000, represents consideration given by Montgomery Ward for the assets relinquished by the Company, which effectively include the remaining goodwill attributable to the acquisition of MWD, as well as a portion of the Montgomery Ward Operating Agreement and License asset (see Note 2). The warrants were valued at $5.00 per warrant, which represented the fair market value of the Company's stock on October 22, 1997, the date on which ValueVision and Montgomery Ward reached agreement on the terms and consideration of the restructuring agreement and the date the transaction was effectively announced. The warrant return has been reflected as a reduction in shareholders' equity for the fair value of the warrants, and the intangible asset amounts reflecting the assets sold back to Montgomery Ward have been reduced accordingly to their remaining estimated fair values as determined through analysis of future cash flows and benefits to be received. The difference between the consideration given by the Company (the assets sold back to Montgomery Ward) and the consideration received (the warrants returned to the Company) was not material. The agreement also called for the repurchase by the Company of 1,280,000 shares of its common stock currently owned by Montgomery Ward, at a price of $3.80 per share. This repurchase was completed on January 15, 1998. Management does not believe that this restructuring will have any other material impact on the Company's financial condition, results of operations or liquidity.

Montgomery Ward purchased approximately $3.3 million and $4.2 million of advertising spot time on cable systems affiliated with the Company pursuant to cable affiliation agreements for the years ended January 31, 1998 and 1997, respectively. Under the terms of the Credit Card License and Receivable Sales Agreement, the Company incurred $1,123,000 and $596,000 of processing fees during fiscal 1998 and 1997, respectively as a result of customers using Montgomery Ward/ValueVision credit cards. In addition, during fiscal 1998 and 1997, the Company earned $831,000 and $793,000 for administering and processing Montgomery Ward credit card applications. As of January 31, 1998 and 1997, the Company had $2,218,000 and $830,000 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, through VVDM, 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 $4.0 million in net assets of MWD. The value of the warrants issued in the acquisition of MWD was based on the market price of the Company's common stock during the period in which the agreement was reached (i.e., signing of the letter of intent) to undertake the relevant transaction which the Company believes is indicative of the fair value of the acquired business.

The Company's acquisition of MWD was for an aggregate purchase price of $8,497,000, which included approximately $4.0 million in net assets, including acquired cash of $5,764,000. Acquisition related costs approximated $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. The 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, had been recorded as goodwill and other intangible assets in the accompanying balance sheet and was being amortized on a straight-line basis over 5-12 years. As discussed in Notes 2 and 3, intangible assets recorded in connection with this acquisition were reduced to zero in fiscal 1998 in connection with the restructuring transaction with Montgomery Ward. 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 diluted share, in fiscal 1997 and $4,341,000, or $.14 per diluted 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. In fiscal 1998, the Company changed the name of the MWD catalog to HomeVisions.

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 and other women's apparel. 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 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 one 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 whereby the Company paid $800,000 to the former owner of WVVI 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 had been classified as excess purchase price and was 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 and as a result, the Company paid an additional $1,600,000 in connection with its 1995 acquisition of television station KVVV(TV) in Houston, Texas upon a second closing. The additional payment has been classified as excess purchase price and is being amortized over 25 years on a straight-line basis. Pro forma results of operations have not been presented because the effects were not significant. The Company views and treats the acquisition of its television broadcast stations as a "purchase of assets" rather than as a purchase of a stand alone operating business unit. This treatment is due to the fact that planned revenues of acquired television broadcast stations do not constitute either a separate business of ValueVision or represent a significant portion of the Company's operating businesses.

The Company has filed applications for nine additional full-power stations, all of which include multiple applicants, and expects to participate in FCC-permitted private auctions to determine the grantee.

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 first fiscal quarter ended April 30, 1996.

On July 31, 1997, the Company completed the sale of its television broadcast station, WVVI (TV) to Paxson for approximately $30 million in cash and the receipt of 1,197,892 shares of Paxson common stock valued at $11.92 per share as determined pursuant to an independent financial appraisal. Under the terms of the agreement, Paxson paid the Company $20 million in cash upon closing and was 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) was acquired by the Company in March 1994 for $4,850,000. The pre-tax gain recorded on the sale of the television station was approximately $38.9 million and was recognized in the second fiscal quarter ended July 31, 1997.

On February 27, 1998, the Company completed the sale of its television broadcast station KBGE-TV Channel 33, which serves the Seattle, Washington market, along with two of the Company's non-cable, low-power stations in Portland, Oregon and Indianapolis, Indiana and a minority interest in an entity which had applied for a new full-power station to Paxson for a total of approximately $35 million in cash. Under the terms of the agreement, Paxson paid the Company approximately $25 million upon closing and the remaining $10 million is to be paid when KBGE, which is currently operating at reduced power from downtown Seattle, is able to relocate its antenna and increase its transmitter power to a level at or near its licensed full power. The Company will retain and continue to serve the Seattle market via its recently-launched low-power station K58DP-TV, which transmits from downtown Seattle. The pre-tax gain to be recorded on the first installment with respect to the sale of this television station is expected to be approximately $19.8 million and will be recognized in the first quarter of fiscal 1999.

Management believes that sales of its television stations will not have a significant impact on the ongoing operations of the Company.

5. 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. As of January 31, 1998, the Company held licenses for ten LPTV stations, and had pending before the FCC an application to acquire an eleventh LPTV station from a former officer and shareholder of the Company for which an application has since been granted but the acquisition has not yet been consummated.

The Company's President and Chief Operating Officer also holds a construction permit for an additional LPTV station in Richmond, Virginia. The Company has entered into an agreement with this permittee whereby the Company has the option to enter into a secured financing arrangement to support the construction of transmission equipment for the LPTV station and to provide its programming to the station. The agreement contains a fixed price purchase option of $5,000 in favor of the Company, effective 12 months from the FCC licensing date, as defined. Under the agreement this permittee could receive maximum annual programming fees of approximately $48,000.

6. SHAREHOLDERS' EQUITY:

COMMON STOCK

The Company currently has authorized 100,000,000 shares of undesignated capital stock, of which approximately 26,780,778 shares were issued and outstanding as Common Stock as of January 31, 1998. The Board of Directors can establish new classes and series of capital stock by resolution without shareholder approval.

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, 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 immediately exercisable 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 million warrants held. In addition, the Company issued 1,484,993 new immediately exercisable 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. See Note 3 for further discussion.

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

In February 1997, vested warrants to purchase 1,526,414 shares of the Company's common stock at an exercise price of $.01 per share and originally valued at $8,597,000, were exercised in full and their value was transferred to paid in capital.

As discussed further in Note 3, in November 1997, 3,842,143 immediately exercisable warrants owned by Montgomery Ward at an exercise price of $.01 per share were exchanged and returned to the Company as consideration in the transaction relating to the restructuring of the Company's operating agreement with Montgomery Ward. In addition, the Company repurchased 1,280,000 shares of its common stock held by Montgomery Ward for aggregate consideration of approximately $4,505,000.

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.

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 1998, 1997 or 1996.

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 non-qualified 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 non-qualified 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 1998 and 1997, 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:

		1998	1997	1996
Net income:	As reported..........................	$18,104,000	$18,090,000	$11,020,000
	Pro forma............................	17,805,000	17,794,000	10,775,000
Net income per share:				
Basic:	As reported..........................	$0.57	$0.57	$0.38
	Pro forma............................	0.56	0.56	0.38
Diluted:	As reported..........................	$0.57	$0.56	$0.38
	Pro forma............................	0.57	0.56	0.37

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:

	1990 INCENTIVE STOCK OPTIONS PLAN	NON-QUALIFIED STOCK OPTIONS	1994 EXECUTIVE STOCK OPTION PLAN
Fiscal 1998 grants.....................	$2.49	$2.77	$2.14
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 1998, 1997 and 1996, respectively:
risk-free interest rates of 6.0, 6.0 and 6.2 percent; expected volatility of 47, 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, 1998, 1997, and 1996 and changes during the years then ended is presented below:

	1990 INCENTIVE STOCK OPTION PLAN	WEIGHTED AVERAGE EXERCISE PRICE	NON-QUALIFIED STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	1994 EXECUTIVE STOCK OPTION PLAN	WEIGHTED AVERAGE EXERCISE PRICE
Balance outstanding, January 31, 1995....	1,191,336	$4.20	365,000	$3.82	1,500,000	$9.50
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	1,500,000	9.50
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	1,500,000	9.50
Granted................................	160,000	4.23	150,000	4.56	100,000	3.63
Exercised..............................	(84,667)	2.93	(25,000)	1.25	--	--
Forfeited or canceled..................	(223,333)	5.47	--	--	--	--
Balance outstanding, January 31, 1998....	1,459,836	$4.60	955,000	$5.00	1,600,000	$9.13
Options exercisable at:						
January 31, 1998.......................	938,000	$4.37	538,000	$4.82	600,000	$9.50
January 31, 1997.......................	971,000	$4.24	505,000	$4.55	450,000	$9.50
January 31, 1996.......................	759,000	$3.97	315,000	$4.20	300,000	$9.50

The following table summarizes information regarding stock options outstanding at January 31, 1998:

		OPTIONS OUTSTANDING		
OPTION TYPE	RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
Incentive:..................	$1.00 - $2.53	165,336	$1.43	2.1
	$3.88 - $7.50	1,294,500	$5.00	5.3
	$1.00 - $7.50	1,459,836	$4.60	4.9
Non-qualified:..............	$4.13 - $6.19	955,000	$5.00	5.3

	OPTIONS EXERCISABLE	
OPTION TYPE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Incentive:..................	165,000	$1.41
	773,000	$5.00
	938,000	$4.37
Non-qualified:..............	538,000	$4.82

STOCK OPTION TAX BENEFIT

The exercise of stock options 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, as the options were originally granted at the fair market value of the Company's common stock on the date of grant. The related tax benefits are recorded as additional paid-in capital when realized, and totaled $39,000 and $790,000 in fiscal 1998 and 1997, respectively.

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. In March 1997, the Company's Board of Directors authorized an additional repurchase of up to $10 million of the Company's common stock. During fiscal 1998, the Company repurchased 2,417,000 common shares under the program for a total cost of $10,458,000. During fiscal 1997, the Company repurchased 1,047,000 common shares for a total cost of $5,826,000. No shares were repurchased in fiscal 1996.

7. LONG-TERM OBLIGATIONS:

In conjunction with the acquisition of WAKC in fiscal 1995, 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, 1998 were $153,000 and $200,000, respectively.

The Company leases computer and telephone equipment under noncancelable capital leases and includes these assets in property and equipment in the accompanying consolidated balance sheets. At January 31, 1998, the capitalized cost of leased equipment was approximately $539,000 and the related accumulated depreciation was approximately $245,000.

Future minimum lease payments for assets under capital leases at January 31, 1998 are as follows:

FISCAL YEAR	
1999	$242,000
2000	225,000
2001	76,000
Total minimum lease payments	543,000
Less: Amounts representing interest	(48,000)
	495,000
Less: Current portion	(211,000)
Long-term capital lease obligation	$284,000

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.

8. 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, 1998	JANUARY 31, 1997
Accruals and reserves not currently deductible for tax purposes	$ 2,134,000	$ 2,579,000
Inventory capitalization	363,000	541,000
Deferred catalog costs	(766,000)	(667,000)
Basis differences in intangible assets	(575,000)	30,000
Net tax carryforwards	--	198,000
Differences in depreciation lives and methods	(1,341,000)	(1,237,000)
Difference in investments and other items	(1,238,000)	(1,028,000)
Net deferred tax asset (liability)	$(1,423,000)	$ 416,000

The net deferred tax asset (liability) is classified as follows in the accompanying consolidated balance sheets:

	JANUARY 31, 1998	JANUARY 31, 1997
Current deferred taxes	$ 447,000	$ 2,681,000
Noncurrent deferred taxes	(1,870,000)	(2,265,000)
Net deferred tax asset (liability)	$(1,423,000)	$ 416,000

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

	YEARS ENDED JANUARY 31, 1998	1997	1996
Current	$ 9,661,000	$11,766,000	$ 350,000
Deferred	1,839,000	(166,000)	(250,000)
	$11,500,000	$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, 1998	1997	1996
Taxes at federal statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.8%	4.1%	5.0%
Effect of recognition of previously unrecorded deferred tax assets	--	--	(39.1)%
Effective tax rate	38.8%	39.1%	0.9%

9. COMMITMENTS AND CONTINGENCIES:

CABLE AFFILIATION AGREEMENTS

As of January 31, 1998, the Company had entered into 2 to 7 year affiliation agreements with thirteen 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, 1998, 1997 and 1996, the Company paid approximately $17,431,000, $15,182,000 and $12,078,000, 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, be 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. The aggregate commitment for future base compensation for these officers at January 31, 1998 was $700,000.

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, 1998 was approximately $2,592,000.

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, 1998 were as follows:

FISCAL YEAR	AMOUNT
1999	$4,023,000
2000	3,711,000
2001	3,393,000
2002	2,329,000
2003 and thereafter	9,030,000

Total lease expense under such agreements was approximately $4,227,000 in 1998, $4,222,000 in 1997, and $3,348,000 in 1996.

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 Company contributions made to the plan in fiscal 1998, 1997 or 1996.

10. LITIGATION:

In December 1997, the Company was named in a lawsuit filed by Time Warner Cable against Bridgeways Communications Corporation ("Bridgeways") and the Company alleging, among other things, tortious interference with contractual and business relations and breach of contract. According to the complaint, Bridgeways and Time Warner Cable have been in a dispute since 1993 regarding Bridgeways' attempt to assert "must carry" rights with respect to television station WHAI-TV in the New York City Area of Dominant Influence.

ValueVision purchased television station WHAI-TV from Bridgeways in 1994 and subsequently sold it in 1996. ValueVision and Time Warner Cable entered into cable affiliation agreement in 1995 pursuant to which ValueVision agreed not to assert "must carry" rights with respect to television station WHAI-TV and pursuant to which ValueVision's programming is currently carried by Time Warner Cable in approximately 4.2 million full-time equivalent cable households. The complaint seeks unspecified damages and for the court to declare the cable affiliation agreement between Time Warner Cable and ValueVision null and void. The Company is confident that it remains in full compliance with the terms and conditions of the cable affiliation agreement and that it has been inappropriately named in this lawsuit involving Time Warner Cable and Bridgeways. The Company claims that the lawsuit is completely without merit, plans to defend it vigorously, and believes that the ultimate disposition of this legal proceeding will not have a materially adverse effect on the Company's consolidated financial position or future results of operations. However, if Time Warner Cable were to prevail under the Complaint, such an outcome could have a material adverse effect on the Company's financial position and/or costs of operations to the extent it jeopardized access to, or increased the cost of access to, these 4.4 million full-time equivalent households, which represent approximately 38% of the full-time equivalent households to which the Company currently has access.

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 asserting 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 for the warrants. As of January 31, 1998, $800,000 has been paid with a final installment of $400,000 to be paid on September 1, 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.

In addition to the litigation noted above, the Company is involved from time to time in various other claims and lawsuits in the ordinary course of business. In the opinion of Management, the claims and suits in the aggregate will not have a material adverse effect on the Company's operations or consolidated financial statements.

11. RELATED PARTY TRANSACTIONS:

At January 31, 1998 and 1997, the Company had approximately $960,000 and $591,000, respectively, of notes receivable from certain officers of the Company. These notes range in the principal amount of $10,000 to $500,000, bear interest at 5.6% to 6.8%, and with payment terms ranging from due on demand to November 2002. The notes have been reflected as a reduction of shareholders' equity in the accompanying consolidated balance sheets, as the notes are partially collateralized by shares of the Company's common stock owned by the officers.

12. SUPPLEMENTAL CASH FLOW INFORMATION:

Supplemental cash flow information and noncash investing and financing activities were as follows:

	FOR THE YEARS ENDED JANUARY 31,		
	1998	1997	1996
Supplemental cash flow information:			
Interest paid	$ 89,000	$ 83,000	$ 69,000
Income taxes paid	$11,482,000	$10,051,000	$ --
Supplemental non-cash investing and financing activities:			
Reduction of Montgomery Ward operating license asset and other assets in exchange for the return of warrants	$19,211,000	$ --	$ --
Receipt of 1,197,892 shares of Paxson Communications Corporation common stock as partial consideration from the sale of a broadcast television station	$14,285,000	$ --	$ --
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 part of a long-term investment contribution	$ --	$ 1,131,000	$ --
Issuance of note payable in connection with the purchase of land	$ --	$ 600,000	$ --
Issuance of warrants to Montgomery Ward & Co., Incorporated	$ --	$ --	$17,500,000
Receipt of a capital distribution from an investment in a limited partnership	$ --	$ --	$ 2,744,000

13. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") in June 1997. SFAS No. 131 requires that public business enterprises report information about operating segments in annual financial statements and requires selected information in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers and is effective for fiscal years beginning after December 15, 1997. The Company is currently evaluating the impact of SFAS No. 131 and will adopt the disclosure requirements in fiscal 1999 when required.

14. NATIONAL MEDIA CORPORATION PROPOSED MERGER:

On January 5, 1998, the Company entered into an Agreement and Plan of Reorganization and Merger (the "Merger Agreement"), by and among the Company, National Media Corporation ("National Media") and Quantum Direct Corporation, formerly known as V-L Holdings Corp. ("Quantum Direct"), a newly-formed Delaware corporation. National Media Corporation is a publicly-held direct marketer of consumer products through the use of direct response transactional television programming, known as infomercials, and currently makes its programming available to more than 370 million television households in more than 70 countries worldwide. If the mergers (the "Mergers") contemplated by the Merger Agreement were to be consummated, the Company and National Media would have become wholly-owned subsidiaries of Quantum Direct, with each outstanding share of the Company's common stock being converted into 1.19 shares of common stock in Quantum Direct and each outstanding share of common stock of National Media, being converted into one share of common stock in Quantum Direct.

Concurrently with the execution of the Merger Agreement, the Company agreed to loan to National Media, pursuant to a Demand Promissory Note, up to an aggregate of $10.0 million, $7.0 million of which was advanced upon signing of the Demand Note on January 5, 1998 and the remaining $3.0 million of which has subsequently been advanced. The Loan proceeds have been used by National Media for various purposes, including the funding of accounts receivable, inventory and media purchases. The Loan bears interest at prime rate plus 1.5% per annum and is due on the earlier of January 1, 1999 or upon termination of the Merger Agreement in certain circumstances. In the event National Media is unable to repay the Loan when due, the Company may elect to receive payment in shares of National Media's common stock at the then present market value. In consideration for providing the Loan, National Media issued to the Company warrants to acquire 250,000 shares of National Media's common stock with an exercise price per share equal to $2.74. The warrants are exercisable until the earlier of (i) January 5, 2003 and (ii) the occurrence of one of the following termination events: (x) the consummation of the Merger or (y) the termination by National Media of the Merger Agreement, if such termination results from a breach of a covenant by the Company or in the event the Company's shareholders do not approve the Merger Agreement; provided, however, that if, within 75 days after the termination event described in clause (y) above, National Media has not repaid the Loan in full or if during such 75 days, National Media defaults under its obligations pursuant to the Loan, no termination event will be deemed to have occurred and the warrants shall remain exercisable.

Consummation of the Mergers is subject to the satisfaction (or waiver) of a number of conditions, including, but not limited to: (i) approval by holders of a majority of the issued and outstanding shares of National Media's common stock and ValueVision common stock; (ii) redemption of National Media's Series C Preferred Stock; (iii) the receipt of certain regulatory and other approvals, including those from the Federal Trade Commission and the Federal Communication Commission; and (iv) not more than 5% of the holders of the issued and outstanding shares of the Company's common stock shall have made demands and given the notices required under Minnesota law to assert dissenters' appraisal rights.

15. UNAUDITED SUBSEQUENT EVENT:

On April 8, 1998, it was announced that the Company received preliminary notification from holders of more than 5% of the Company's common stock that they intended to exercise their dissenter's rights with respect to the proposed merger of the Company and National Media. The Company also reported that it had advised National Media that it does not intend to waive the Merger Agreement condition to closing requiring that holders of not more than 5% of the shares of the Company common stock have demanded their dissenter's rights. The Company and National Media had special meetings of their shareholders scheduled on April 14, 1998 to vote on the Mergers. In light of the receipt of the dissenters' notice, the companies mutually agreed to postpone their respective shareholder meetings while the companies attempt to negotiate a restructuring of the Mergers that is acceptable to each of the companies and in the best interest of their shareholders. As of the date hereof, National Media and the Company are still attempting to negotiate a restructuring of the Mergers and have not reschedule their respective special meetings. There can be no assurance that the companies will be able to successfully negotiate such a restructuring, or if negotiated, that such Mergers will be consummated.

SCHEDULE II

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C ADDITIONS		COLUMN D	COLUMN E
	BALANCES AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	OTHER	DEDUCTIONS	BALANCE AT END OF YEAR
FOR THE YEAR ENDED JANUARY 31, 1998:					
Allowance for doubtful accounts.....	$ 529,000	$ 561,000	$ --	$ (637,000)(1)	$ 453,000
Reserve for returns.................	$1,690,000	$50,837,000	$ --	$(51,084,000)(2)	$1,443,000
FOR THE YEAR ENDED JANUARY 31, 1997:					
Allowance for doubtful accounts.....	$ 181,000	$ 413,000	$224,000(3)	$ (289,000)(1)	$ 529,000
Reserve for returns.................	$1,046,000	$44,202,000	$918,000(3)	$(44,476,000)(2)	$1,690,000
FOR THE YEAR ENDED JANUARY 31, 1996:					
Allowance for doubtful accounts.....	$ 142,000	$ 99,000	$ --	$ (60,000)(1)	$ 181,000
Reserve for returns.................	$ 642,000	$32,793,000	$ --	$(32,389,000)(2)	$1,046,000

(1) Write off of uncollectible receivables, net of recoveries.

(2) Refunds or credits on products returned.

(3) Assumed through acquisitions.

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			PAGE
2	--	Agreement and Plan of Reorganization and Merger, dated January 5, 1998, by and among the Registrant, National Media Corporation and Quantum Direct Corporation (formerly known as V-L Holdings Corp.) (A)................................	
3.1	--	Sixth Amended and Restated Articles of Incorporation, as amended. (B)...	
3.2	--	Bylaws, as amended. (B)..................................	
10.1	--	Amended 1990 Stock Option Plan of the Registrant. (C)+......	
10.2	--	Form of Option Agreement under the Amended 1990 Stock Option Plan of the Registrant. (A)+..............................	
10.3	--	1994 Executive Stock Option and Compensation Plan of the Registrant. (I)+...	
10.4	--	Form of Option Agreement under the 1994 Executive Stock Option and Compensation Plan of the Registrant. (G)+........	
10.5	--	Option Agreement between the Registrant and Marshall Geller dated as of June 24, 1993. (D)............................	
10.6	--	Option Agreement between the Registrant and Marshall Geller dated as of June 3, 1994. (A)+............................	
10.7	--	Option Agreement between the Registrant and Marshall Geller dated August 8, 1995. (E)+................................	
10.8	--	Option Agreement between the Registrant and Marshall Geller dated as of March 3, 1997. (A)+............................	
10.9	--	Option Agreement between the Registrant and Robert Korkowski dated as of June 24, 1993. (D)+...........................	
10.10	--	Option Agreement between the Registrant and Robert Korkowski dated June 3, 1994. (A)+..................................	
10.11	--	Option Agreement between the Registrant and Robert Korkowski dated August 8, 1995. (E)+................................	
10.12	--	Option Agreement between the Registrant and Robert Korkowski dated March 3, 1997. (A)+................................	
10.13	--	Employment Agreement between the Registrant and Robert Johander dated as of September 1, 1993. (D)+...............	
10.14	--	Amendment to Employment Agreement between the Registrant and Robert Johander dated January 5, 1998. (A).................	
10.15	--	Promissory Note payable to the Registrant dated December 31, 1997 for $25,000 executed by Robert L. Johander. (A)........	
10.16	--	Promissory Note payable to the Registrant dated April 24, 1997 for $140,000 executed by Robert L. Johander. (A).......	
10.17	--	Promissory Note payable to the Registrant dated April 29, 1997 for $35,000 executed by Robert L. Johander. (A)........	
10.18	--	Promissory Note payable to the Registrant dated May 2, 1997 for $58,000 executed by Robert L. Johander. (A)............	

EXHIBIT NUMBER			PAGE
10.41	--	Stipulation made as of November 1, 1997 between Montgomery Ward & Co., Incorporated ("Montgomery Ward") and the Registrant Regarding the Assumption and Modification of Executory Contracts and Related Agreements. (G)............	
10.42	--	Second Amended and Restated Operating Agreement made as of November 1, 1997 between Montgomery Ward and the Registrant. (G)...	
10.43	--	Amended and Restated Credit Card License Agreement made as of November 1, 1997 between Montgomery Ward and the Registrant. (G)...	
10.44	--	Second Amended and Restated Servicemark License Agreement made as of November 1, 1997 between Montgomery Ward and the Registrant. (G)...	
10.45	--	Stock Option Agreement (ValueVision) dated as of January 5, 1998 between the Registrant and National Media. (J).........	
10.46	--	Stock Option Agreement (National Media) dated as of January 5, 1998 between National Media and the Registrant. (J)......	
10.47	--	Redemption and Consent Agreement dated January 5, 1998 by and between National Media, the Registrant, Capital Ventures International and RGC International Investors, LDC. (J).....	
10.48	--	$10,000,000 Demand Promissory Note dated January 5, 1998 issued by National Media to the Registrant. (J)............	
10.49	--	Subsidiary Guarantee dated as of January 5, 1998 by Quantum North America, Inc., Quantum International Limited, Quantum Far East Ltd., Quantum Marketing International, Inc., Quantum International Japan Company Ltd., DirectAmerica Corporation, Positive Response Television, Inc., Quantum Productions AG, Suzanne Paul (Australia) Pty Limited, and National Media Holdings, Inc., for the benefit of the Registrant. (J)...	
10.50	--	Warrant Agreement by and between National Media and the Registrant dated as of January 5, 1998. (J)................	
10.51	--	Warrant Certificate No. 1 dated January 5, 1998, issued by National Media to the Registrant to purchase 250,000 shares of National Media common stock. (J)........................	
10.52	--	Registration Rights Agreement by and between National Media and the Registrant dated as of January 5, 1998. (J).........	
11	--	Computation of Net Income Per Share. (G)..................	87
21	--	Significant Subsidiaries of the Registrant. (G)............	88
23	--	Consent of Arthur Andersen LLP. (G)........................	89
27	--	Financial Data Schedule (for SEC use only). (G)............	

(A) Incorporated herein by reference to Quantum Direct Corporation's Registration Statement on Form S-4, filed on March 13, 1998, File No. 333-47979.

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

(C) Incorporated herein by reference to the Registrant's Registration Statement on Form S-1, filed on December 20, 1994, No. 33-38374, as amended on Form SB-2.

(D) Incorporated herein by reference to the Registrant's Registration Statement on Form S-3 filed on October 13, 1993, as amended, File No. 33-70256.

(E) Incorporated herein by reference to the Registrant's Annual Report on Form 10-K, for the year ended January 31, 1996, filed April 29, 1996, as amended, File No. 0-20243.

(F) Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1997, filed on May 1, 1997, as amended, File No. 0-20243.

(G) Filed herewith.

(H) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated March 26, 1998, filed on March 31, 1998, File No. 0-20243.

(I) Incorporated herein by reference to the Registrant's Proxy Statement in connection with its annual meeting of shareholders held on August 17, 1994, filed on July 19, 1994, File No. 0-20243.

(J) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated January 5, 1998, filed on January 8, 1998, File No. 0-20243.

+ Management compensatory plan/arrangement.

b) Reports on Form 8-K

(i) The Registrant filed a Form 8-K on November 17, 1997 reporting under Item 5 that the Registrant and Paxson Communications Corporation ("Paxson") signed a definitive agreement under which Paxson will acquire, for total consideration of $35 million in cash, the Registrant's television station KBGE-TV, Channel 33, Seattle, Washington along with two of the Registrant's non-cable, low-power stations in Portland, Oregon and Indianapolis, Indiana and minority interests in entities which have applied for two new stations.

(ii) The company filed a Form 8-K on December 22, 1997 reporting under Item 5, the Registrant's Press Release dated December 19, 1997 announcing that the Registrant was named in a lawsuit filed by Time Warner Cable against Bridgeways Communications Corporation and the Registrant alleging, among other things, tortious interference with contractual and business relations and breach of contract.

(iii) The Registrant filed a Form 8-K on January 8, 1998 reporting under Item 5, the Registrant's Press Release dated January 5, 1998 announcing the National Media Corporation and ValueVision Agreement and Plan of Reorganization and Merger dated January 5, 1998 by and among the Registrant, National Media Corporation and Quantum Direct Corporation (formerly known as V-L Holdings Corp).

(iv) The Registrant filed a Form 8-K on March 31, 1998 reporting under Item 5, the Registrant's Press Release dated March 26, 1998 announcing the Registrant's fourth quarter and year end earnings for the three and twelve months ended January 31, 1998. The Registrant also reported under Item 5 the selection of veteran marketing, direct response and retail executive, Gene McCaffery, as Chief Executive Officer of Quantum Direct Corporation, the international electronic commerce company to be formed by the proposed merger of the Registrant and National Media Corporation.

(v) The Registrant filed a Form 8-K on April 9, 1998 reporting under Item 5, the Registrant's Press Release dated April 8, 1998 announcing the postponement of the special shareholder meetings of the Registrant's and National Media Corporation to vote on their proposed merger in light of the Registrant's dissenting shareholders.

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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, 1998.

ValueVision International, Inc.

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, 1998.

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

EXHIBIT 10.4

OPTION AGREEMENT

VALUEVISION INTERNATIONAL, INC.

TO

OPTION AGREEMENT made as of the ___ day of ________, 199_, between ValueVision International, Inc., a Minnesota corporation ("ValueVision"), and ______________________, 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 ValueVision International, Inc. 1994 Executive Stock Option and Compensation Plan ("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 __________ (_____) 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 $_______, 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: __________________________, 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

Robert L. Johander, Chief Executive Officer

Employee:

Employee Name

EXHIBIT 10.34

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 5th day of January, 1998, by and between ValueVision International, Inc., a Minnesota corporation (hereinafter referred to as "Employer"), and Scott A. Linquist (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, Employee and Employer have agreed that Employee shall continue as an employee of Employer following consummation of the transactions (the "Transactions"), contemplated by that certain Agreement and Plan of Reorganization and Merger (the "Merger Agreement") dated of even date herewith, by and among Employer, National Media Corporation ("NMC") and V-L Holdings, Corp. ("Holdings Corp."), whereby Employer and NMC shall each become wholly-owned subsidiaries of Holdings Corp.;

WHEREAS, Employer desires to assure itself of the services of Employee following consummation of the Transactions and Employee desires to continue to be employed by Employer as an employee following consummation of the transactions on the terms and conditions set forth below, which Employee acknowledges to constitute an increase in Employee's existing compensation package; and

WHEREAS, Employer and Employee agree that the terms of this Agreement shall only become effective immediately preceding consummation of the Transactions.

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

A. EMPLOYMENT. Employer agrees, following consummation of the Transactions, to continue to employ Employee and Employee agrees, following consummation of the Transactions, to continue his employment with Employer on the terms and conditions set forth in this Agreement.

B. TERM. The term of Employee's employment hereunder shall commence on, the Closing Date (as defined in the Merger Agreement), and shall continue on a full-time basis for a period of twenty-four (24) months (the "Term"). The "Employment Period" for purposes of this Agreement shall be the period beginning on the Closing Date and ending at the time Employee shall cease to act as an employee of Employer. In the event the Transactions are not consummated, this Agreement shall be of no further force or effect.

C. DUTIES. Employee shall serve as Vice President Administration 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 Employer. Employer's Chief Executive Officer shall provide Employee with a performance review at least annually.

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

1. Base Salary. Employee shall receive a base salary of at least One Hundred Seventy Thousand and No/100 Dollars ($170,000.00) per year for the term of this Agreement ("Base Salary").

2. Bonus Salary. Employee may receive bonus salary ("Bonus Salary"), 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 Salary.

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

E. OTHER BENEFITS DURING THE EMPLOYMENT PERIOD.

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

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

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

F. TERMINATION OF EMPLOYMENT.

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

2. Disability. If Employee becomes disabled such that Employee cannot perform the essential functions of his job, and the disability shall have continued for a period of more than one hundred twenty (120) consecutive days, then Employer may, in its sole discretion, terminate this Agreement and Employee shall then cease to receive Base Salary, Bonus Salary, Auto Allowance, and all other Benefits, on the date this Agreement is so terminated; provided however, Employee shall then be entitled to such disability, medical, life insurance, and other benefits as may be provided generally for disabled employees of Employer when payments and benefits hereunder ceases.

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

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

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

(i) Employer substantially diminishes Employee's duties such that they are no longer of an executive nature as contemplated by Section 3 hereof or 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) Employer materially breaches its obligations to pay Employee as provided for herein and such failure to pay is not a result of a good faith dispute between Employer and Employee.

f. Other. If Employer terminates this Agreement for any reason other than as set forth in Sections 6.a, 6.b., 6.c or 6.d. above, or if Employee terminates this Agreement pursuant to Section 6.e. above, Employer shall immediately pay Employee in a lump sum payment, an amount equal to Base Salary, Bonus Salary and Auto Allowance and which would otherwise be payable until the end of the Term (collectively, the "Severance Payment"). In addition, Employer shall continue to provide Employee with Benefits until the end of the Term. For purposes of calculating Bonus Salary payable pursuant to this Section 6.f., Employee shall receive Bonus Salary equal to the last Bonus Salary actually paid the Employee, prorated for the number of months to be covered by the Severance Payment. Notwithstanding the foregoing, following a Change of Control (as hereinafter defined), the number of months upon which the calculation of the Severance Payment shall be based and for which Employer shall be obligated to provide Employee with the Benefits pursuant to this
Section 6.f. shall be the greater of (i) the remaining number of months left in the Term and (ii) eight (8) months.

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

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

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

I. NONCOMPETE AND RELATED AGREEMENTS.

1. Employee agrees that during the Noncompetition Period (as herein defined), he will not: (i) directly or indirectly own, manage, control, participate in, lend his name to, act as consultant or advisor to or render services alone or in association with any other person, firm, corporation or other business organization for any other person or entity engaged in the television home shopping business, 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 Employer's or its affiliates' catalogs during the term of this Agreement or any business which Employer (upon authorization of its board of directors) has invested significant research and development funds or

resources and contemplates entering into during the next twelve (12) months (the "Restricted Business"), anywhere that Employer or any of its affiliates operates during the term of this Agreement within the continental United States (the "Restricted Area"); (ii) have any interest directly or indirectly in any business engaged in the Restricted Business in the Restricted Area other than Employer (provided that nothing herein will prevent Employee from owning in the aggregate not more than one percent (1%) of the outstanding stock of any class of a corporation engaged in the Restricted Business in the Restricted Area which is publicly traded, so long as Employee has no participation in the management or conduct of business of such corporation), (iii) induce or attempt to induce any employee of Employer or any entity related to Employer to leave his, her or their employ, or in any other way interfere with the relationship between Employer or any entity related to Employer and any other employee of Employer or any entity related to Employer, or
(iv) induce or attempt to induce any customer, supplier, franchisee, licensee, other business relation of any member of Employer or any entity related to Employer to cease doing business with Employer or any entity related to Employer, or in any way interfere with the relationship between any customer, franchisee or other business relation and Employer or any entity related to Employer, without the prior written consent of Employer. For purposes of this Agreement, "Noncompetition Period" shall mean the period commencing as of the Closing 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.

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

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

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

K. 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.

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

M. STOCK OPTIONS. Immediately preceding the Closing, (as defined in the Merger Agreement) Employee shall be granted incentive stock options in accordance with the Second Amended 1990 Stock Option Plan of Employer (the "Plan") for 20,000 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-third each, for the next successive three (3) years as measured from the anniversary of the Closing Date, or such earlier date in the sole discretion of the Employer's Chief Executive Officer. All such Stock Options shall automatically vest upon a termination of this Agreement prior to the end of the Term (unless pursuant to Sections 6.c or 6.d.) or upon a Change of Control. Notwithstanding the forgoing or anything contained in the Plan or the Stock Option Agreement, the consummation of the Transactions shall not be deemed a Change of Control for purposes of vesting of the Stock Options, although any transaction in the future similar to the Transactions involving either Employer or Holdings Corp. shall constitute a Change of Control. In the event the Transactions are not consummated, the Stock Options shall terminate.

N. CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" shall mean an event as a result of which: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act")), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has a right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 20% of the total voting power of the voting stock of either Employer or Holdings Corp. (or their successors and assigns); (ii) Employer or Holdings Corp. consolidates with, or merges with or into another corporation or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person, or any corporation consolidates with, or merges with or into, Employer or Holdings Corp., in any such event pursuant to a transaction in which the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for cash, securities or other property, other than any such transaction where (A) the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for (x) voting stock of the surviving or transferee corporation or (y) cash, securities (whether or not including voting stock) or other property, and (B) the holders of the voting stock of Employer or Holdings Corp. immediately prior to such transaction own, directly or indirectly, not less than 80% of the voting power of the voting stock of the surviving corporation immediately after such transaction; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Employer or Holdings Corp. (together with any new directors whose election by such Board or whose nomination for election by the stockholders of Employer or Holdings Corp. was approved by a vote of 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election ro nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Employer or Holdings Corp., respectively, then in office, or (iv) Employer or Holdings Corp. is liquidated or dissolved or adopts a plan of liquidation.

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

P. 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.

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

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

S. 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.

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

U. 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.

V. 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/ Scott A. Lindquist*
Scott A. Lindquist

EXHIBIT 10.36

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 5th day of January, 1998, 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 shall continue as an employee of Employer following consummation of the transactions (the "Transactions"), contemplated by that certain Agreement and Plan of Reorganization and Merger (the "Merger Agreement") dated of even date herewith by and among Employer, National Media Corporation ("NMC") and V-L Holdings, Corp. ("Holdings Corp."), whereby Employer and NMC shall each become wholly-owned subsidiaries of Holdings Corp.;

WHEREAS, Employer desires to assure itself of the services of Employee following consummation of the Transactions and Employee desires to continue to be employed by Employer as an employee following consummation of the transactions on the terms and conditions set forth below, which Employee acknowledges to constitute an increase in Employee's existing compensation package; and

WHEREAS, Employer and Employee agree that the terms of this Agreement shall only become effective immediately preceding consummation of the Transactions.

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

1. EMPLOYMENT. Employer agrees, following consummation of the Transactions, to continue to employ Employee and Employee agrees, following consummation of the Transactions, to continue his employment with Employer on the terms and conditions set forth in this Agreement.

B. TERM. The term of Employee's employment hereunder shall commence on the Closing Date (as defined in the Merger Agreement), and shall continue on a full-time basis for a period of twenty-four (24) months (the "Term"). The "Employment Period" for purposes of this Agreement shall be the period beginning on the Closing Date and ending at the time Employee shall cease to act as an employee of Employer. In the event the Transactions are not consummated, this Agreement shall be of no further force or effect.

C. 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 Employer. Employer's Chief Executive Officer shall provide Employee with a performance review at least annually.

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

1. Base Salary. Employee shall receive a base salary of at least One Hundred Seventy-Five Thousand and No/100 Dollars ($ 175,000.00) per year for the term of this Agreement ("Base Salary").

2. Bonus Salary. Employee may receive bonus salary ("Bonus Salary"), 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 Salary.

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

d. Professional Fees. Employer shall pay all of Employee's professional fees, including without limitation, professional association fees and memberships, and all of Employee's continuing legal education fees and expenses, up to $5,000 annually ("Professional Fees").

E. OTHER BENEFITS DURING THE EMPLOYMENT PERIOD.

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

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

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

F. TERMINATION OF EMPLOYMENT.

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

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

3. Voluntary Termination. In the event that Employee voluntarily terminates his employment, he shall cease to receive Base Salary, Bonus Salary, Auto Allowance, Professional Fees and all other Benefits as of the date of such termination.

4. Termination With Cause. Employer shall be entitled to terminate this Agreement and Employee's employment hereunder for Cause (as herein defined), and in the event that Employer elects to do so, Employee shall cease to receive Base Salary, Bonus Salary, Auto Allowance, Professional Fees and Benefits as of the date of such termination specified by 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 Employer, including without limitation, theft or embezzlement from Employer; (ii) public conduct by Employee substantially detrimental to the reputation of Employer, (iii) material violation by Employee of any Employer policy, regulation or practice;
(iv) conviction of a felony; or (v) habitual intoxication, drug use or chemical substance use by any intoxicating or chemical substance. Notwithstanding the forgoing, Employee shall not be deemed to have been terminated for Cause unless and until Employee has received thirty (30) days' prior written notice (a "Dismissal Notice") of such termination. In the event Employee does not dispute such determination within thirty
(30) days after receipt of the Dismissal Notice, Employee shall not have the remedies provided pursuant to Section 6.g. of this Agreement.

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

(i) Employer substantially diminishes Employee=s duties such that they are no longer of an executive nature as contemplated by Section 3 hereof or 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) Employer materially breaches its obligations to pay Employee as provided for herein and such failure to pay is not a result of a good faith dispute between Employer and Employee.

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

shall be obligated to provide Employee with the Benefits pursuant to this Section 6.f. shall be the greater of (i) the remaining number of months left in the Term and (ii) eight (8) months.

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

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

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

I. NONCOMPETE AND RELATED AGREEMENTS.

1. Employee agrees that during the Noncompetition Period (as herein defined), he will not: (i) directly or indirectly own, manage, control, participate in, lend his name to, act as consultant or

advisor to or render services (alone or in association with any other person, firm, corporation or other business organization; provided however, that the parties hereto agree that this provision may not be used to prohibit employee for working for an 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, 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 Employer's or its affiliates' catalogs during the term of this Agreement or any business which Employer (upon authorization of its board of directors) has invested significant research and development funds or resources and contemplates entering into during the next twelve (12) months (the "Restricted Business"), anywhere that Employer or any of its affiliates operates during the term of this Agreement within the continental United States (the "Restricted Area"); (ii) have any interest directly or indirectly in any business engaged in the Restricted Business in the Restricted Area other than Employer (provided that nothing herein will prevent Employee from owning in the aggregate not more than one percent (1%) of the outstanding stock of any class of a corporation engaged in the Restricted Business in the Restricted Area which is publicly traded, so long as Employee has no participation in the management or conduct of business of such corporation), (iii) induce or attempt to induce any employee of Employer or any entity related to Employer to leave his, her or their employ, or in any other way interfere with the relationship between Employer or any entity related to Employer and any other employee of Employer or any entity related to Employer, or (iv) induce or attempt to induce any customer, supplier, franchisee, licensee, other business relation of any member of Employer or any entity related to Employer to cease doing business with Employer or any entity related to Employer, or in any way interfere with the relationship between any customer, franchisee or other business relation and Employer or any entity related to Employer, without the prior written consent of Employer. For purposes of this Agreement, "Noncompetition Period" shall mean the period commencing as of the Closing 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.

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

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

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

K. 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.

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

M. STOCK OPTIONS. Immediately preceding the Closing (as defined in the Merger Agreement) Employee shall be granted incentive stock options in accordance with the Second Amended 1990 Stock Option Plan of Employer (the "Plan") for 25,000 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-third each, for the next successive three (3) years as measured from the anniversary of the Closing Date, or such earlier date in the sole discretion of the Employer's Chief Executive Officer. All such Stock Options shall automatically vest upon a termination of this Agreement prior to the end of the Term (unless pursuant to Sections 6.c or 6.d.) or upon a Change of Control. Notwithstanding the forgoing or anything contained in the Plan or the Stock Option Agreement, the consummation of the Transactions shall not be deemed a Change of Control for purposes of vesting of the Stock Options, although any transaction in the future similar to the Transactions involving either Employer or Holdings Corp. shall constitute a Change of Control. In the event the Transactions are not consummated, the Stock Options shall terminate.

N. CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" shall mean an event as a result of which: (i) any Aperson" (as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act")), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has a right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 20% of the total voting power of the voting stock of either Employer or Holdings Corp. (or their successors and assigns); (ii) Employer or Holdings Corp. consolidates with, or merges with or into another corporation or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person, or any corporation consolidates with, or merges with or into, Employer or Holdings Corp., in any such event pursuant to a transaction in which the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for cash, securities or other property, other than any such transaction where (A) the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for (x) voting stock of the surviving or transferee corporation or (y) cash, securities (whether or not including voting stock) or other property, and (B) the holders of the voting stock of Employer or Holdings Corp. immediately prior to such transaction own, directly or indirectly, not less than 80% of the voting power of the voting stock of the surviving corporation immediately after such transaction; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Employer or Holdings Corp. (together with any new directors whose election by such Board or whose nomination for election by the stockholders of Employer or Holdings Corp. was approved by a vote of 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election ro nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Employer or Holdings Corp., respectively, then in office, or (iv) Employer or Holdings Corp. is liquidated or dissolved or adopts a plan of liquidation.

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

P. 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.

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

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

S. 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.

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

U. 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.

V. 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 10.39

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 12th day of January, 1998, by and between ValueVision International, Inc., a Minnesota corporation (hereinafter referred to as "Employer"), and Gregory Lerman (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, Employee and Employer have fully discussed to the satisfaction of Employee the transactions (the "Transactions") contemplated by that certain Agreement and Plan of Reorganization and Merger (the "Merger Agreement"), dated January 5, 1998, by and among Employer, National Media Corporation ("NMC") and V-L Holdings, Corp. ("Holdings Corp."), whereby Employer and NMC shall each become wholly-owned subsidiaries of Holdings Corp.;

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

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

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

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

C. DUTIES. Employee shall serve as Executive Vice President General Manager ValueVision Television 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 Employer. Employer's Chief Executive Officer shall provide Employee with a performance review at least annually.

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

1. Base Salary. Employee shall receive a base salary of One Hundred Ninety Thousand and No/100 Dollars ($190,000.00) per year for the first twelve months of the term of this Agreement and Two Hundred Ten Thousand and No/100 Dollars ($210,000.00) per year for the second twelve months of the term of this Agreement ("Base Salary").

2. Bonus Salary. Employee may receive bonus salary ("Bonus Salary"), based upon Employee's job performance and the criteria set forth on Exhibit A hereto.

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

d. Initial Bonus. Employer shall pay Employee an initial bonus (the "Initial Bonus") equal to Twenty Thousand and No/100 Dollars ($20,000.00) on the ninetieth (90th) day following the date hereof, unless prior to such date, Employee's employment shall be terminated pursuant to Sections 6.c. or 6.d. hereof.

e. Moving and Living Expenses. Employer shall pay for the normal household moving expenses associated with Employee's move to Minneapolis from California ("Moving Expenses"), including moving two automobiles. Such moving expenses shall be the lowest of three bids to be presented to Employer. Employer further agrees to pay Employee's reasonable temporary housing expenses in the Minneapolis area from the date hereof through April 1, 1998 ("Housing Expenses"), unless prior to such date, Employee's employment shall be terminated pursuant to Sections 6.c. or 6.d. hereof.

E. OTHER BENEFITS DURING THE EMPLOYMENT PERIOD.

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

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

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

F. TERMINATION OF EMPLOYMENT.

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

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

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

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

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

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

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

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

f. Other. If Employer terminates this Agreement for any reason other than as set forth in Sections 6.a, 6.b., 6.c or 6.d. above, or if Employee terminates this Agreement pursuant to Section 6.e. above, Employer shall immediately pay Employee in a lump sum payment, an amount equal to Base Salary, Bonus Salary and Auto Allowance and which would otherwise be payable until the end of the Term (collectively, the "Severance Payment"). In addition, Employer shall continue to provide Employee with Benefits until the end of the Term. For purposes of calculating Bonus Salary payable pursuant to this Section 6.f., Employee shall receive Bonus Salary equal to the last Bonus Salary actually paid the Employee, prorated for the number of months to be covered by the Severance Payment. Notwithstanding the foregoing, following a Change of Control (as hereinafter defined), the number of months upon which the calculation of the Severance Payment shall be based and for which Employer shall be obligated to provide Employee with the Benefits pursuant to this Section 6.f. shall be the greater of (I) the remaining number of months left in the Term and (ii) eight (8) months.

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

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

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

I. NONCOMPETE AND RELATED AGREEMENTS.

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

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

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

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

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

K. 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.

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

M. STOCK OPTIONS. Employee shall be granted incentive stock options in accordance with the 1994 Executive Stock Option and Compensation Plan of Employer (the "Plan") for 100,000 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 representing the Stock Options (the "Stock Option Agreement"). The Stock Options shall vest in equal amounts, one-seventh each, for the next successive seven (7) years as measured from the anniversary of the date hereof, or such earlier date in the sole discretion of the Employer's Chief Executive Officer. All such Stock Options shall automatically vest upon a termination of this Agreement prior to the end of the Term (unless pursuant to Sections 6.c or 6.d.) or upon a Change of Control. Notwithstanding the forgoing or anything contained in the Plan or the Stock Option Agreement, the consummation of the Transactions shall not be deemed a Change of Control for purposes of vesting of the Stock Options, although any transaction in the future similar to the Transactions involving either Employer or Holdings Corp. shall constitute a Change of Control.

N. CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" shall mean an event as a result of which: (I) any 'person" (as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act")), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has a right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 20% of the total voting power of the voting stock of either Employer or Holdings Corp. (or their successors and assigns); (ii) Employer or Holdings Corp. consolidates with, or merges with or into another unaffiliated corporation or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person, or any unaffiliated corporation consolidates with, or merges with or into, Employer or Holdings Corp., in any such event pursuant to a transaction in which the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for cash, securities or other property, other than any such transaction where (A) the outstanding voting stock of Employer or Holdings Corp. is changed into or exchanged for (x) voting stock of the surviving or transferee corporation or (y) cash, securities (whether or not including voting stock) or other property, and (B) the holders of the voting stock of Employer or Holdings Corp. immediately prior to such transaction own, directly or indirectly, not less than 80% of the voting power of the voting stock of the surviving corporation immediately after such transaction; or (iii) during any period of two consecutive years, following consummation of the Transactions, individuals who at the beginning of such period constituted the Board of Directors of Employer or Holdings Corp. (together with any new directors whose election by such Board or whose nomination for election by the stockholders of Employer or Holdings Corp. was approved by a vote of 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election ro nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Employer or Holdings Corp., respectively, then in office, or (iv) Employer or Holdings Corp. is liquidated or dissolved or adopts a plan of liquidation.

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

P. 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.

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

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

S. 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.

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

U. 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.

V. 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/ Gregory Lerman* ---------------------------------- *Gregory Lerman*

EXHIBIT 10.41

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE:	CHAPTER 11
MONTGOMERY WARD HOLDING CORP., ET AL.,	CASE NO. 97-1409 (PJW)
DEBTORS.	JOINTLY ADMINISTERED

STIPULATION BETWEEN MONTGOMERY WARD & CO., INCORPORATED AND VALUEVISION INTERNATIONAL, INC. REGARDING THE ASSUMPTION AND MODIFICATION OF EXECUTORY CONTRACTS AND RELATED AGREEMENTS

This Stipulation is made as of November 1, 1997, by and among Montgomery Ward & Co., Incorporated, an Illinois corporation as debtor and debtor-in-possession ("Montgomery Ward"), Montgomery Ward Direct, L.P., a Delaware limited partnership ("MWD"), ValueVision International, Inc., a Minnesota corporation ("ValueVision") and ValueVision Direct Marketing Company, Inc., a Minnesota corporation ("VVDM").

R E C I T A L S

A. The Parties. Montgomery Ward and certain affiliated entities including MWD filed for Chapter 11 reorganization in the Bankruptcy Court for the District of Delaware on July 7, 1997 (the "Petition Date"). Montgomery Ward and those affiliates are currently operating their businesses as debtors-in-possession pursuant to 11 U.S.C. Section 1107. ValueVision is headquartered in Eden Prairie, Minnesota and operates a television home shopping network serving 40 states. ValueVision is the owner of 100% of the stock of VVDM. VVDM purchased the MWD catalog business in July 1996 by purchasing substantially all of the assets of MWD, pursuant to that certain Asset Purchase Agreement, dated July 26, 1996 (the "Asset Purchase Agreement").

B. The Prepetition Contracts. In addition to the Asset Purchase Agreement between their wholly owned subsidiaries, Montgomery Ward and ValueVision are each parties to the following prepetition agreements and contracts (together, the "Prepetition Contracts"):

(i) Restructuring Agreement, dated as of July 27, 1996;

(ii) Amended and Restated Operating Agreement, dated as of July 27, 1996, between Montgomery Ward and ValueVision ("Operating Agreement");

(iii) Amended and Restated Servicemark License Agreement, dated as of July 26, 1996, by and between Montgomery Ward and ValueVision ("Servicemark Agreement");

(iv) Credit Card License and Receivables Sale Agreement, dated March 13, 1995, by and between Montgomery Ward and ValueVision as amended by that certain Letter Agreement dated September 27, 1996 ("Credit Card Agreement");

(v) That certain Pledge Agreement, dated as of July 27, 1996, by and between Montgomery Ward as debtor and ValueVision as secured party granting a security interest to ValueVision in warrants of Montgomery Ward to purchase 1,642,143 shares of common stock of ValueVision for one cent per share;

(vi) That certain Amended and Restated Warrant Agreement dated as of September 28, 1996 by and among ValueVision, Montgomery Ward and Montgomery Ward Direct, L.P.;

(vii) That certain Second Amended and Restated Registration Rights Agreement dated as of July 27, 1996 by and among ValueVision, Montgomery Ward and Merchant Advisors Limited Partnership;

(viii) Warrant Certificate, dated September 24, 1996, to MWD for 1,484,993 shares of common stock of ValueVision;

(ix) Warrant Certificate, dated September 24, 1996, to Montgomery Ward for 1,484,467 shares of common stock of ValueVision;

(x) Warrant Certificate, dated September 24, 1996, to Montgomery Ward for 2,200,000 shares of common stock of ValueVision;

(xi) Assignment by MWD to Montgomery Ward of warrant certificate for 1,484,993; and

(vii) Related and incidental agreements and delivery items.

True copies of the Prepetition Contracts are available from the Debtor to any party upon request.

C. The Initial T.V. Agreements. The Prepetition Contracts evidence two related transactions between ValueVision and Montgomery Ward. The first was the formation of a strategic relationship between ValueVision and Montgomery Ward in 1995 relating to ValueVision's television home shopping business (the "T.V. Agreements"). Under earlier versions of these T.V. Agreements, entered into in March 1995, ValueVision was granted exclusive rights to use certain Montgomery Ward servicemarks and Montgomery Ward's private label credit card in the field of television home shopping. These T.V. Agreements also required Montgomery Ward to purchase television advertising time over a period of years from ValueVision at agreed upon rates. In consideration of Montgomery Ward's various undertakings in the T.V. Agreements, ValueVision issued 1,280,000 shares of unregistered ValueVision common stock (the "Purchased Shares") and a total of 25,000,000 warrants to Montgomery Ward, the latter being subject to various restrictions and prices (the "Original Warrants").

D. The Asset Purchase Agreement and Restructure of the T.V. Agreements in 1996. In July 1996, ValueVision and Montgomery Ward amended and restated the T.V. Agreements, redefining their strategic relationship. At that time, Montgomery Ward also caused its affiliate MWD to sell substantially all of its assets to VVDM, a subsidiary of ValueVision. MWD had in the past operated the catalog marketing business relating to Montgomery Ward's retail business. In connection with the sale of MWD's assets, Montgomery Ward granted to ValueVision and VVDM an exclusive right to use the Montgomery Ward servicemark and the Montgomery Ward Direct servicemark in its newly acquired direct mail business. In addition, ValueVision and VVDM acquired the right to solicit retail sales by mail from the millions of holders of the Montgomery Ward private label credit cards who were permitted to purchase VVDM merchandise with their cards. Since July 1996, VVDM has been preparing and mailing "Montgomery Ward Direct" catalogs and solicitation materials for VVDM merchandise to Montgomery Ward credit card holders. In connection with the restructuring of the relationship in 1996, the Original Warrants were canceled in exchange for 5,169,455 one cent warrants and Montgomery Ward retained the Purchased Stock.

E. Montgomery Ward Stock in ValueVision. As of the date of this Stipulation, Montgomery Ward still owns the Purchased Shares, (i.e. 1,280,000 shares of common stock of ValueVision) and is also the holder of warrant certificates for 3,842,134 shares of ValueVision common stock at a price of one cent per share (the "New Warrants"). The balance of the warrants that were held by Montgomery Ward have been assigned and exercised and are not the subject of this Stipulation. Under the terms of the Pledge Agreement, 1,642,143 of the New Warrants have been pledged to ValueVision to secure performance of Montgomery Ward's obligation to purchase advertising under the terms of the Operating Agreement.

F. The Advertising Commitment. Under the terms of the Operating Agreement, Montgomery Ward has agreed to purchase $20,000,000 worth of advertising time from ValueVision to be placed with television stations and cable operators with whom ValueVision has contractual agreements to purchase advertising time. As of the petition date, Montgomery Ward had previously purchased and paid for $2,421,542.31 of advertising time in the ordinary course of business pursuant to its commitment and then owed ValueVision $1,022,975.73 for prepetition advertising time that it had used but had not yet paid for. This latter prepetition debt has not been paid. Following the petition date, Montgomery Ward has continued to use advertising provided by ValueVision pursuant to the Operating Agreement and is currently indebted to ValueVision in the approximate amount of $622,000 for post-petition advertising actually used through September 30, 1997.

G. The Credit Card Relationship. The Operating Agreement and the Credit Card Agreement each provide that ValueVision is authorized to offer the Montgomery Ward private label credit card to its customers as a means for the payment of ValueVision merchandise in its home television shopping business and VVDM merchandise purchased in the catalog business. Pursuant to the Credit Card Agreement, ValueVision is an "authorized licensee" under the terms of that certain Credit Card Agreement between the Debtor and Monogram Credit Card Bank of Georgia ("Monogram"), dated April 1, 1996 (the "Monogram Agreement"). Under the terms of the Credit Card Agreement and the Monogram Agreement, ValueVision and VVDM have continued since April 1, 1996, to sell their merchandise and accept payment with the Montgomery Ward private label credit card. The Credit Card Agreement provides for daily payments to ValueVision from Montgomery Ward based upon evidence of credit card charges for the daily period ending three days before each settlement date. As a consequence of this delay in settlement and the mechanics of the relationship, Montgomery Ward retained possession of certain settlements relating to the period immediately preceding the Petition Date that it received from Monogram attributable to ValueVision sales in the aggregate amount of $358,569.61 (the "Retained Settlements"). Under the terms of the Monogram Agreement, Montgomery Ward is required to pay the Retained Settlements to ValueVision as "authorized licensee." The Retained Settlements have not been paid. During the post-petition period prior to the date of this Stipulation, ValueVision has continued to offer the Montgomery Ward private label credit card as a means for payment of merchandise purchased in its television home shopping business and its direct mail catalog business, and Montgomery Ward has been making settlements in accordance with the Credit Card Agreement and the Monogram Agreement in the ordinary course of business.

H. Credit Card Applications. ValueVision is entitled to payments of $15.00 each for Montgomery Ward credit card approved applications that are obtained by ValueVision and VVDM. As of the petition date, ValueVision and VVDM were owed $732,340.00 for approved credit card applications. ValueVision also has a related agreement with Signature Financial/Marketing Inc., a Delaware corporation that is an affiliate of Montgomery Ward that is not in bankruptcy reorganization proceedings. The agreement with Signature is not affected by this Stipulation.

I. Uncertain Effect of Bankruptcy Rejection. The parties acknowledge uncertainty and litigation risks about the extent to which the Debtor is authorized under 11 U.S.C. Section 365 to reject the Prepetition

Contracts as "executory contracts." The parties further acknowledge uncertainty and litigation risks about the legal effect of the attempted rejection of the Prepetition Contracts pursuant to 11 U.S.C. Section 365, especially upon the continuing rights of ValueVision and VVDM to the exclusive use of the Montgomery Ward mark and Montgomery Ward Direct mark in connection with the direct mail catalog business.

J. Desire of Montgomery Ward to Recover Servicemark Rights. As part of its bankruptcy reorganization, Montgomery Ward has made a business determination that it needs to control its marketing image with its customers, especially the millions of Montgomery Ward private label credit card holders. It has also determined that ValueVision's and VVDM's future rights to use the Montgomery Ward and Montgomery Ward Direct servicemarks in the direct mail business will interfere with Montgomery Ward's marketing efforts. Montgomery Ward has further concluded that repeated solicitations by VVDM to Montgomery Ward credit card holders using the Montgomery Ward or Montgomery Ward Direct name will make them less receptive to Montgomery Ward's own marketing efforts. For these and other reasons, Montgomery Ward has concluded that it is in the best interests of the bankruptcy estate for it to reach an agreement with ValueVision and VVDM for ValueVision and VVDM to phase out their use of the Montgomery Ward servicemark, the Montgomery Ward Direct servicemark and the Montgomery Ward credit card in connection with the direct mail catalog business.

K. ValueVision and VVDM Dependent Upon Servicemark Rights. Montgomery Ward acknowledges that it received substantial consideration in 1996 for selling its catalog business to VVDM, and that VVDM has made very substantial investments in the development and expansion of that business in reliance upon its ability to use the Montgomery Ward servicemark and the Montgomery Ward Direct servicemark in accordance with the Prepetition Contracts. Montgomery Ward further acknowledges that ValueVision's agreement to phase out use of the Montgomery Ward servicemark, the Montgomery Ward Direct servicemark and the Montgomery Ward credit card in connection with the VVDM direct catalog business will have very substantial adverse economic affect on VVDM.

L. Assumption and Amendment. Montgomery Ward and ValueVision desire to retain the benefits of the portion of the Prepetition Contracts considered mutually beneficial and to evidence their agreement as to the issues surrounding the direct mail catalog business. To effect this agreement, Montgomery Ward has offered to assume certain of the Prepetition Contracts as amended in accordance with the terms of this Stipulation, subject to Bankruptcy Court approval.

A G R E E M E N T

THEREFORE THE PARTIES HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. The Amended Operating Agreement is hereby assumed as modified in the Second Amended and Restated Operating Agreement attached as Exhibit A hereto (the "Second Amended Operating Agreement").

2. The Amended and Restated Servicemark License Agreement is hereby assumed as modified in the form of Exhibit B hereto.

3. The Credit Card License and Receivables Sale Agreement is hereby assumed as modified in the form of Exhibit C hereto.

4. The Amended and Restated Warrant Agreement and Second Amended and Restated Warrant Agreement are hereby terminated.

5. The Amended and Restated Registration Rights Agreement is hereby terminated as it relates to the rights and obligations of Montgomery Ward and ValueVision to each other.

6. The Pledge Agreement is hereby terminated.

7. The 3,842,134 of New Warrants for the stock of ValueVision are hereby canceled. Montgomery Ward represents that none of these New Warrants have been exercised or transferred and that the original New Warrant certificates will be returned to ValueVision on the Effective Date. If Montgomery Ward is unable to return the Original New Warrants at said time by reason of their being

lost, missing or destroyed, it shall in lieu of the original New Warrants indemnify ValueVision and deliver a surety bond or letter of credit acceptable to ValueVision and its legal counsel.

8. Montgomery Ward shall transfer the Retained Settlements to ValueVision on the Effective Date.

9. Notwithstanding anything herein to the contrary, ValueVision shall have an allowed prepetition claim in the amount of $1,755,315.73 by reason of prepetition amounts owing to it from Montgomery Ward for approved credit card applications and for advertising time that was purchased prepetition but not paid for. All post-petition obligations of Montgomery Ward under any of the assumed contracts shall be cured by payment of the past due amounts owing thereunder to ValueVision on the Effective Date.

10. Montgomery Ward acknowledges (i) receipt from ValueVision of nonpublic information regarding ValueVision and (ii) that Montgomery Ward has been given access to full and complete information regarding ValueVision and such nonpublic information and utilized such access to its satisfaction to verify any information it may have sought relating to ValueVision and relevant to Montgomery Ward's investment decision. Montgomery Ward further agrees to keep such nonpublic information confidential in accordance with Section 10 of the Second Amended Operating Agreement. Both ValueVision and Montgomery Ward agree to obtain the other parties approval of all announcements regarding the transactions contemplated hereby, which approval will not be unreasonably withheld.

11. Except for the claims of ValueVision and VVDM expressly reserved by this Stipulation and the post-petition and ongoing obligations of the parties with respect to the agreements assumed and modified in accordance with this Stipulation, Montgomery Ward and MWD on the one hand and ValueVision and VVDM on the other hand each hereby mutually release each of the other of and from all claims, known or unknown, contingent or liquidated, accrued or unaccrued, sounding in tort or

contract arising or based upon facts occurring or omissions failing to occur prior to the date of this Stipulation. The scope of this mutual release shall include the respective officers, directors, affiliates, employees and agents of each respective organization. ValueVision and VVDM represent and warrant to Montgomery Ward and MWD that they own and have not assigned any of the claims to be released hereunder. Montgomery Ward and MWD represent and warrant to ValueVision and VVDM that they own and have not assigned any of the claims to be released hereunder.

12. Notwithstanding anything herein to the contrary, ValueVision and VVDM shall retain all rights to enforce all of the provisions of the Prepetition Contracts for the period from the Petition Date through the Effective Date of this Stipulation and shall be entitled to administrative expense priority for Montgomery Ward's ongoing obligations thereunder. Without limitation of the foregoing, Montgomery Ward agrees to pay for all post-petition advertising and to make all credit card settlements with ValueVision and VVDM in accordance with the Prepetition Contracts and the Monogram Credit Agreement and agrees that all settlements received by Montgomery Ward from Monogram arising out of the sale of ValueVision or VVDM merchandise shall constitute the property of ValueVision and shall not constitute property of the bankruptcy estate.

13. ValueVision and VVDM shall have the right to continue to use the Montgomery Ward servicemarks and the Montgomery Ward Direct servicemarks in accordance with the Second Amended and Restated Servicemark License Agreement. As set forth in said Second Amended and Restated Servicemark License Agreement, ValueVision and VVDM hereby agree that neither shall make any mailings or other solicitations for Television Home Shopping (other than to communicate to its Television Home Shopping customers that the Card can be obtained and/or used) or for Catalog Activities using the Montgomery Ward servicemark or the Montgomery Ward Direct servicemark after March 31, 1998, but they shall be authorized to use those servicemarks in connection with the consummation of sales and regular customer service activity after March 31, 1998 to the extent that it

relates to mailings and solicitations made prior to March 31, 1998. VVDM shall discontinue accepting the Montgomery Ward credit card as means for payment in the catalog business after March 31, 1998 except for a reasonable time thereafter with respect to mailings made prior to March 31, 1998, provided that ValueVision shall retain the right to use the Montgomery Ward credit card in the Television Home Shopping business as defined in the Second Amended Operating Agreement. ValueVision shall also retain the right to solicit credit card applications on behalf of Montgomery Ward in accordance with the Second Amended Operating Agreement.

14. ValueVision shall purchase and Montgomery Ward shall sell the Purchased Shares to ValueVision on the Effective Date for the sum of $4,864,000.

15. The Effective Date of this Stipulation shall be the date of the entry of an order of the Bankruptcy Court authorizing the Debtor to enter into the Stipulation. In the event that approval of this Stipulation is contested, at the option of ValueVision this Agreement shall become effective only in the event that the Bankruptcy Court order authorizing the Debtor to enter into the Stipulation and the Agreements attached hereto have become a final, nonappealable order.

16. Performance by Montgomery Ward of its obligations under this Stipulation and the assumed contracts shall satisfy the requirements of 11 U.S.C. Section 365(b).

17. Subject to the provisions hereof, this Stipulation and the revised Agreements attached hereto shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, and without limitation shall be binding upon the bankruptcy estates of Montgomery Ward and to the extent relevant to its affiliated entities.

18. This Stipulation and the assumed agreements described herein contain the entire agreement between the parties hereto with respect to the matters contained herein and supersede all prior oral or written agreements, commitments or understandings with respect to the matters provided for

herein. This Stipulation is subject to Bankruptcy Court approval, which Montgomery Ward agrees to seek promptly.

IN WITNESS WHEREOF the parties have executed this Stipulation.

MONTGOMERY WARD CO. & INCORPORATED

By: /s/ John Workman

Its: Executive Vice President

MONTGOMERY WARD DIRECT, L.P.,
a Delaware Limited Partnership

By: /s/ John Workman

Its: President, MW Direct General, Inc.

Its General Partner

VALUEVISION INTERNATIONAL, INC.

By: /s/ Stuart R. Romenesko

Its: SVP Finance and CFO

VALUEVISION DIRECT MARKETING COMPANY, INC.

By: /s/ Stuart R. Romenesko

Its: SVP Finance and CFO

EXHIBIT 10.42

SECOND AMENDED AND RESTATED OPERATING AGREEMENT

THIS AGREEMENT is made as of November 1, 1997, or the Effective Date of the Stipulation (defined below), if later, between Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW") and ValueVision International, Inc., a Minnesota corporation (together with its Affiliates as hereinafter defined "VVI").

R E C I T A L S

A. MW and VVI were parties to a certain Operating Agreement, dated March 13, 1995 (the "Original Agreement"), pursuant to which MW granted to VVI certain rights, and agreed to certain restrictions on its activities, in connection with Television Home Shopping (as herein defined).

B. The parties amended and restated the Original Agreement in connection with the purchase by VVI of substantially all of the assets of Montgomery Ward Direct, L.P., a Delaware limited partnership which is wholly owned by MW ("MWD"), by entering into the Amended and Restated Operating Agreement dated July 27, 1996 (the "Second Agreement"). MWD was engaged in the business of selling Products (as herein defined) through direct-mail specialty catalogs.

C. By virtue of MW having filed for protection under the U.S. Bankruptcy Act, the parties desire to amend and restate the Second Agreement to (i) provide for the termination of the use of the MWD Marks after March 31, 1998 for Catalog Activities and Television Home Shopping (other than to communicate to its Television Home Shopping customers that the Card may be used to purchase merchandise and that Card applications are available), except as reasonably necessary to wind down Catalog Activities, and (ii) revise certain provisions of the Second Agreement to reflect understandings reached by the parties. The parties intend that, except as provided for in the Stipulation between MW and VVI of even date herewith (the "Stipulation"), the rights of the parties with respect to any activities or lack thereof prior to the date hereof shall be governed by the terms of the Second Agreement and that the activities or lack thereof on and after the date hereof shall be governed by this Agreement.

AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby amend and restate the Original Agreement to read as follows:

A. Certain Definitions. For the purposes of this Agreement:

(a) "Affiliate" shall mean any Person which directly or indirectly is controlled by the Person in question. "Control" means the possession, directly or indirectly, of the power to direct or to cause the direction of the management and policies of a Person whether through ownership of voting securities, through the power to appoint directors, by contract or otherwise. For purposes of this Agreement, neither the General Electric Company ("GE"), nor General Electric Capital Corporation ("GECC"), nor any subsidiary of GE or GECC, shall be deemed to be an Affiliate of MW.

(b) "Amended and Restated Credit Card Agreement" shall mean that certain Amended and Restated Credit Card License Agreement between MW and VVI of even date herewith.

(c) "Cable Systems" shall mean individual cable television systems. Each cable television system shall be considered to be an individual Cable System, regardless of whether such cable television system is operated by an operator of more than one Cable System.

(d) "Card" shall mean any private-label credit card offered by any member of the MW Group or its designee to customers of any member of the MW Group, including but not limited to the Montgomery Ward credit card.

(e) "Catalog Activities" shall mean the conduct of the following activities:

(i) the offer and sale of Products through mail order catalog offers (the "Primary Catalog Activity");

(ii) the offer and sale of Products through direct mail syndications and reverse syndications (as such terms are commonly used in the catalog and direct-mail industry);

(iii) the offer and sale of Products through telemarketing to customers derived through the Primary Catalog Activity;

(iv) prospecting for new customers using a combination catalog and pre-approved credit offer;

(v) use of 30, 60 and 120 second television commercials for promotion of the Primary Catalog Activity;

(vi) the offer and sale of Products through solo and multi- solo mailings to customers derived through the Primary Catalog Activity; and

(vii) the use of the Internet and on-line services to promote the Primary Catalog Activity.

(f) "Effective Date" shall mean November 1, 1997 or the Effective Date of the Stipulation which ever is later.

(g) "Excluded Products" shall mean unique, proprietary products (as herein defined) such as the PowerGrower, that (x) are developed or promoted by a member of the MW Group for the primary benefit of the MW Group, and
(y) are not marketed through the use of any of the Marks.

(h) "Force Majeure" shall have the meaning set forth in Section 28 of this Agreement.

(i) "HSN" shall mean Home Shopping Network, Inc., a Delaware corporation.

(j) "HSN Agreements" shall mean (I) that certain Agreement, dated as of October 12, 1988 among Signature Agency, Inc., HSN and HSN Insurance, Inc., (ii) that certain Agreement, dated as of October 31, 1987, between Signature's Nationwide Auto Club, Inc., HSN and Home Shopping Insurance, Inc., (iii) that certain Agreement, dated as of October 12, 1987, between Montgomery Ward Life Insurance Company, HSN and Home Shopping Insurance, Inc., and (iv) that certain

Agreement, dated as of October 10, 1991, among Montgomery Ward Enterprises, Inc., The Signature Life Insurance Company of America, Home Shopping Club, Inc. and HSN Insurance, Inc.

(k) "Marks" shall have the meaning ascribed to such term in the Second Amended and Restated Servicemark License Agreement.

(l) "MW" shall have the meaning set forth in the first paragraph of this Agreement.

(m) "MWD" shall have the meaning set forth in Recital B above.

(n) "MW Group" shall mean, collectively, MW and its Affiliates.

(o) "MW Products" shall mean Products offered for sale by any member of the MW Group.

(p) "MW Services" shall mean services offered from time to time by Signature (as herein defined).

(q) "Original Agreement" shall have the meaning set forth in Recital A above.

(r) "Person" shall mean a natural person, corporation, general or limited partnership, limited liability company or partnership, proprietorship, association, joint venture, governmental agency, trust, estate, unincorporated organization, or other entity or organization whether acting in an individual, fiduciary, or other capacity.

(s) "Product" or "Products" shall mean any consumer merchandise other than Excluded Products.

(t) "QVC" shall mean QVC Network, Inc., a Delaware corporation.

(u) "Related Agreements" shall mean the Stipulation, the Amended and Restated Credit Card Agreement (as herein defined) and the Second Restated Servicemark License Agreement (as herein defined).

(v) "Retailer" shall mean a Person principally engaged in the retail merchandising of consumer goods within the United States, other than a member of the MW Group or VVI. By way of example and not of limitation, "Retailer" includes merchandisers such as Sears, J.C. Penney, Macys, Target, and the like.

(w) "Retained Catalog Rights" shall mean the following:

(i) the right of MW to conduct its existing special-offers business through statement inserts, solo and multi-solo mailings and through syndications;

(ii) the right of Signature (as herein defined) to market a membership-based shopping service and to do catalog or solo mailings to potential members to solicit memberships and to encourage members to purchase merchandise through such service; and

(iii) the right of Signature to conduct continuity businesses.

(x) "Second Agreement" shall have the meaning set forth in Recital B above.

(y) "Second Amended and Restated Servicemark License Agreement" shall mean that certain Second Amended and Restated Servicemark License Agreement between MW and VVI, of even date herewith.

(z) "Signature" shall mean Signature Financial/Marketing, Inc. and its Affiliates, all of which presently are members of the MW Group.

(aa) "Stipulation" shall have the meaning set forth in Recital C above.

(bb) "Syndicated Programs" shall mean syndicated/transactional television programming intended for broadcast over multiple broadcast or cable television networks, using a format other than that described in the first sentence of the definition of Television Home Shopping.

(cc) "Taxes" shall mean sales, use, service and similar taxes.

(dd) "Television Home Shopping" shall mean Product-focused television programming whereby Products are sold by "on-air" hosts and orders are placed by viewers directly with the party providing said television programming or its agents or representatives, using substantially the format used as of the date hereof by VVI, HSN and QVC. Without limiting the generality of the preceding sentence, Television Home Shopping does not include commercials or Syndicated Programs, but does include so-called "infomercials" of any length not exceeding 30 minutes.

(ee) "ViaTV" shall mean RSTV, Inc., a Florida corporation.

(ff) "VVI" shall have the meaning set forth in the first paragraph of this Agreement.

(gg) "VVI Cataloging Business" shall mean the conduct by VVI of Catalog Activities, through the use of one or more of the Marks and/or offering customers the use of the Card.

Other definitions are contained in the body of this Agreement.

B. Exclusivity. Except as otherwise specifically provided for herein, prior to April 1, 2003 as it relates to Television Home Shopping and April 1, 2000 as it relates to Catalog Activities:

(a) No member of the MW Group will, directly or indirectly:

(i) sell or offer for sale any Product through Television Home Shopping or Catalog Activities within the United States, except through VVI; provided, however that this Section 2(a)(i) shall not apply to (w) Excluded Products, (x) Retained Catalog Rights, or (y) Products offered for sale by any business that is acquired from a third party after the Effective Date by any member of the MW Group;

(ii) start up a Television Home Shopping business or a Catalog Activities business;

(iii) acquire 10% or more of the outstanding equity securities (or securities representing 10% or more of the aggregate voting power of the outstanding securities) of a

Person principally engaged in Television Home Shopping, including, without limitation, HSN, QVC, and ViaTV, or Catalog Activities; or

(iv) enter into, or assist any Person (i) to obtain, arrangements for Cable System carriage of Television Home Shopping, including, without limitation, by purchasing advertising time on any such Cable System for the purpose of so assisting such Person, or purchase advertising time on Television Home Shopping programming on any Cable System, except with VVI pursuant to this Agreement, or (ii) in starting up, developing or conducting any Catalog Activities (other than the Retained Catalog Rights).

This Section 2 (a) shall not prevent any member of the MW Group from acquiring a voting or equity interest in, or the operating assets of, a Person that engages in Television Home Shopping or Catalog Activities other than as a principal business; provided, however, that if the MW Group shall acquire a Person, or the assets of a Person, engaged in Catalog Activities other than as a principal business, MW shall notify VVI, and, if VVI shall desire to purchase the portion of such Person which is engaged in Catalog Activities, MW shall negotiate in good faith with VVI with a view to selling such portion to VVI.

C. Marks. Prior to April 1, 2003, MW shall not license or permit any Person, other than VVI, to use the Marks (or marks confusingly similar thereto) in Television Home Shopping nor shall MW license or permit any Person other than VVI engaged primarily in Television Home Shopping, including without limitation QVC, HSN and ViaTV, to use the Marks (or marks confusingly similar thereto) for any purpose prior to April 1, 2003. MW shall not license or permit any Person other than VVI to use the Mark for Catalog Activities prior to April 1, 2000.

D. Card. Prior to April 1, 2003, MW shall not license or permit any Person, other than VVI, to use the Card to sell or offer for sale any Products through Television Home Shopping or Catalog Activities, nor shall MW license or permit any Person other than VVI engaged primarily in Television Home Shopping (including without limitation QVC, HSN, and ViaTV) to use the Card for any purpose prior to April 1, 2003, provided, however, that notwithstanding the foregoing, the Card may be used for any purpose other than to sell or offer for sale any Products through Television Home Shopping by (i) any member of the MW Group, and (ii) any person that was using the Card prior to such time as MW obtained actual knowledge that such Person was controlled by a company engaged primarily in Television Home Shopping.

E. Programming and Catalog Content. VVI shall have exclusive control over all television programming for Television Home Shopping, and catalog and mailing content for Catalog Activities, including without limitation, product selection, method and form of presentation and content; provided, however, that any Television Home Shopping programming, and any Catalog Activity, employing any of the Marks, or using the Card, shall be subject to the provisions of the Second Restated Servicemark License Agreement and the Amended and Restated Credit Card Agreement. Nothing contained herein shall preclude VVI from offering television programming in formats other than Television Home Shopping.

F. Fulfillment. VVI shall have sole responsibility for, and exclusive control over, fulfillment except as provided herein. Without limiting the generality of the preceding sentence:

(a) Except as provided in this paragraph, VVI shall have sole responsibility for and exclusive control over inbound telemarketing and fulfillment of viewer orders generated through Television Home Shopping, and fulfillment of sales generated through Catalog Activities, either from VVI's inventory or through drop-shipments arranged by VVI with other drop-ship vendors.

(b) Except as provided in this paragraph, VVI shall bear the sole risk of loss with respect to all merchandise, including MW Products, including the loss of risk in transit and the risk of theft.

(c) VVI shall bear the sole credit risk with respect to all Products, including MW Products, and MW Services, which VVI shall sell on credit, excluding, however, any Product sold through use of the Card, except as otherwise provided in the Amended and Restated Credit Card Agreement.

(d) Except as provided in this paragraph, VVI will be solely responsible for collecting from its customers any Taxes which may be due on any sales of Product (including MW Products) or MW Services to its customers and shall remit all such amounts to the appropriate taxing authorities. Notwithstanding the foregoing, MW shall be solely responsible for collection of Taxes from its customers who buy Product or MW Services using the Card, except as provided in the Amended and Restated Credit Card Agreement. Nevertheless, MW shall remit to VVI, pursuant to the Amended and Restated Credit Card Agreement, an amount equal to the Taxes charged to customers by VVI on each purchase using the Card, which amount VVI shall remit to the appropriate taxing authority.

(e) VVI and MW shall instruct customers to return Product purchased from VVI through Television Home Shopping or Catalog Activities to VVI, and not to MW stores. In the event that MW accepts returns of Product purchased from VVI through Television Home Shopping or Catalog Activities in accordance with VVI's return policy, MW shall promptly ship such product to VVI. If such return was accepted in accordance with VVI's return policy, VVI will bear the freight cost associated with such return; otherwise, VVI and MW will each bear 50% of such cost.

G. Cable Carriage Agreements and Advertising Commitments. MW and VVI agree that:

(a) VVI shall, and MW may at its option, use commercially reasonable efforts to negotiate for long term cable carriage agreements pursuant to which Cable Systems will agree to carry VVI's Television Home Shopping programming. Each party will use its best efforts to promptly notify the other of the commencement of negotiations with any Cable System, and will permit the other party to participate therein. MW shall have the right, but not be obligated, to assist VVI to obtain long term cable carriage agreements by purchasing advertising time on such Cable Systems, with cash or non-cash consideration acceptable to the Cable System (such as MW Services);

(b) subject to the remainder of this Section 7, MW shall not be obligated to purchase advertising time except to the extent it expressly agrees in writing with the Cable System or VVI to be so obligated (an "Advertising Commitment"). Notwithstanding the preceding sentence, and except as provided below, MW hereby makes an Advertising Commitment that the MW Group will, collectively, purchase not less than $10,000,000 of advertising time on Cable Systems through VVI during the five year period commencing October 31, 1997, at the rate of not less than $2,000,000.00 per twelve-month period commencing November 1, 1997. The MW Group will have sole control of (i) the nature and extent of all advertising it places with Cable Systems, (ii) the content of all advertisements, and (iii) the selection of the specific Cable Systems on which it intends to place advertising; provided, however, that during the 180-day period ending October 31, 2000, MW may elect to terminate any obligation to purchase advertising after October 31, 2000, provided further that such termination shall not limit or extinguish MW's obligation to purchase advertising before November 1, 2000 of not less than $6,000,000. Notwithstanding the foregoing, upon six (6) months prior written notice to VVI, MW may terminate its obligation to provide Advertising Commitment in excess of the greater of $6,000,000 or the amount of Advertising Commitment made by MW as of the time the notice is sent to VVI.

(c) VVI shall not be obligated to enter into any cable carriage agreement except to the extent that VVI has determined, in its sole discretion, that such cable carriage agreement is in the best interests of
VVI. If at any time VVI is required to pay additional amounts to a Cable System solely because of MW's failure to purchase advertising time that MW had committed to purchase in an Advertising Commitment (other than by reason of a breach of such Advertising Commitment by such Cable System), MW will reimburse VVI for such additional amount that VVI is required to pay the Cable System, not to exceed the difference between the amount MW committed to expend on advertising with such Cable System pursuant to such Advertising Commitment, and the amount paid by MW for advertising under such Advertising Commitment. In addition to all other rights and remedies otherwise provided by law, except as specifically limited hereunder, in the event that MW breaches an Advertising Commitment, VVI shall have the termination right provided in subparagraph 22(b) (ii).

H. Board of Directors. After the date hereof, MW shall not have any right to designate any nominee on the management's slate of nominees for the Board of Directors.

I. Inspection of Records. Each party will have the right to inspect the other's books, records, and premises with regard to any transaction under this Agreement and the Related Agreements. In order to verify the accuracy of all the above accounts and records, each party will have the right at its sole cost to copy said books and records. All information in such books, records, or revealed by such inspection, shall be deemed to be confidential information subject to the provisions of Sections 10 (except to the extent provided in Section 10(a) (i), (ii) and (iii) and 10 (b) (i), (ii) and (iii) and 11 hereof).

J. Confidentiality.

(a) In the performance of this Agreement and the Related Agreements, VVI may be exposed to the confidential information or trade secrets of the MW Group and others. VVI shall not disclose to anyone not employed by the MW Group or MW's designee under the Amended and Restated Credit Card Agreement nor use except on behalf of the MW Group or MW's designee under the Amended and Restated Credit Card Agreement any such confidential information acquired by VVI in the performance of this Agreement or the Related Agreements, except as authorized by MW by prior writing. Information regarding all aspects of the MW Group's business, either directly or indirectly disclosed to VVI or developed by VVI in the performance of this Agreement and the Related Agreements shall be presumed to be confidential except to the extent that such information (i) shall have been published or otherwise made freely available to the general public without restriction through no wrongdoing of VVI, (ii) shall have been obtained from a third party not reasonably known by VVI after reasonable inquiry, to be subject to a confidentiality agreement with MW or any of its Affiliates or (iii) is required (in the reasonable opinion of VVI's legal counsel) to be disclosed pursuant to law or legal process. Except as provided hereinafter with respect to Cardholder Data (as defined below) with regard to all of such confidential information, VVI agrees that it shall: (a) forever hold in strict confidence such information; (b) not alter, copy, misappropriate, misuse, transfer, sell, deliver or divulge, under any circumstances, any of such confidential information to anyone other than an employee or agent of VVI whose duties require access to such information and then only in the course of VVI's performance under this Agreement and such employee or agent shall be bound by the terms of this Section 10 (a); and (c) upon the termination of this Agreement, return all such confidential information to MW or to destroy same together with all additional copies thereof.

(b) In the performance of this Agreement and the Related Agreements, the MW Group (which, for the purposes of this Section 10(b) shall include MW's designee under the Amended and Restated Credit Card Agreement) may be exposed to confidential information or trade secrets of VVI and others. The MW Group shall not disclose to anyone not employed by VVI nor use except on behalf of VVI any such confidential information acquired by the MW Group in the performance of this Agreement and the Related Agreements, except as authorized by VVI by prior writing. Information regarding all aspects of VVI's business either directly or indirectly disclosed to the MW Group or developed by any member of the MW Group in the performance of this Agreement and the Related Agreements shall be presumed to be confidential except to the extent that such information
(i) shall have been published or otherwise made freely available to the general public without restriction through no wrongdoing of the MW Group,
(ii) shall have been obtained. from a third party not reasonably known by the MW Group, after reasonable inquiry, to be subject to a confidentiality agreement with VVI or any of its Affiliates or (iii) is required (in the reasonable opinion of MW's legal counsel) to be disclosed pursuant to law or legal process. With regard to all of such confidential information, the MW Group shall: (a) forever hold in strict confidence such information; (b) not alter, copy, misappropriate, misuse, transfer, sell, deliver or divulge, under any circumstances, any of such confidential information to anyone other than an employee or agent of the MW Group whose duties require access to such information and then only in the course of the MW Group's performance under this Agreement and such employee or agent shall be bound by the terms of this Section 10(b); and (c) upon the termination of this Agreement, return all such confidential information to VVI or to destroy same together with all additional copies thereof.

(c) The obligations of the parties under Sections 10 (a) and 10 (b) shall survive the termination or expiration of this Agreement for a period of five years after such termination or expiration.

K. Cardholder Data.

(a) Prior to the Effective Date and through and including March 31, 1998, VVI and its predecessors in interest (collectively, the "VVI Group") and MW have come into, or will come into, possession of the names, addresses and other data and information ("Cardholder Data") with respect to VVI Group's viewers or customers who are or become holders of the Card and who purchase Product from the VVI Group using the Card ("Cardholders"). Cardholder Data already in MW's or the VVI Group's possession as of the Effective Date and March 31, 1998, or which MW or the VVI Group acquires from sources other than the other party do not constitute Cardholder Data. Customers who have purchased Product from the VVI Group by use of the Card
(regardless of whether such customers have also used any other credit card) are referred to herein as "Cardholder Customers."

(b) The parties agree that (i) all Cardholder Data provided by MW to the VVI Group with respect to persons who are not Cardholder Customers shall remain the sole property of MW, and (ii) Cardholder Data with respect to Cardholder Customers will be the joint property of MW and the VVI Group. Each of MW and the VVI Group may exercise all rights of ownership with respect to Cardholder Data with respect to Cardholder Customers. In any sale or lease of Cardholder Data pertaining to Cardholder Customers, neither MW nor the VVI Group shall make available any Cardholder Data pertaining to the Cardholder Costumer's creditworthiness, to the extent any such information was obtained from the other party hereto.

(c) The obligations of the parties under Sections 11(a) and 11(b) shall survive the termination or expiration of this Agreement for a period of five (5) years after such termination or expiration.

L. Representations and Warranties. The parties make the following representations and warranties to each other:

(a) MW makes the following representations and warranties to VVI:

(i) MW is a corporation duly organized, existing and in good standing under the laws of the State of Illinois;

(ii) MW has all necessary corporate authority, and it has obtained all required consents (other than the consent of the U.S. Bankruptcy Court), to enter into this Agreement and the Related Agreements, and that such entry shall not constitute a breach of any other material agreement to which MW is a party or may be bound;

(iii) MW has obtained all necessary consents, authorizations, orders or approvals, if any, of any governmental authority (other than the consent of the U.S. Bankruptcy Court) or other person required on the part of MW for the performance by MW or its agents of its obligations under this Agreement and the Related Agreements;

(iv) MW possesses all material permits and licenses, if any, necessary to the performance of its obligations under this Agreement and the Related Agreements;

(v) No member of the MW Group is subject to, or obligated under, any provision of (i) their respective articles of incorporation or by-laws, (ii) any agreement, arrangement or understanding, including, without limitation, the HSN Agreements, (iii) any license, franchise or permit, or (iv) any law, regulation, order, judgment or decree; that would be breached or violated, or in respect of which a right of termination or acceleration or any encumbrances on any of their respective assets would be created, by the execution, delivery and performance of this Agreement and the Related Agreements by MW;

(vi) neither the execution and delivery of this Agreement or the Related Agreements by MW and VVI, nor their performance thereof in accordance with the terms thereof, will result in a violation of any applicable law, regulations, orders, rulings or agreements which violation would have a material adverse effect on either MW or VVI;

(vii) MW is the user and owner of the entire right, title and interest in and to the Marks in the United States subject to any licenses that have previously been granted;

(viii) MW has no knowledge of any infringement in the United States of the rights granted under the Second Restated Servicemark License Agreement by any third party; and

(ix) MW has not granted any rights to any third party that conflict with the rights granted under the Second Restated Servicemark License Agreement.

(b) VVI makes the following representations and warranties to MW:

(i) VVI is a corporation duly organized, existing and in good standing under the laws of the State of Minnesota;

(ii) VVI has all necessary corporate authority, and has obtained all required consents, to enter into this Agreement and the Related Agreements and that such entry shall not constitute the breach of any other material agreement to which VVI is a party or may be bound;

(iii) VVI has obtained all necessary consents, authorizations, orders or approvals, if any, of any governmental authority or other person required on the part of VVI for the performance by VVI or its agents of its obligations under this Agreement and the Related Agreements;

(iv) VVI possesses all material permits and licenses, if any, necessary to the performance of its obligations under this Agreement and the Related Agreements; and

(v) VVI is not subject to, or obligated under, any provision of (i) its articles of incorporation or by-laws, (ii) any agreement, arrangement or understanding, (iii) any license, franchise or permit, or (iv) any law, regulation, order, judgment or decree; that would be breached or violated, or in respect of which a right of termination or acceleration or any encumbrances on any of its assets would be created, by the execution and delivery of this Agreement and the Related Agreements by VVI or the performance of this Agreement or the Related Agreements.

(c) The representations and warranties of the parties made in this Section 12 shall survive the execution of this Agreement for an eighteen-month period.

M. Other Obligations of the Parties. The parties make the following affirmative covenants to each other:

(a) MW makes the following affirmative covenants to VVI:

(i) MW will comply in all material respects with all applicable laws and regulations which affect the performance in any material respect of MW's obligations under this Agreement and the Related Agreements.

(ii) MW shall not grant any rights to any third party that conflict with the rights granted under the Second Restated Servicemark License Agreement.

(b) VVI covenants with MW that it will comply in all material respects with all applicable laws and regulations which affect the performance in any material respect of VVI's obligations under this Agreement and the Related Agreements; provided, however, that this covenant shall not be deemed to apply to laws and regulations with respect to the legality of the proposed use of the Card or the Revolving Charge Plan (as defined in the Amended and Restated Credit Card Agreement) in accordance with the Amended and Restated Credit Card Agreement;

N. Term. Unless sooner terminated pursuant to Section 16 hereof, the term of this Second Amended and Restated Operating Agreement shall commence on the date hereof and end on July 31, 2008.

O. Events of Default.

(a) The occurrence of any of the following circumstances shall be an Event of Default by MW:

(i) MW or any member of the MW Group, as applicable, shall be in material default of its material obligations under this Agreement or the Related Agreements, and such material default shall not have been cured within 90 days after notice thereof is given by VVI to MW; or

(ii) any of MW's representations and warranties contained herein shall have been untrue in a material respect when made.

(b) It shall be an Event of Default by VVI upon the occurrence of any of the following circumstances:

(i) VVI shall be in material default of its material obligations under this Agreement or the Related Agreements and such material default shall not have been cured within 90 days after written notice thereof is given by MW to VVI; or

(ii) any of VVI's representations and warranties contained herein shall have been untrue in a material respect when made.

P. Termination Rights. The parties shall have the following rights to terminate this Agreement, or portions thereof, prior to the expiration of the term set forth in Section 14:

(a) MW shall have the right to terminate those portions of this Agreement which pertain to Television Home Shopping if VVI shall cease to engage in Television Home Shopping, or in substantially similar Product merchandising-focused television programming. Termination pursuant this
Section 16(a) shall be effective on the date such notice is given;

(b) VVI may terminate this Agreement upon the occurrence of any of the following events:

(i) if during any month, MW fails to pay to VVI or to Cable Systems (where such failure to pay Cable Systems results ` in VVI being required to pay an additional amount to the Cable System, and MW has not reimbursed VVI for such additional amount) a minimum of 75% of the aggregate dollar amount required to be paid by MW during said month pursuant to all outstanding Advertising Commitments, other than by reason of a breach or default by such Cable System, and such failure is not cured by MW within 60 days after written notice thereof is given to MW by VVI, then VVI may terminate this Agreement upon written notice to MW given at any time during the 30 day period immediately following the expiration of such 60 day cure period; or

(ii) an Event of Default with respect to MW shall occur and be continuing.

Termination pursuant to any subparagraph of this Section 16(b) shall be effective on the date such notice is given;

(c) MW may terminate this Agreement upon the occurrence of any of the following events:

(i) a petition shall be filed by or against VVI under any chapter of the Bankruptcy Code (and, if filed against VVI, such petition shall not be dismissed within sixty days thereafter) , VVI shall make an assignment for the benefit of creditors or a composition with creditors, VVI shall admit in writing its inability to pay its debts as they become due, or a receiver shall be appointed for VVI or any of its material assets; or

(ii) an Event of Default with respect to VVI shall occur and be continuing.

Termination pursuant to any subparagraph of this Section 16(c) shall be effective 60 days after the date on which such notice is given.

Q. Effects of Termination. Neither party shall have any liability to the other party solely by reason of the termination of this Agreement in accordance with Section 16, other than by reason of an Event of Default. No termination of this Agreement or the Related Agreements shall affect any obligation of a party under such documents which arose prior to termination, except as provided therein, or any obligations of VVI or MW under the Amended and Restated Credit Card Agreement in respect of credit authorizations or Credit Sales arising prior to termination, and Customer Credits and chargebacks relating to such credit authorizations or Credit Sales. Notwithstanding any other provision of this Agreement to the contrary, the termination of this Agreement shall terminate each party's obligations hereunder, with the exception of obligations under SECTIONS 7, 10, 11, 12, 17, 18, 19, 20, 21, 22 AND 23, all of which shall survive any termination of this Agreement for the periods (if any) set forth therein and, in the absence of a stated survival period, indefinitely.

R. VVI Indemnification Covenants.

(a) VVI shall indemnify, defend and hold harmless the MW Group, and their respective officers, directors, employees, agents, representatives, successors and assigns (collectively, "MW Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including, without limitation, reasonable fees and disbursements of counsel and witness fees, (collectively, "MW Claims") which are sustained or incurred by such Person as a result of, or arising out of or by virtue of:

(i) the failure of VVI to comply in all material respects with, or the material breach by VVI of any representation or warranty of VVI or of any of the material covenants of this Agreement or the Related Agreements to be performed by VVI (including, without limitation, this Section 18);

(ii) product liability claims relating to any Product purchased by a viewer or customer from VVI, other than Products sold by MW to VVI which were defective or dangerous at the time of delivery to VVI or, if the Product was drop-shipped directly to the customer by MW, delivery to the customer;

(iii) material dilution, disparagement, or loss of good will to any of the Marks as a result of VVI's material breach of the Second Restated Servicemark License Agreement; or

(iv) VVI's failure to comply in all material respects with all applicable laws and regulations materially affecting the performance by VVI of its obligations under this Agreement and the Related Agreements; provided, however, that this paragraph (iv) shall not apply with respect to the Amended and Restated Credit Card Agreement to the extent it would, but for this proviso, apply to the legality of the proposed use of the Card or the Revolving Charge Plan (as defined in the Amended and Restated Credit Card Agreement) in accordance with the Restated Amended and Restated Credit Card Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, VVI shall be liable to indemnify the MW Indemnitees only if the aggregate amount of MW Claims exceeds $100,000, in which event MW shall be entitled to indemnification for all MW Claims.

(c) The indemnification covenants provided in this Section 18 shall survive the termination of this Agreement until two years after the termination hereof, except with respect to claims made by governmental entities or other third parties, with respect to which the indemnification covenants shall survive until four years after the termination hereof. Any indemnification claim which is asserted by an MW Indemnitee during the applicable survival period shall survive until the final disposition thereof.

S. MW Indemnification Covenants.

(a) MW shall indemnify, defend and hold harmless VVI, its Affiliates, and their respective officers, directors, employees, agents, representatives, successors and' assigns (collectively, "VVI Indemnitees") from and against all liability, demands, claims, actions or causes of action, assessments, losses, fines, penalties, costs, damages and expenses, including, without limitation, fees and disbursements of counsel and witness fees, (collectively, "VVI Claims") which are sustained or incurred by any such Person as a result of, or arising out of or by virtue of:

(i) the failure of MW to comply in all material respects with, or the material breach by MW of any representation or warranty of MW or any of the material covenants of this Agreement or the Related Agreements to be performed by MW (including, without limitation, this Section 19);

(ii) any challenge to the validity of any of the Marks in the United States or right to the limited license of any of the Marks, or any claim that any of the Marks infringe in the United States on the rights of a third party, as a result of any authorized use by VVI of any of the Marks pursuant to the Restated Servicemark License Agreement;

(iii) product liability claims relating to any Products sold by VVI to its viewers or customers which were sold by MW to VVI and were defective or dangerous at the time of delivery to VVI, or, if the Product was drop-shipped directly to the customer by MW, delivery to the customer;

(iv) MW's failure to comply in all material respects with all applicable laws and regulations materially affecting the performance by MW of its obligations under this Agreement or the Related Agreements, including, without limitation, any failure of the Card or transactions under the Amended and Restated Credit Card Agreement to comply with all applicable laws, regulations, orders, rulings or agreements if used in compliance with the Amended and Restated Credit Card Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, MW shall be liable to indemnify VVI only if the aggregate amount of VVI Claims exceeds $100,000, in which event VVI shall be entitled to indemnification for all VVI Claims.

(c) The indemnification covenants provided in this Section 19 shall survive the termination of this Agreement until two years after the termination hereof, except with respect to claims made by governmental entities or other third parties, with respect to which the indemnification covenants shall survive until four years after the termination hereof. Any indemnification claim which is asserted by a VVI Indemnitee during the applicable survival period shall survive until the final disposition thereof.

T. Rights Upon Indemnification. The rights of the MW Indemnitees and the VVI Indemnitees with respect to claims asserted by any Person other than the MW Indemnitees and the VVI Indemnitees shall be governed by the following:

(a) For the purposes of this Section 20, an "Indemnified Party" shall be an MW Indemnitee or VVI Indemnitee (as the case may be), who is entitled to indemnification pursuant to Section 18 or 19, and an "Indemnifying Party" shall be either MW or VVI, to the extent MW or VVI shall have an obligation of indemnification pursuant to Section 18 or 19.

(b) Promptly after receipt by an Indemnified Party of notice of the commencement of any action which may result in a claim for indemnification pursuant to either Section 18 or 19, the Indemnified Party will notify the Indemnifying Party thereof within a reasonable time thereafter. The failure so to notify any Indemnifying Party will not relieve it of any liability for indemnification hereunder as to the particular item for which indemnification may then be sought except to the extent that the failure to give notice shall have been prejudicial to the Indemnifying Party.

(c) An Indemnified Party shall have the right (i) to employ separate counsel in any action as to which indemnification shall be sought under Section 18 or 19 of this Agreement and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (x) the Indemnifying Party has agreed in writing to pay such fees and expenses, (y) the Indemnifying Party has failed to assume the defense thereof and employ counsel within a reasonable period of time after being given the notice required above, and as a consequence thereof, the Indemnified party has employed separate counsel to protect its rights, or (z) the named parties to any such action (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party and such Indemnified Party shall have reasonably concluded that representation of the Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or reasonably anticipated conflicts of interest between the Indemnified Party and the Indemnifying Party in the conduct of the defense of such action (in which case the Indemnifying Party shall not have the right to direct the defense on behalf of the Indemnified Party). It is understood, however, that the Indemnifying Party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties having actual or reasonably anticipated conflicts of interest with the Indemnifying Party.

(d) In any case in which the Indemnifying Party has assumed the defense of the claim or has agreed to pay the fees and expenses of counsel for the Indemnified Party, the Indemnifying Party shall not be liable for any settlement of such action effected by the Indemnified Party without the written consent of the Indemnifying Party, which consent shall not unreasonably be withheld. No failure of an Indemnifying Party to assume the defense of a claim or agree to pay the fees and expenses of counsel for the Indemnified Party shall relieve the Indemnifying Party of any obligation of indemnification which such party shall have under Section 18 or 19 hereof.

(e) The indemnification provided in Sections 18 and 19 is for the benefit of the MW Indemnitees and the VVI Indemnitees only, and shall not be deemed to create any right (to indemnification or otherwise) for any other Person.

U. Non-Solicitation. For a period of two years following termination of this Agreement for any reason, no member of the MW Group shall (without the prior written consent of VVI) employ or solicit the employment of any officers, executive employees, or on-air hosts of VVI, or any of the other persons named in Exhibit A to that certain confidentiality letter, dated December 4, 1994 (or persons performing similar functions).

V. Prevailing Party. If the parties hereto become parties to any litigation, commenced by or against one another involving the enforcement of any rights or remedies under this Agreement or any of the Related Agreements, or arising on account of a default of the other party in its performance of such party's obligations under any of the foregoing, the prevailing party in such litigation shall be entitled to reimbursement of all of its reasonable legal fees, costs, and expenses incurred in connection with such litigation, (including allocated costs of internal counsel) and interest accrued thereof from the date of judgment, at the maximum rate permitted by law.

W. Relationship. This Agreement and the Related Agreements are not and shall not be construed as an agreement of lease, partnership, agency or employment of (x) VVI or of any of VVI's employees or agents by MW, or (y) MW or any of MW's employees or agents by VVI. The parties acknowledge and agree that the parties are independent contractors whose operations are independent, separate and apart from that of the other. Neither shall order any merchandise, incur any indebtedness, enter into any undertaking or make any commitment in the other party's name or purporting to be on the other party's behalf, except with the other party's prior written approval. Neither party will represent, suggest or indicate in any way to any of its customers, suppliers, printers, service companies or other business entities that it is financially affiliated with, backed, supported, maintained or assisted by the other in any manner, except as may be required to implement the terms of this Agreement and with the other party's prior written approval.

X. Publicity. VVI and MW will jointly be responsible for initiating news releases and related announcements concerning this Agreement and the Related Agreements. Disclosures required by applicable law or regulation for either VVI or MW will be exempt from prior approval but will be provided. in advance to the other party.

Y. Additional Actions and Documents. Each of the parties hereto agrees to take or cause to be taken such further actions, to execute, acknowledge, deliver and file or cause to be executed, acknowledged, delivered and filed such further documents and instruments, and to use all reasonable efforts to obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement and the Related Agreements.

Z. Notices. All notices, demands, requests or other communications which may be or are required to be given pursuant to this Agreement or any of the Related Agreements shall be in writing and shall be personally delivered, mailed by first-class, registered or certified mail, postage prepaid, or sent by electronic or facsimile transmission, addressed as follows:

If to VVI:

ValueVision International, Inc.
6740 Shady Oak Road
Minneapolis, Minnesota 55344
Attention: Chief Executive Officer

with a copy to:

Maslon, Edelman, Borman & Brand, a
limited liability partnership
3300 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402-4140
Attention: William M. Mower

If to MW:

Montgomery Ward & Co., Incorporated 619 West Chicago Avenue Chicago, Illinois 60671 Attention: General Counsel

with a copy to:

Altheimer & Gray Suite 4000
10 South Wacker Drive Chicago, Illinois 60606 Attention: Myron Lieberman

Each party may designate by notice in writing a new address to be so given, served or sent. Each notice, demand, request or communication which shall be delivered, mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee or at such time as delivery is refused by the addressee upon presentation.

AA. Severability. Whenever possible, each provision of this Agreement and the Related Agreements shall be interpreted in such a manner as to be effective and valid under applicable law, but if one or more of the provisions of any of such documents are subsequently declared invalid or unenforceable, such

invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions of such documents, which shall be applied and construed so as to reflect substantially the intent of the parties and achieve the same economic effect as originally intended by the terms hereof, unless those provisions which are invalidated or unenforceable are material to the performance of either party's affirmative or negative obligations under the relevant agreement, in which case the entire such agreement shall be terminable, at the option of the party whose rights thereunder have been adversely affected thereby, provided that such party must exercise its option to terminate such agreement within ninety
(90) days following the date on which such provision is declared or determined to be invalid, voidable or unenforceable and the other party must be given sixty (60) days in which to agree to a valid modification of such agreement which would substantially eliminate such adverse effects.

BB. Force Majeure. No party shall be liable for any failure of or delay in the performance of this Agreement or the Related Agreements for the period that such failure or delay is due to acts of God, public enemy, war, strikes or labor disputes, or any other cause beyond the parties' reasonable control ("Force Majeure"), it being understood that lack of financial resources is not to be deemed a cause beyond a party's control. If the delay or failure caused by such force majeure condition shall continue for more than ninety
(90) days, the party which did not suffer the event shall have the right, in its sole discretion, to terminate this Agreement, by giving notice to the other party of its election to terminate. Each party shall notify the other party promptly of the occurrence of any such cause and carry out this Agreement or any of the Related Agreements as promptly as practicable after such cause is terminated; provided, however, that the existence of any such cause shall not extend the term of any agreement.

CC. Waivers. Neither the waiver by any party hereto of a breach of or a default under any of the provisions of this Agreement or any of the Related Agreements, nor the failure of any party hereto, on one or more occasions, to enforce any of the provisions of any of said documents or to exercise any right, remedy or privilege hereunder shall thereafter be construed as a waiver, of any such provisions, rights, remedies or privileges hereunder. Any of the terms, covenants, representations, warranties, or conditions hereof and thereof may be waived only by a written instrument executed by the party waiving compliance.

DD. Exercise of Rights. No failure or delay on the part of any party hereto in exercising any right, power or privilege under this Agreement or any of the Related Agreements, and no course of dealing between the parties hereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of such documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

EE. Binding Effect. Subject to the provisions hereof and thereof restricting assignment, this Agreement and the Related Agreements shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

FF. Entire Agreement. This Agreement and the Related Agreements contain the entire agreement between the parties heretowith respect to the matters contained herein and therein, and supersede all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein.

GG. Pronouns. All pronouns and any variations thereof used in this Agreement and the Related Agreements shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the Person or the context may require.

HH. Headings. Section headings contained in this Agreement and the Related Agreements are inserted for convenience of reference only, shall not be deemed to be a part of such Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

II. Governing Law. This Agreement and the Related Agreements, the rights and obligations of the parties hereto and thereto, and any claim or disputes relating to any thereof, shall be governed by and construed in accordance with the internal laws of the State of Illinois, without giving effect to the principles of conflicts of laws thereof.

JJ. Execution in Counterparts. To facilitate execution, this Agreement and the Related Agreements may each be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all Persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the Persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement or any of the Related Agreements to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

KK. Assignment. Neither party may assign its rights under this Agreement or any of the Related Agreements without the consent of the other party, which consent may be granted or withheld in the sole discretion of such other party. No permitted assignment shall which may be discharged in whole or in part by the assignee) under this Agreement or the Related Agreements. Any unauthorized assignment and any assignment made in contravention of this
Section 37 shall be null and void.

LL. Time. Time is to be considered of the essence for the purposes of this Agreement and the Related Agreements.

MM. Amendments and Modification. This Agreement and the Related Agreements may only be amended or modified by a subsequent written agreement by the parties hereto.

NN. Construction. This Agreement and the Related Agreements shall not be construed more strictly against one party than against the other merely by virtue of the fact that such document may have been prepared primarily by counsel for one of the parties, it being recognized that both parties have contributed substantially and materially to the preparation of such documents.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first set forth above.

MONTGOMERY WARD & CO., INCORPORATED	VALUEVISION INTERNATIONAL, INC.
By: /s/ John Workman	By: /s/ Stuart R. Romenesko
Title: Executive Vice President	Title: SVP Finance and CFO

EXHIBIT 10.43

AMENDED AND RESTATED
CREDIT CARD LICENSE AGREEMENT

This Amended and Restated Credit Card License Agreement is made as of this 1st day of November, 1997 or the Effective Date of the Stipulation (defined below), if later, by and between Montgomery Ward & Co., Incorporated, an Illinois corporation ("Montgomery Ward"), and ValueVision International, Inc., a Minnesota corporation, and ValueVision Direct Marketing, Inc., a Minnesota corporation and affiliates (together "ValueVision").

R E C I T A L S

A. Montgomery Ward and ValueVision are parties to that certain Second Amended and Restated Operating Agreement dated as of November 1, 1997, pursuant to which ValueVision is authorized to offer the Montgomery Ward's Private Label Credit Card (the "Card") as a means for ValueVision's customers to purchase products from ValueVision in its television home shopping business. For a limited period of time the Second Amended and Restated Operating Agreement also authorizes ValueVision to offer the Montgomery Ward Private Label Credit Card for Catalog Activities as defined therein.

B. Prior to April 1, 1996 the Card was subject to that certain Account Purchase Agreement dated as of June 24, 1988 by and between Montgomery Ward and Montgomery Ward Credit Corporation.

C. As of April 1, 1996 Montgomery Ward and Monogram Credit Card Bank of Georgia ("Monogram") entered into that certain Bank Credit Card Program Agreement (the "Monogram Agreement") replacing the earlier Account Purchase Agreement with respect to the administration of charges and settlements and other matters relating to the Montgomery Ward Private Label Credit Card.

D. In a letter agreement dated September 27, 1996, ValueVision and Montgomery Ward acknowledged that the 1988 Account Purchase Agreement had been replaced with the Monogram Agreement and the parties agreed to make such changes to the March 13, 1995 Credit Card License & Receivables Sale Agreement as were required or reasonably desired to reflect and comply with and can be consistent with the Monogram Agreement.

E. Under the terms of the Monogram Agreement, ValueVision is identified as an "authorized licensee", entitled to use the Card.

F. On July 7, 1997 Montgomery Ward filed for Chapter 11 bankruptcy in the Bankruptcy Court for the District of Delaware.

G. In connection with those bankruptcy proceedings, Montgomery Ward and ValueVision have entered into that certain Stipulation Between Montgomery Ward & Co., Incorporated and ValueVision International, Inc. Regarding the Assumption and Modification of Executory Contracts and Related Agreements, the Second Amended and Restated Operating Agreement and the Second Amended and Restated Servicemark License Agreement significantly modifying their business relationship as set forth in earlier agreements.

H. At this time, the parties desire to amend and restate the March 13, 1995 Credit Card License & Receivables Sale Agreement to reflect appropriate modifications necessitated by the Monogram

Agreement and also to reflect changes in their business relationship as evidenced by the Second Amended and Restated Operating Agreement and Second Amended and Restated Servicemark License Agreement and the Stipulation.

Accordingly, the parties here agree as follows:

A G R E E M E N T

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereby agree as follows:

I. GENERAL

1.1 Additional Definitions

A. "CARD" shall have the meaning set forth in Recital A above.

B. "CATALOG ACTIVITIES" shall have the meaning set forth in the Operating Agreement.

C. "CREDIT AUTHORIZATION" shall mean approval of a Credit Sale by Montgomery Ward or its designee (which shall initially be Monogram) following the receipt of electronically transmitted information from ValueVision regarding such credit sale in accordance with this Agreement.

D. "CREDIT SALE" shall mean any sale made by ValueVision in the ordinary course of its Television Home Shopping (as defined in the Operating Agreement) or the Catalog Activities (as defined in the Operating Agreement) for the Wind Down Period to one or more of its retail customers in which the Card is offered and accepted as the means for the payment of the merchandise or services being sold.

E. "CUSTOMER CREDIT" shall mean a monetary credit or purchase price refund granted by ValueVision to a retail customer for all or a portion of the amount charged on the Card in a Credit Sale, which has the effect of reducing the outstanding balance on the individual's customer account payable under the Revolving Charge Plan.

F. "CUSTOMER CREDIT AMOUNTS" shall be as of each Settlement Date the aggregate dollar amount of Customer Credits granted by ValueVision to its customers since the most recent prior Settlement Date, minus the product of such Customer Credits in question and the Specified Percentage that was originally used to determine the Receivables Purchase Price for the Credit Sales as to which the Customer Credits in question are granted.

G. "LICENSEE" shall mean any person who now or hereafter pursuant to any existing or future agreement with Montgomery Ward or an affiliate of Montgomery Ward, is permitted from time to time by Montgomery Ward or such affiliate to make credit sales of merchandise or services to account debtors pursuant to the Card.

H. "MONOGRAM" shall have the meaning set forth in Recital C above.

I. "MONOGRAM AGREEMENT" shall have the meaning set forth in Recital C above.

J. "MONTGOMERY WARD" shall have the meaning set forth in the first paragraph of this Agreement.

K. "OPERATING AGREEMENT" shall mean that certain Second Amended and Restated Operating Agreement, of even date herewith, by and between Montgomery Ward and ValueVision pursuant to which ValueVision will offer products in connection with the Permitted Business.

L. "OPERATING PROCEDURES" shall mean for a Credit Sale originated by a ValueVision customer (i) electronic or written recordation by ValueVision of the name, address, credit card number of the Card used by such Customer and the dollar amount of the transaction being charged; (ii) transmission of all or such portion of the above information as is requested by Montgomery Ward or its designee in order to request Credit Authorization; (iii) receipt of Credit Authorization; (iv) shipment of the merchandise; and
(v) the policies, procedures, and requirements set forth on Exhibit A attached hereto, together with such additional or modified procedures as are provided for in Section 2.2 hereof.

M. "PERMITTED BUSINESS" shall mean ValueVision's business of selling goods and services to retail customers by means of Television Home Shopping for the term of this Agreement and in Catalog Activities for the Wind Down Period in accordance with the Operating Agreement and utilizing the Montgomery Ward servicemark as provided for in the Servicemark License Agreement.

N. "RECEIVABLES PURCHASE PRICE" shall be the gross amount of Credit Sales purchased by Montgomery Ward or its designee since the most recent prior Settlement Date minus an operating expense charge equal to the Specified Percentage times such gross Credit Sales provided, however, that the Receivables Purchase Price shall be reduced by the dollar amount of the Customer Credit Amounts applicable to that period.

O. "REVOLVING CHARGE PLAN" shall mean the payment terms, finance charges and other aspects of the agreement between users of the Card and Montgomery Ward or its designee under the terms of the Monogram Agreement or any applicable agreement in effect from time to time.

P. "SERVICEMARK LICENSE AGREEMENT" shall mean that certain Second Amended and Restated Servicemark License Agreement, of even date herewith, by and between ValueVision and Montgomery Ward pursuant to which Montgomery Ward has licensed the use of certain Montgomery Ward servicemarks to ValueVision for use in the conduct of television home shopping (and Catalog Activities during the Wind Down Period.)

Q. "SETTLEMENT DATE" shall mean each day except Saturday or Sunday or a day on which banks are required or permitted to be closed in the State of New York.

R. "SPECIFIED PERCENTAGE" shall mean one and one-half percent (1 1/2%) from and after the date of this Agreement.

S. "SUSPENSION PERIOD" shall have the meaning set forth in Section 3.1.

T. "TELEVISION HOME SHOPPING" shall have the meaning ascribed to it in the Operating Agreement.

U. "VALUEVISION" shall mean ValueVision International, Inc., a Minnesota corporation and ValueVision Direct Marketing, Inc., a Minnesota corporation and its affiliates.

V. "WIND DOWN PERIOD" shall mean the period during which ValueVision is authorized to use the Montgomery Ward servicemark for the Catalog Business pursuant to the Servicemark License Agreement and the Operating Agreement.

1.2 Use of Card.

A. License Grant. Montgomery Ward hereby grants to ValueVision, as Licensee, a nonexclusive, nonassignable right to use the Card in the ordinary course of its Television Home Shopping business from the date hereof until this Agreement is terminated in accordance with the terms hereof and for Catalog Activities for the Wind Down Period.

B. Advances on Behalf of Customer. ValueVision shall furnish to Montgomery Ward evidence of a customer purchase, and Montgomery Ward shall pay ValueVision on behalf of the Cardholder with respect to those customer purchases that are authorized and legal Credit Sales and that comply with the requirements, warranties and representations of this Agreement. Each Credit Sale shall be evidenced by the recording by Monogram of the sale on its records maintained for the customer to whom such Credit Sale was made or who authorized said Credit Sale, as set forth in the Operating Procedures. All Credit Sales and Customer Credits of ValueVision shall be subject to audit by Montgomery Ward and/or Monogram. ValueVision agrees that in the case of any inaccuracies, chargebacks or breaches, Montgomery Ward may deduct such amount from any payment to ValueVision, with notice to ValueVision, that will correct any deficiencies or overages in the erroneously reported Credit Sales and Customer Credits or to reflect the amount of chargebacks or Credit Sales submitted in breach of the Agreement. In the event of any inaccuracy, deficiency or overage with respect to Customer Sales or Customer Credits, ValueVision shall send notice, as specified in the Operating Procedures, of such inaccuracy, deficiency or overage, in order that Monogram may make appropriate adjustments in the amount advanced on behalf of the Customer by Monogram to Montgomery Ward. All Credit Sales for which Monogram advances funds to Montgomery Ward on behalf of the customer shall be without recourse to ValueVision, except as noted in this Agreement and in the Operating Procedures providing for chargebacks.

C. No Authority to Change Revolving Charge Plan. All sales of merchandise or services by ValueVision utilizing the Card shall be made under the terms of the Revolving Charge Plan and ValueVision shall not be authorized to modify, change, amend or alter the applicable terms of the Revolving Charge Plan with respect to any customer for any Credit Sale.

II. SALES AND CREDITS

2.1 Operating Procedures for Honoring the Card. ValueVision agrees to comply with the Operating Procedures as defined herein and as modified in accordance with Section 2.2 hereinbelow.

2.2 Modification to Operating Procedure. Montgomery Ward shall have the right to make modifications or additions to the Operating Procedures that are reasonably designed to verify the information provided to ValueVision by customers purporting to use a Card or to make the Operating Procedures comply with any aspect of the Monogram Agreement following notification to ValueVision of such modifications or additions, provided that Montgomery Ward shall not make modifications or additions that will have a material adverse effect on ValueVision. Montgomery Ward shall provide thirty
(30) days written notice of any modifications or additions to the Operating Procedures to ValueVision prior to the date that they become effective, unless earlier effectiveness is required by law or to avoid a breach of the Monogram Agreement. Notwithstanding anything contained in this Agreement to the contrary, Montgomery Ward shall not be required to take any actions under this Agreement or otherwise that are prohibited by, or which may constitute a breach of the Monogram Agreement.

2.3 Credit Sales. ValueVision agrees to comply with the following in connection with Credit Sales:

A. ValueVision shall honor all Cards when properly offered in compliance with the Operating Procedures as payment for goods or services in connection with the Permitted Business, subject to Credit Authorization, and ValueVision shall not discriminate against use of the Card, as opposed to any other credit card, by its customers or impose any finance charge on any Credit Sale made by use of the Card or charge a higher price for such Credit Sale over a listed price, but ValueVision may permit a discount for payments for goods and services by means other than a credit card.

B. ValueVision shall request Credit Authorization for each Credit Sale and each new applicant for a Card through an electronic authorization system acceptable to Montgomery Ward or its designee and ValueVision, provided ValueVision approves the system currently used by Montgomery Ward or its designee and any modifications to such system that will not materially adversely affect ValueVision's operations.

2.4 Title. Monogram shall have title to and the sole right to receive payments on all Credit Sales from the Customer unless and until assigned by Monogram. Except for the assignment mentioned above, ValueVision shall not receive any payments from Customers for Credit Sales made with the Card other than from Montgomery Ward or its designee.

2.5 Customer Credits. If merchandise is accepted for return by ValueVision, or any price adjustment is allowed by ValueVision for merchandise originally purchased by use of the Card, ValueVision shall make the refund or adjustment to the customer by promptly transmitting notice of the Customer Credit to Montgomery Ward or its designee.

III. SALE OF CUSTOMER RECEIVABLES

3.1 Settlements. The amount payable in respect of each Settlement Date will be an amount equal to the Receivables Purchase Price for all receivables purchased since the prior Settlement Date as to which the required information has been transmitted to Montgomery Ward or its designee prior to 11:00 a.m. Eastern Time on the Settlement Date in question. (Information received after 11:00 a.m. Eastern Time on a Settlement Date will be deemed to be received at the beginning of the next Settlement Date). Payment will be by wire transfer of immediately available same day federal funds into a bank account in the United States designated by ValueVision. Montgomery Ward shall pay, or cause to be paid, to ValueVision the applicable Receivables Purchase Price in respect of each Settlement Date in question on or prior to the end of the next Settlement Date; provided, however, that if Montgomery Ward does not receive funds in payment of the Credit Sales reflected in such applicable Receivables Purchase Price from Monogram at least two hours prior to the deadline on such next Settlement Date for transmitting funds over the federal wire from the bank at which Montgomery Ward received the funds from Monogram, it shall wire such funds to ValueVision on the next Settlement Date. ValueVision agrees that in the case of any chargebacks Montgomery Ward or its designee may deduct such amount from payments to ValueVision. Montgomery Ward or its designee may also (i) in lieu of deducting any such amounts, (ii) in lieu of deducting Customer Credit Amounts in determining the Receivables Purchase Price, and (iii) if the Customer Credit Amounts exceed the Receivables Purchase Price from which they are being deducted, require ValueVision to make payment of such other amounts or such Customer Credit Amounts directly to Montgomery Ward or its designee within seven (7) days after request. Montgomery Ward shall deliver reports and accounting to ValueVision when and as Montgomery Ward receives the same from Monogram under the Account Purchase Agreement for Montgomery Ward's own receivable sales. Notwithstanding anything contained in this Agreement to the contrary, if Montgomery Ward has ceased to receive from Monogram full payments for the purchase of receivables for Credit Sales, and Montgomery Ward reasonably expects such cessation of payments to continue, Montgomery Ward may notify ValueVision that it is suspending its obligation to issue Credit Authorizations and purchase receivables from ValueVision pursuant to this Agreement. As soon as possible after receipt of such notice, and in any event within 24 hours after receipt of such notice (the "Effective Time"), ValueVision will cease accepting the Card. Montgomery Ward shall have no obligation to issue Credit Authorizations or purchase customer receivables in respect of Credit Sales from the Effective Time of such notice until such time, if any, that Montgomery Ward notifies ValueVision that such suspension period has ended (the period of such suspension referred to as the "Suspension Period"), provided, however, that such suspension shall not affect Montgomery Ward's obligation to purchase customer receivables in respect of Credit Authorizations or Credit Sales resulting from orders received by ValueVision prior to the Effective Time. With Monogram's consent, ValueVision and Monogram shall have the right to conduct settlements directly.

3.2 Audits. Montgomery Ward or its designee shall have the right to audit all Credit Sales and Customer Credits in any manner during regular business hours that does not unduly interfere with the operations of ValueVision.

3.3 No Recourse. All customer receivables purchased by Montgomery Ward or its designee shall be purchased without recourse except with respect to the right of Montgomery Ward or its designee to chargeback certain purchases in accordance with Section 3.4. Montgomery Ward or its designee shall have title to and the sole right to receive payments on all Credit Sales and customer receivables purchased and assigned to it unless and until reassigned to ValueVision, in which latter event ValueVision may enforce collection for the balance thereof. Except for the reassignment mentioned above, ValueVision shall not receive any payments from Card holders for Credit Sales or customer receivables made with the Card and shall immediately forward any such payments received to Montgomery Ward or its designee.

3.4 Chargebacks/Resale. Montgomery Ward, or its designee, is hereby authorized by ValueVision to chargeback the amount of any Credit Sale purchased pursuant to this Agreement only if both (i) during such time as the Monogram Agreement is in effect, such Credit Sale has been charged back against Montgomery Ward by Monogram or its successor in interest under the terms of the Monogram Agreement, and (ii) one of the following has occurred: (a) ValueVision has not complied with the Operating Procedures with respect to the Credit Sale in question; (b) ValueVision has granted a Customer Credit that it has failed to electronically transmit to Montgomery Ward or its designee in accordance with this Agreement; (c) ValueVision failed to obtain Credit Authorization for the Credit Sale in question from Montgomery Ward or its designee; (d) without any limitation to the right of ValueVision to resubmit improperly transmitted information, required information failed to be successfully transmitted to Montgomery Ward or its designee with respect to a Credit Sale;
(e) ValueVision has violated an applicable law, ruling, order or regulation with respect to a Credit Sale other than laws, rulings, orders or regulations pertaining to ValueVision's use of the Card or offering the Card to its customers in accordance with this Agreement; (f) ValueVision is unable to successfully resolve a request for merchandise adjustment or a customer dispute with respect to merchandise or services sold within the period of time allowed to Montgomery Ward by Monogram for Montgomery Ward's customers under the Monogram Agreement (whether or not the Monogram Agreement is then in effect); or (g) ValueVision's employees have transmitted data to Montgomery Ward or its designee fraudulently for the purpose of misleading Montgomery Ward or its designee about the existence of a Credit Sale or a Customer Credit or the amount thereof. In the event that Montgomery Ward's designee charges back against ValueVision under the terms of the Monogram Agreement under circumstances where Montgomery Ward is not entitled to charge back against ValueVision pursuant to Section 3.4(ii), Montgomery Ward shall promptly pay such amount to ValueVision on the next Settlement Date following written demand for payment and submission to Montgomery Ward of evidence regarding the unauthorized charge back. Immediately upon charge back title to the receivable that is the subject of the charge back shall become the sole property of ValueVision and ValueVision shall have the right to collect the same.

3.5 Representations and Warranties of ValueVision. At the time of each Credit Sale, ValueVision hereby represents, warrants, and agrees with respect to such Credit Sale that receives a Credit Authorization:

A. Such Credit Sale and related customer receivable sold and assigned to Montgomery Ward or its designee under this Agreement was at the time of the sale thereof to Montgomery Ward or its designee a valid and legally enforceable obligation of ValueVision's customer in the amount indicated by ValueVision, and that such sale is a bona fide sale by ValueVision in connection with the Permitted Business, subject to returns, allowances and other adjustments in the ordinary course of the Permitted Business.

B. Such Credit Sale and related customer receivable is free and clear of all liens and encumbrances whatsoever and is not subject to any legitimate defense.

C. ValueVision generated such Credit Sale in accordance with all applicable laws, rulings, orders and regulations, except that ValueVision makes no representations or warranties with respect to the legality of the proposed use of the Card or Revolving Charge Plan in accordance with this Agreement.

D. All obligations to be performed by ValueVision or by another person under ValueVision's contractual control underlying a Credit Sale or related customer receivable, including the obligation to deliver the merchandise or services purchased by ValueVision's customer, have been fulfilled or will be fulfilled.

E. ValueVision shall comply with the Operating Procedures.

3.6 Representations and Warranties of Montgomery Ward. Montgomery Ward hereby represents, warrants, and agrees that Montgomery Ward has received no notice of default under the Monogram Agreement and that the terms of the Monogram Agreement as of the date hereof are set forth in the Agreement and amendments that have been furnished by Montgomery Ward to ValueVision prior to the date hereof. Montgomery Ward agrees to notify ValueVision promptly in writing of any change in the terms of the Monogram Agreement that affect the procedures or rights set forth in this Agreement.

3.7 Retrieval Requests. ValueVision shall retain a computer record of the name, address, Card number, date and item or items purchased for each Credit Sale. ValueVision shall also make available to Montgomery Ward upon request delivery information with respect to specific shipments including, where available, signatures of customers confirming receipt.

3.8 Financing Statements. ValueVision shall execute such financing statements, continuation statements and other instruments relating to Credit Sales and related customer receivables sold and assigned to Montgomery Ward, or its designee, as Montgomery Ward, or its designee, shall request, and shall file or record any such documents in any public office or offices that Montgomery Ward or its designee may specify, all at the expense of Montgomery Ward or its designee.

3.9 Credit Card Applications. ValueVision will during the term of this Agreement, as part of its television programming, periodically advertise the availability of the Card to ValueVision's customers, and in addition utilize the Montgomery Ward servicemark in its programming independently of the promotion of the Card. ValueVision and Montgomery Ward shall agree to the frequency and format of such promotions and utilization of the servicemark (provided the Card shall be promoted at least as frequently and prominently as any other credit cards or facilities), and may agree to any direct mail promotions to customers of ValueVision as to the availability of the Card (including agreement as to the allocation of the expenses incurred in any such mailing). Moreover, Montgomery Ward and ValueVision shall agree to an acceptable process in accordance with the Operating Procedures for the distribution and acceptance of Card applications, and process for the execution and delivery thereof by ValueVision customers at the expense of Montgomery Ward. If an applicant obtained by ValueVision pursuant to a customer's telephone request (but not, except as may be agreed to by ValueVision and Montgomery Ward, a telephone request made in response to any mailing to a customer inviting them to apply for a Card) is approved for issuance of a Card by Montgomery Ward, or its designee, Montgomery Ward will pay $15.00 to ValueVision for each such new Card issued and an additional $5.00 in the event such Card is activated and results in the creation of a Credit Sale. Such payments shall be made to ValueVision within fifteen (15) days after the end of the fiscal month in which the event which is the basis of the payment occurs.

IV. TERM AND TERMINATION

4.1 Termination. This Agreement shall take effect upon the date first written above and shall remain in effect until the earlier to occur of the following:

A. April 1, 2008;

B. At the election of Montgomery Ward, upon notice to ValueVision of the termination of the Monogram Agreement by Monogram, unless Montgomery Ward enters into a substantially similar contract following the termination thereof; or

C. At the election of ValueVision, upon notice by ValueVision to Montgomery Ward given during a Suspension Period, provided such notice can only be given after the first Suspension Period has lasted more than forty-five (45) consecutive days, or at any time during any subsequent Suspension Period.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first set forth above.

MONTGOMERY WARD & CO., INCORPORATED,
an Illinois corporation

By /s/ John Workman
Its: Executive Vice President

VALUEVISION INTERNATIONAL, INC.,
a Minnesota corporation

By: /s/ Stuart R. Romenesko
Its: SVP Finance and CFO

VALUEVISION DIRECT MARKETING, INC.,
a Minnesota corporation

By: /s/ Stuart R. Romenesko
Its: SVP Finance and CFO

EXHIBIT 10.44

SECOND AMENDED AND RESTATED SERVICEMARK LICENSE AGREEMENT

THIS SECOND AMENDED AND RESTATED SERVICEMARK LICENSE AGREEMENT is made as of this 1st day of November, 1997, or the Effective Date of the Stipulation (as defined below), if later, by and between Montgomery Ward & Co., Incorporated, an Illinois corporation ("MW"), and ValueVision International, Inc., a Minnesota corporation ("VVI").

RECITALS

A. MW and VVI are parties to a Servicemark License Agreement, dated as of March 13, 1995 (the "Original Servicemark Agreement"). The Original Servicemark Agreement was entered into in connection with an Operating Agreement of even date therewith (the "Original Operating Agreement"). The Original Servicemark Agreement granted to VVI a license to use the "Marks" (as defined in the Original Servicemark Agreement) in connection with VVI's television home shopping business.

B. Pursuant to a Restructuring Agreement dated July 27, 1996 (the "Restructuring Agreement"), a wholly owned subsidiary of VVI purchased substantially all of the assets of Montgomery Ward Direct, L.P., a Delaware limited partnership which is wholly owned by MW ("MWD"). MWD had been engaged in the direct-mail catalog business.

C. Pursuant to the Restructuring Agreement, the Original Servicemark Agreement was amended and restated, effective as of the date thereof (the "Amended and Restated Servicemark Agreement"), and the Original Operating Agreement referred to therein was amended and restated, effective as of the date thereof (the "Amended and Restated Operating Agreement") to take into account the acquisition of substantially all of the assets of MWD and VVI's entry into the direct-mail catalog business (referred to sometimes as "Catalog Activities").

D. MW has filed for protection under the U.S. Bankruptcy Code. As a result of MW's filing, as contemplated by the Stipulation entered into between MW and VVI of even date herewith (the "Stipulation"), the parties have amended the Amended and Restated Operating Agreement effective as of the date hereof (the "Second Amended and Restated Operating Agreement") and the parties desire to amend and restate the Amended and Restated Servicemark Agreement as set forth herein to reflect the future termination of VVI's right to use the Marks in connection with Catalog Activities.

AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the Amended and Restated Servicemark Agreement is hereby amended and restated to read as follows:

I. LICENSE GRANT

Section 1.1 The License. During the term of this Second Amended and Restated Servicemark License Agreement, and subject to the terms and conditions hereof, MW hereby grants to VVI the non-exclusive (except to the extent set forth in the Second Amended and Restated Operating Agreement), nontransferable, nonassignable and royalty-free right and license, without the right to grant sublicenses to any party, to use the "Marks," as hereinafter defined, solely in the conduct of the "Permitted Business," as herein defined, throughout the "Territory," as hereinafter defined. For the purposes hereof, the term "Marks" shall include any future stylized versions of any of the Marks that MW may hereafter adopt. In connection with VVI's television home shopping business, MW authorizes any cable system, television station, or other cable or broadcast television outlet to which VVI provides programming in accordance with this Servicemark License Agreement to transmit such programming to its subscribers or viewers. For purposes of this Servicemark License Agreement:

(a) the capitalized term "Marks" shall mean, collectively and individually as the context may require, the MW Mark, as herein defined;

(b) the capitalized term "MW Mark" shall mean the servicemark "Montgomery Ward", which is registered with the United States Patent Office as No. 1,170,705 and Montgomery Ward Direct;

(c) the capitalized term "Permitted Business" shall mean
(i) "Television Home Shopping" and (ii) "Catalog Activities," as such terms are defined in the Second Amended and Restated Operating Agreement; provided however, that after March 31, 1998, the use of the MW Mark in connection with Catalog Activities and Television Home Shopping will be permitted only as provided in the Stipulation, and
(iii) promotion of and use of the Card as defined in the Second Amended and Restated Operating Agreement and the Amended and Restated Credit Card Agreement between the parties of even date herewith; and

(d) the capitalized term "Territory" shall mean (x), with respect to Television Home Shopping, the United States of America, its territories and possessions, and (y) with respect to Catalog Activities, the world.

Notwithstanding anything to the contrary contained herein or in the Second Amended and Restated Operating Agreement, MW acknowledges that because of the satellite footprint, VVI's Television Home Shopping programming may be received outside of the Territory in portions of Canada and Mexico, and MW further acknowledges and agrees that VVI shall not be in violation hereof simply by virtue of the reception of VVI's programming in such locations outside of the Territory.

Section 1.2 Use of the MW Mark. The MW Mark shall be used in any case in which VVI promotes to its viewers or customers the use of the Card for the making of purchases in connection with the Permitted Business or the availability of Card applications.

Section 1.3 Use of "Direct". Nothing in this Agreement shall limit, and MW specifically acknowledges and agrees to, VVI's right to use the stylized bar and word "Direct" similar to that used in the Mark "Montgomery Ward Direct."

II. OWNERSHIP

Section 2.1 VVI Acknowledgment. VVI acknowledges (i) that MW is the owner of the entire right, title and interest to and in the Marks, including any inurements thereto, subject to any licenses that MW has previously granted; and (ii) the validity of MW's title to the Marks. VVI agrees not to challenge or cooperate in challenging MW's rights in the Marks, and, in connection therewith, VVI further covenants and agrees that it shall not do any of the following:

(a) use the Marks or marks confusingly similar thereto, in connection with the packaging, use, advertising, sale or distribution of any merchandise or services other than as permitted by this Agreement in connection with the conduct of the Permitted Business;

(b) apply for or seek registration anywhere at any time of the Marks or marks, confusingly similar thereto or assist any third party in doing so (it being agreed that, when called upon in writing by MW within a reasonable time after MW first learns of the registration or use by VVI of words or marks that are confusingly similar to the Marks, VVI shall, at the election and expense of MW, either assign to MW in writing any rights which it might have therein or release and cancel any rights of record which it might have therein); or

(c) use the Marks or any components or any words or marks confusingly similar thereto, in any corporate, partnership or trade name.

Nothing in this Section 2.1 is intended to give MW greater rights to the Marks than are otherwise available to it under the Lanham Act, or any other statutory or common law relating to marks or trade names.

Section 2.2 MW Acknowledgment. MW shall not use or claim any rights in any mark used by VVI in connection with the Permitted Business, other than the Marks, other marks to which MW has rights, and marks that are confusingly similar to the foregoing.

III. LABELING

Section 3.1 Legends. VVI shall, to the extent reasonably specified by MW, accompany the use of the Marks with such legends as may be reasonably required or desired for protecting the Marks or other purposes relating to this Second Amended and Restated Servicemark License Agreement.

Section 3.2 Specifications. VVI shall comply with MW's reasonable written specifications as to VVI's affixation, colors, and means of displaying the Marks. MW shall contemporaneously herewith provide VVI with MW's written specifications as to VVI's affixation, colors and means of displaying the Marks. MW shall provide VVI with not less than forty-five (45) days advance written notice of any changes to said specifications. VVI may continue to follow prior specifications during said forty-five (45) days or until VVI has consumed all materials prepared in accordance with said prior specifications, whichever first occurs; provided, however, that MW may purchase said materials from VVI at VVI's cost for said materials. The cost of preparation of any items required to comply with revised MW specifications which are not consumable shall be borne as agreed by the parties.

IV. QUALITY CONTROL AND COVENANTS OF VVI

Section 4.1 Standards. In connection with the use by VVI of the Marks in the Permitted Business, VVI expressly recognizes the importance to MW of MW's reputation and goodwill and of maintaining high, uniformly applied standards of quality in the selection, provision, advertising, marketing and distribution of merchandise. Accordingly, VVI agrees that it shall:

(a) offer customer service (via a toll-free telephone number for Television Home Shopping) for use by customers during VVI's normal business hours, which currently are 8:30 a.m. to 5:00 p.m. Minneapolis, Minnesota time, Monday through Friday;

(b) on average, fulfill customer orders (other than so called "reservation orders" where the delay in shipping is disclosed to the customer as part of the programming) within ten (10) days of receipt, except for merchandise that is drop-shipped or that is subject to back order or other delay on an exception basis, or for which shipment will be delayed due to a Force Majeure condition (as defined in the Second Amended and Restated Operating Agreement) it being expressly understood and agreed that for purposes of this Agreement, orders shall be deemed fulfilled when they leave the warehouse/fulfillment facility and are loaded onto trucks for delivery to customers;

(c) offer merchandise of a quality that is substantially similar to that offered in the television home shopping industry and the direct-mail marketing industry in general;

(d) provide customers the right to return merchandise purchased from VVI for a refund, on terms generally consistent with the return policies of VVI, as provided in the Second Amended and Restated Operating Agreement;

(e) provide order placement and order tracing services on a timely basis, consistent with industry practices in the television home shopping industry and the direct-mail industry;

(f) provide courteous customer service with respect to customer inquiries on a timely basis, consistent with industry practices in the television home shopping industry and the direct-mail industry;

(g) comply in all material respects with all applicable laws and regulations which specifically relate to consumer rights or the performance in any material respect of VVI's obligations under this Second Amended and Restated Servicemark License Agreement, the Second Amended and Restated Operating Agreement, or the Amended and Restated Credit Card Amendment between the parties of even date herewith; and

(h) not offer to take or accept orders for merchandise in quantities that materially exceed the quantities that VVI can arrange to promptly ship within a reasonable time after the order is taken consistent with practices in the television home shopping industry and the direct-mail industry unless the delay in shipping is disclosed to the customer as part of the VVI programming, including without limitation so called "reservation orders," or unless the delay in shipping is caused by MW.

Section 4.2 Provision of Materials for Inspection. Upon written request of MW, VVI will provide copies or samples of the following materials (the "Materials") to MW for its prior review and approval, which approval shall not be unreasonably withheld or delayed:

(a) proposed written materials for use in connection with merchandise or services offered in programming, catalogs or other materials that utilize any of the Marks; and

(b) all advertising and promotional material and scripts of any kind intended for use in connection with programming or direct-mail marketing that utilizes any of the Marks.

All Materials shall be deemed to be confidential information of VVI that is subject to Section 10 of the Second Amended and Restated Operating Agreement.

Section 4.3 MW Objections to the Use of the Marks. In the event that MW reasonably objects to any of the Materials, or the merchandise or services offered on programming or through direct-mail that utilizes the Marks ("Objectionable Products"), MW will notify VVI in writing of the specific objectionable portions of the documents or scripts or Objectionable Products, and VVI agrees not to (i) use the objectionable portions of the documents or scripts to market or offer for sale merchandise or services, or (ii) offer the Objectionable Products, in programming or through sale by direct-mail that in any way utilizes the Marks. MW agrees that its objections will not be arbitrary or capricious, but will be based on MW's good faith belief that the Materials or Objectionable Products could reasonably be believed to be detrimental to MW, its reputation, image or goodwill.

Section 4.4 Right to Inspect. VVI hereby agrees, upon reasonable request, to permit MW, at all reasonable times, to inspect (i) the merchandise to be marketed or sold by VVI in connection with the Marks and (ii) the methods of VVI relating to the standards described in Section 4.1 (the "Section 4.1 Standards"), and VVI also agrees that any such inspection may occur on the premises of VVI. Any information obtained by MW as a result of such inspection shall be deemed to be confidential information of VVI that is subject to Section 10 of the Second Amended and Restated Operating Agreement.

Section 4.5 Certain Assurances. During the term of this Servicemark License Agreement, VVI covenants and agrees to provide MW, upon MW's reasonable request, reasonable assurances of its material compliance with the Section 4.1 Standards.

Section 4.6 Governmental Actions. During the term of this Agreement, VVI hereby agrees that it will promptly provide MW copies of all complaints or inquiries received by VVI from any governmental agency relating to or in connection with the merchandise or services offered and sold in programming or through direct-mail that in any way utilizes the Marks, including those relating to any and all advertising or the terms and conditions with respect to the sale of such merchandise or services to the public, provided that copies of such complaints that are received from a governmental agency in response to isolated customer complaints need only be so provided if they are material. VVI agrees that, except to the extent a response is required by a governmental agency or by applicable law, regulation or policy before it is reasonably possible to obtain MW's comments or approval, it will not respond to any such complaint or inquiry without submitting such response to MW for (i) MW's comments, not to be unreasonably delayed, on the form and substance of VVI's response, and (ii) MW's approval, not to be unreasonably withheld or delayed, of any response that specifically relates to MW's Products, MW's Services, the Card or the Marks. In no event shall VVI enter into any settlement agreement, consent decree, or other arrangement with any governmental agency specifically relating to MW's merchandise, services, credit card or Marks without the express written consent of MW, which shall not be unreasonably withheld.

V. REGISTRATION, MAINTENANCE, POLICING AND PROTECTION

Section 5.1 Infringements or Challenges to the Marks. VVI shall promptly advise MW of any infringements or challenges to its use of the Marks or package simulations that shall come to WI's attention. MW agrees to prosecute any infringer of the MW Mark, or any infringer of any of the Auxiliary Marks if such infringement of an Auxiliary Mark is reasonably likely to adversely affect the Permitted Business. VVI will not sue any such infringer either in its own or in the name of MW. Any recovery from a proceeding attributable to infringement by a third party using a mark confusingly similar to any of the Marks, whether by judgment or settlement, shall be paid to MW, except to the extent that such damages specifically arise from the lost profits or similar damages to the Permitted Business and the judgment entered specifically allocates a portion of the judgment, after recovery of all of MW's costs and expenses, to VVI's lost profits or damages to the Permitted Business. VVI shall not enter into a settlement regarding an infringement involving the use of the Marks without the prior written approval of MW. MW will obtain WI's consent, not to be unreasonably withheld or delayed, to any such settlement if it permits a continuing use by the alleged infringer of the Marks that could reasonably have an adverse impact on VVI's rights under this Amended and Restated Servicemark License Agreement.

Section 5.2 Control of Litigation. To the extent that MW initiates any lawsuit to abate such infringement, as described in Section 5.1, MW shall control such litigation, and MW shall pay all of the costs and expenses of said lawsuit, and shall have the right to select counsel with respect thereto. VVI agrees to cooperate in any such litigation, at MW's expense, to the extent reasonably required by MW.

VI. TERM AND TERMINATION

Section 6.1 Term. This Second Amended and Restated Servicemark License Agreement shall take effect upon the date first written above, and shall remain in effect until July 31, 2008.

Section 6.2 Termination of Use of the Marks. In the event of the termination of this Second Amended and Restated Servicemark License Agreement, VVI shall forthwith cease to use, and not thereafter resume the use, of the Marks or any confusingly similar marks, alone or in combination with any letters, other words, or designs, in any manner.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Servicemark License Agreement effective as of the date first set forth above.

VALUEVISION INTERNATIONAL, INC.,
a Minnesota corporation

By: /s/ Stuart R. Romenesko

Its: SVP Finance and CFO

MONTGOMERY WARD & CO., INCORPORATED,
an Illinois corporation

By /s/ John Workman

Its: Executive Vice President

Exhibit 11

VALUEVISION INTERNATIONAL, INC. AND SUBSIDIARIES

Computation of Net Income Per Share

	1998	1997	1996
Net income	$ 18,103,569	$ 18,089,722	$ 11,019,565
Weighted average number of common shares outstanding	31,745,437	31,718,390	28,627,356
Shares assumed to be issued upon the exercise of common stock options and warrants under the treasury stock method	142,792	623,692	681,336
Weighted average number of common and dilutive shares outstanding	31,888,229	32,342,082	29,308,692
Net income per common share	$ 0.57	$ 0.57	$ 0.38
Net income per common share - assuming dilution	$ 0.57	$ 0.56	$ 0.38

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.
VVILPTV, Inc.

ValueVision Direct Marketing Company, Inc. (d/b/a "HomeVisions") Beautiful Images, Inc. Catalog Ventures, Inc. VVI Fulfillment Center, Inc. Packer Capital, 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, 33-96950, 33-40973 and 33-40981.

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota
April 29, 1998

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALUEVISION INTERNATIONAL, INC.'S CONSOLIDATED BALANCE SHEET AS OF JANUARY 31, 1998 AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE-MONTH PERIOD ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS AS FILED ON FORM 10-K.

PERIOD TYPE	YEAR
FISCAL YEAR END	JAN 31 1998
PERIOD START	FEB 01 1997
PERIOD END	JAN 31 1998
CASH	17,198,074
SECURITIES	14,667,669
RECEIVABLES	8,694,293 [1]
ALLOWANCES	0
INVENTORY	20,426,862
CURRENT ASSETS	79,661,065
PP&E	21,403,724 [2]
DEPRECIATION	0
TOTAL ASSETS	134,764,304
CURRENT LIABILITIES	29,590,094
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	267,808
OTHER SE	101,999,921
TOTAL LIABILITY AND EQUITY	134,764,304
SALES	217,981,886
TOTAL REVENUES	217,981,886
CGS	122,807,613
TOTAL COSTS	228,957,075
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	29,603,569
INCOME TAX	11,500,000
INCOME CONTINUING	18,103,569
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,103,569
EPS PRIMARY	.57
EPS DILUTED	.57

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

ARTICLE 5

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

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD START	FEB 01 1997
PERIOD END	OCT 31 1997
CASH	18,189,366
SECURITIES	27,529,673
RECEIVABLES	11,713,784 [1]
ALLOWANCES	0
INVENTORY	27,286,121
CURRENT ASSETS	101,010,823
PP&E	21,851,045 [2]
DEPRECIATION	0
TOTAL ASSETS	173,327,364
CURRENT LIABILITIES	39,556,077
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	280,358
OTHER SE	132,404,436
TOTAL LIABILITY AND EQUITY	173,327,364
SALES	157,887,155
TOTAL REVENUES	157,887,155
CGS	89,542,591
TOTAL COSTS	167,404,080
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	30,461,861
INCOME TAX	11,830,340
INCOME CONTINUING	18,631,521
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	18,631,521
EPS PRIMARY	.58
EPS DILUTED	.58

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

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PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD START	FEB 01 1997
PERIOD END	JUL 31 1997
CASH	43,943,696
SECURITIES	14,210,200
RECEIVABLES	11,134,985 [1]
ALLOWANCES	0
INVENTORY	28,885,513
CURRENT ASSETS	112,802,930
PP&E	22,279,932 [2]
DEPRECIATION	0
TOTAL ASSETS	191,590,856
CURRENT LIABILITIES	51,517,435
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	280,208
OTHER SE	138,657,910
TOTAL LIABILITY AND EQUITY	191,590,856
SALES	99,561,819
TOTAL REVENUES	99,561,819
CGS	56,943,226
TOTAL COSTS	107,393,808
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	31,598,635
INCOME TAX	12,301,340
INCOME CONTINUING	19,297,295
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	19,297,295
EPS PRIMARY	.60
EPS DILUTED	.59

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALUEVISION INTERNATIONAL, INC.'S CONSOLIDATED BALANCE SHEET AS OF APRIL 30, 1997 AND CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS AS FILED ON FORM 10-Q.

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD START	FEB 01 1997
PERIOD END	APR 30 1997
CASH	11,174,298
SECURITIES	24,340,094
RECEIVABLES	9,988,624 [1]
ALLOWANCES	0
INVENTORY	29,899,610
CURRENT ASSETS	87,716,710
PP&E	24,914,825 [2]
DEPRECIATION	0
TOTAL ASSETS	155,027,475
CURRENT LIABILITIES	38,660,740
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	279,761
OTHER SE	114,723,274
TOTAL LIABILITY AND EQUITY	155,027,475
SALES	51,061,796
TOTAL REVENUES	51,061,796
CGS	28,366,858
TOTAL COSTS	54,185,631
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(2,912,237)
INCOME TAX	(1,151,000)
INCOME CONTINUING	(1,761,237)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(1,761,237)
EPS PRIMARY	(.05)
EPS DILUTED	(.05)

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

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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	6,446,649 [1]
ALLOWANCES	0
INVENTORY	28,109,081
CURRENT ASSETS	101,028,907
PP&E	24,283,108 [2]
DEPRECIATION	0
TOTAL ASSETS	168,086,225
CURRENT LIABILITIES	37,723,874
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	288,422
OTHER SE	126,365,740
TOTAL LIABILITY AND EQUITY	168,086,225
SALES	159,477,917
TOTAL REVENUES	159,477,917
CGS	92,114,663
TOTAL COSTS	162,117,701
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	.56

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

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PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 31 1997
PERIOD START	FEB 01 1996
PERIOD END	OCT 31 1996
CASH	19,100,896
SECURITIES	46,916,960
RECEIVABLES	8,809,550 [1]
ALLOWANCES	0
INVENTORY	24,586,394
CURRENT ASSETS	109,074,270
PP&E	16,915,524 [2]
DEPRECIATION	0
TOTAL ASSETS	168,500,790
CURRENT LIABILITIES	38,210,743
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	296,189
OTHER SE	129,688,113
TOTAL LIABILITY AND EQUITY	168,500,790
SALES	94,246,499
TOTAL REVENUES	94,246,499
CGS	56,469,049
TOTAL COSTS	96,484,439
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	28,657,590
INCOME TAX	11,450,000
INCOME CONTINUING	17,207,590
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	17,207,590
EPS PRIMARY	.56
EPS DILUTED	.54

[1] ACCOUNTS RECEIVABLE REPRESENTS AMOUNTS NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS.

[2] PROPERTY AND EQUIPMENT REPRESENTS AMOUNTS NET OF ACCUMULATED DEPRECIATION.

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