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

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 30, 2010
- or
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-20243

ValueVision Media, Inc.

(Exact name of Registrant as Specified in Its Charter)

Minnesota
*(State or Other Jurisdiction
of Incorporation or Organization)*
6740 Shady Oak Road, Eden Prairie, MN
(Address of Principal Executive Offices)

41-1673770
*(I.R.S. Employer
Identification No.)*
55344-3433
(Zip Code)

952-943-6000

(Registrant's Telephone Number, Including Area Code)

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

Name of exchange on which registered: Nasdaq Global Market
Securities registered under Section 12(g) of the Exchange Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes
No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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

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

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

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

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

As of April 12, 2010, 32,686,735 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 August 1, 2009, based upon the closing sale price for the registrant's common stock as reported by the Nasdaq Global Market on August 1, 2009 was approximately \$70,643,083. For purposes of determining such aggregate market value, all officers and directors of the registrant are considered to be affiliates of the registrant,

as well as shareholders holding 10% or more of the outstanding common stock as reflected on Schedules 13D or 13G filed with the registrant. This number is provided only for the purpose of this annual report on Form 10-K and does not represent an admission by either the registrant or any such person as to the status of such person.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of its fiscal year ended January 30, 2010 are incorporated by reference in Part III of this annual report on Form 10-K.

VALUEVISION MEDIA, INC.
ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended
January 30, 2010

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This annual report on Form 10-K, as well as other materials filed by us with the Securities and Exchange Commission, and information included in oral statements or other written statements made or to be made by us, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position made in this report are forward-looking.

We often use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. These statements are based on management's current expectations and accordingly are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein. Factors that could cause or contribute to such differences include, but are not limited to, those described in the "Risk Factors" section of this annual report on Form 10-K, as well as risks relating to: consumer spending and debt levels; the general economic and credit environment; interest rates; seasonal variations in consumer purchasing activities; changes in the mix of products sold by us; competitive pressures on sales; pricing and sales margins; the level of cable and satellite distribution for our programming and the associated fees; our ability to continue to manage our cash, cash equivalents and investments to meet our company's liquidity needs; our ability to manage our operating expenses successfully; changes in governmental or regulatory requirements; litigation or governmental proceedings affecting our operations; the risks identified under "Risk Factors" in this report; significant public events that are difficult to predict, such as widespread weather catastrophes or other significant television-covering events causing an interruption of television coverage or that directly compete with the viewership of our programming; and our ability to obtain and retain key executives and employees. Investors are cautioned that all forward-looking statements involve risk and uncertainty. The facts and circumstances that exist when any forward-looking statements are made and on which those forward-looking statements are based may significantly change in the future, thereby rendering the forward-looking statements obsolete. We are under no obligation (and expressly disclaim any obligation) to update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

PART I

Item 1. *Business*

When we refer to “we,” “us” or the “company,” we mean ValueVision Media, Inc. and its subsidiaries unless the context indicates otherwise. ValueVision Media, Inc. is a Minnesota corporation with principal and executive offices located at 6740 Shady Oak Road, Eden Prairie, Minnesota 55344-3433. ValueVision Media, Inc. was incorporated on June 25, 1990. Our fiscal year ended January 30, 2010 is designated fiscal 2009, our fiscal year ended January 31, 2009 is designated fiscal 2008, and our fiscal year ended February 2, 2008 is designated fiscal 2007.

A. **General**

We are an interactive multi-media retailer that markets, sells and distributes products to consumers through various digital platforms including TV, online, mobile and social media. Our principal form of multi-media retailing is our television shopping network, ShopNBC, which markets brand name and private label products in the main categories of home, beauty, fashion and jewelry. Our live 24-hour per day television shopping channel is distributed into approximately 76 million homes, primarily through cable and satellite affiliation agreements and the purchase of month-to-month full- and part-time lease agreements of cable and broadcast television time. In addition, we distribute our programming through a company-owned full power television station in Boston, Massachusetts and through leased carriage on full power television stations in Pittsburgh, Pennsylvania and Seattle, Washington. ShopNBC programming is also streamed live on the internet at www.ShopNBC.tv.

We also market and sell our broad-based, multi-category merchandise through our website www.ShopNBC.com. ShopNBC.com is a comprehensive e-commerce platform that sells product appearing on our television shopping channel as well as an extended assortment of online-only merchandise. Our programming content and products are also marketed on the emerging channels of mobile and social media. Customers can interact with the ShopNBC brand via mobile devices including iPhone, Blackberry and Droid as well as social networking sites Facebook, Twitter and YouTube.

We have an exclusive license from NBC Universal, Inc., known as NBCU, for the worldwide use of an NBC-branded name and the peacock image through May 2011. Pursuant to the license, we operate our television home shopping network under the ShopNBC brand name and operate our internet websites under the ShopNBC.com and ShopNBC.tv brand name.

Multi-media Retailing

Our primary form of multi-media retailing is on our live 24-hour per day television shopping network. ShopNBC is the third largest television shopping channel in the United States. ShopNBC.com is a comprehensive e-commerce website with complementary and web-only product. Net sales, including shipping and handling revenues, totaled \$527.9 million, \$565.4 million and \$767.3 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Shoppers can interact and shop via a toll-free telephone number and place orders directly with us or enter an order on the ShopNBC.com website. Our television programming is produced at our Eden Prairie, Minnesota facility and is transmitted nationally via satellite to cable system operators, satellite system operators, broadcast television station operators and to our owned full power broadcast television station WWDP TV-46 in Boston, Massachusetts.

Products and Product Mix

Products sold on our multi-media platforms include watches, jewelry, consumer electronics, apparel, fashion accessories, health & beauty products, home, seasonal items and other merchandise. We believe that having a broad base of products appeals to a larger segment of active and new customers and is important to our future growth. Our product diversification strategy is to continue to develop new product offerings across multiple merchandise categories as needed in response to customer demand and to maximize margin dollars across our multi-media retailing platforms.

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The following table shows our merchandise mix as a percentage of television shopping and internet net sales during the past three fiscal years by product category:

<u>Category</u>	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>	<u>Fiscal 2007</u>
Watches, Coins & Collectibles	34%	22%	16%
Jewelry	23%	36%	38%
Consumer Electronics	18%	22%	25%
Apparel, Fashion Accessories and Health & Beauty	13%	12%	10%
Home and All Other	12%	8%	11%

Watches, Coins & Collectibles. Watches, coins and collectibles consist of men's and women's watches, collectible coins and other collectible items.

Jewelry. Our jewelry merchandise assortment includes gold, gemstone and fashion jewelry for men and women.

Consumer Electronics. Consumer electronics include desktop and notebook computers and related accessories as well as home electronics such as LCD televisions and digital cameras.

Apparel, Fashion Accessories and Health & Beauty. Apparel, fashion accessories and health & beauty categories include clothing and footwear for women, handbags and other fashion accessories, cosmetics and other personal care items.

Home and All Other. Home and all other products include products for the home such as mattresses, sheet sets, lamps and other home furnishings.

B. Business Strategy

Our goal is to be the premium lifestyle brand in the multi-media retailing industry. As an interactive, multi-media retailer, our strategy is to offer our current and new customers brands and products that are meaningful, unique and relevant at a compelling value proposition. Our merchandise brand positioning aims to be the destination and authority in the categories of home, electronics, beauty, health, fitness, fashion, jewelry, and watches. We focus on creating a customer experience that builds strong loyalty and a growing customer base.

We are currently in a transition period as we implement our new strategic vision. In support of this strategy, we are pursuing the following actions in our ongoing efforts to improve the operational and financial performance of our company which include: (i) growing new and active customers while improving household penetration, (ii) reducing our operating expenses to reverse our operating losses, (iii) continue renegotiating cable and satellite carriage contracts where we have cost savings opportunities, (iv) broadening and optimizing our mix of product categories offered on television and the internet in order to appeal to a broader population of potential customers, (v) lowering the average selling price of our products in order to increase the size and purchase frequency of our customer base, (vi) growing our internet business by providing broader and internet-only merchandise offerings, and (vii) improving the shopping experience and our customer service in order to retain and attract more customers.

C. Television Program Distribution and Internet Operations

Television Home Shopping Network

Net sales from our television home shopping business, inclusive of shipping and handling revenues, totaled \$350 million, \$384 million and \$549 million, representing 66%, 68% and 70% of consolidated net sales for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Our television programming continues to be the most significant medium through which we reach our customers.

Satellite Delivery of Programming. Our programming is presently distributed via a leased communications satellite transponder to cable systems, a full power television station in Boston, two other leased broadcast stations, and satellite dish operators. On January 31, 2005, we entered into a long-term satellite lease agreement with our present provider of satellite services. Pursuant to the terms of this agreement, we distribute our programming

through a satellite that was launched in February 2006. The agreement provides us with preemptible back-up services if satellite transmission is interrupted.

Television Distribution. As of January 30, 2010, we have entered into affiliation agreements with parties representing approximately 1,500 cable systems allowing each operator to offer our television home shopping programming substantially on a full-time basis over their systems. The terms of the affiliation agreements typically range from one to four years. During the year agreements with cable, satellite or other distributors may expire. Under certain circumstances, we or the system operators may cancel the agreements prior to expiration. The affiliation agreements generally provide that we will pay each operator a monthly access fee and in some cases marketing support payments based on the number of homes receiving our programming. We frequently review distribution opportunities with cable system operators and broadcast stations providing for full- or part-time carriage of our programming.

Cable operators serving a large majority of cable households now offer cable programming on a digital basis. The use of digital compression technology provides cable companies with greater channel capacity. While greater channel capacity increases the opportunity for distribution and, in some cases, reduces access fees paid by us, it also may adversely impact our ability to compete for television viewers to the extent it results in higher channel position for us, placement of our programming in separate programming tiers, the broadcast of additional competitive channels or viewer fragmentation due to a greater number of programming alternatives.

During 2009, there were approximately 115 million homes in the United States with at least one television set. Of those homes, there were approximately 65 million basic cable television subscribers and approximately 30 million direct-to-home satellite subscribers or DTH. We include with our cable homes those homes who receive programming through telephone service providers, such as AT&T and Verizon. Homes that receive our television home shopping programming 24 hours per day are each counted as one full-time equivalent, or FTE, and homes that receive our programming for any period less than 24 hours are counted based upon an analysis of time of day and day of week that programming is received. We have continued to experience growth in the number of FTE subscriber homes that receive our programming.

Our programming is carried on the direct-to-home, or DTH, satellite services DIRECTV and DISH Network. Carriage is full-time and we pay each operator a monthly access fee based upon the number of subscribers receiving our programming. As of January 30, 2010, our programming reached approximately 30 million DTH subscribers on a full-time basis representing approximately 100% of the total number of DTH satellite subscribers in the United States.

As of January 30, 2010, we served approximately 76.3 million subscriber homes, or approximately 73.6 million average FTEs, compared with approximately 74.1 million subscriber homes, or approximately 71.7 million average FTEs, as of January 31, 2009.

Other Methods of Program Distribution. Our programming is also made available full-time to “C”-band satellite dish owners nationwide and is made available to homes in the Boston, Pittsburgh and Seattle markets over the air via television broadcast stations owned by us or where we lease the broadcast time. In fiscal 2009 and fiscal 2008, our Boston, leased access Pittsburgh and Seattle stations and “C”-band satellite dish transmissions were responsible for approximately 5% of our total consolidated net sales. As of January 30, 2010, we also have carriage agreements with companies primarily known for offering telephone services which have recently begun offering video services using internet protocol delivery. In addition, our programming is also available through our internet retailing websites, www.ShopNBC.com and www.ShopNBC.tv.

Internet Website

Our websites, ShopNBC.com and ShopNBC.tv, provide customers with a broad array of consumer merchandise, including all products being featured on our television programming. The websites include a live webcast feed of our television programming, an archive of recent past programming, videos of many individual products that the customer can view on demand and clearance pages.

Net sales from our internet website business, inclusive of shipping and handling revenues, totaled \$177.7 million, \$181.2 million and \$217.9 million, representing 34%, 32% and 28% of consolidated net sales for fiscal 2009,

fiscal 2008 and fiscal 2007, respectively. We believe that our internet business represents an important component of our future growth opportunities, and we will continue to invest in and enhance our internet-based capabilities.

Our e-commerce activities are subject to a number of general business regulations and laws regarding taxation and online commerce. There have been continuing efforts to increase the legal and regulatory obligations and restrictions on companies conducting commerce through the internet, primarily in the areas of taxation, consumer privacy and protection of consumer personal information. For example, the Commonwealth of Massachusetts has promulgated regulations that have taken effect on March 1, 2010 that impose a number of data security requirements on companies that collect certain types of information concerning Massachusetts residents. There are indications that other states may adopt similar requirements in the future. A patchwork of state laws imposing differing security requirements depending on the residence of our customers could impose added compliance costs without a compensating increase in income.

In November 2002, a number of states approved a multi-state agreement to simplify state sales tax laws by establishing one uniform system to administer and collect sales taxes on traditional retailers and electronic commerce merchants. The agreement became effective on October 3, 2005. To date, 23 of the 44 states approving the agreement have passed conforming legislations. Implementing legislation has been introduced in ten additional states. A number of states and the US Congress are considering legislative initiatives that would impose tax collection obligations on sales made through the internet. No prediction can be made as to whether individual states will enact legislation requiring retailers such as us to collect and remit sales taxes on transactions that occur over the internet. Adding sales tax to our internet transactions could negatively impact consumer demand. ShopNBC partners with numerous affiliate companies across the country to publicize links from different websites to our website, ShopNBC.com. In 2008, the state of New York enacted legislation which required certain sellers like us to collect sales tax on our New York sales if we utilized New York “resident representatives”, which term was intended to include internet companies that publicize e-commerce retailers through links from different websites to the e-commerce retailer’s website. Court challenges to this tax have, to date, been unsuccessful. As a result of this and other New York legislation recently passed, we registered and starting collecting sales tax in New York. Colorado, North Carolina and Rhode Island have passed similar laws. As a result of recent new state legislation and to avoid the possible taxation of sales in these states, we ceased transacting with affiliates who were “resident representatives” of most of these states. Several other state legislatures, including California, are considering similar legislation. If this legislation is adopted by numerous states, it could adversely affect a portion of our e-commerce sales or sales growth in the coming years or could result in a requirement to begin charging state sales tax in numerous jurisdictions. On October 31, 2007, the United States enacted a seven-year moratorium on internet access taxes extending a ban on internet access taxes that is set to expire in 2014.

The federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, was signed into law on December 16, 2003 and went into effect on January 1, 2004. The CAN-SPAM Act pre-empts similar laws passed by over thirty states, some of which contain restrictions or requirements that are viewed as stricter than those of the CAN-SPAM Act. The CAN-SPAM Act is primarily an opt-out type law; that is, prior permission to send e-mail solicitations to a recipient is not required, but a recipient may affirmatively opt out of such future e-mail solicitations. The CAN-SPAM Act requires commercial e-mails to contain a clear and conspicuous identification that the message is an advertisement or solicitation for goods or services (unless the sender obtains prior affirmative consent from the recipient to receive such messages), as well as a clear and conspicuous unsubscribe function that allows recipients to alert the sender that they do not desire to receive future e-mail solicitation messages. In addition, the CAN-SPAM Act requires that all commercial e-mail messages include a valid physical postal address. The CAN-SPAM implementing regulations were amended in 2008 by the FTC to include, among other things, a prohibition that e-mail senders make it difficult for a recipient to opt-out of receiving future emails from the sender. We believe the CAN-SPAM Act limits our ability to pursue certain direct marketing activities, thus limiting our sales and potential customers.

Changes in consumer protection laws also may impose additional burdens on those companies conducting business online. The adoption of additional laws or regulations may decrease the growth of the internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business through the internet.

In addition, since our website is available over the internet in all states, various states may claim that we are required to qualify to do business as a foreign corporation in such state, a requirement that could result in fees and taxes as well as penalties for the failure to qualify. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business or the application of existing laws and regulations to the internet and other online services could have a material adverse effect on the growth of our business in this area.

D. Strategic Relationships

Strategic Alliance with GE Equity and NBCU

In March 1999, we entered into a strategic alliance with GE Capital Equity Investments, Inc. (“GE Equity”) and NBC Universal, Inc. (“NBCU”) pursuant to which we issued Series A Redeemable Convertible Preferred Stock and common stock warrants, and entered into a shareholder agreement, a registration rights agreement, a distribution and marketing agreement and, the following year, a trademark license agreement. On February 25, 2009, we entered into an exchange agreement with the same parties, pursuant to which GE Equity exchanged all outstanding shares of our Series A Preferred Stock for (i) 4,929,266 shares of our Series B Redeemable Preferred Stock, (ii) warrants to purchase up to 6,000,000 shares of our common stock at an exercise price of \$0.75 per share and (iii) a cash payment in the amount of \$3.4 million. Immediately after the exchange, the aggregate equity ownership of GE Equity and NBCU in our company was as follows: (i) 6,452,194 shares of common stock, (ii) warrants to purchase up to 6,029,487 shares of common stock and (iii) 4,929,266 shares of Series B Preferred Stock. In connection with the exchange, the parties also amended and restated both the shareholder agreement and the registration rights agreement. The outstanding agreements with GE Equity and NBCU are described in more detail below.

Series B Preferred Stock

On February 25, 2009, we issued 4,929,266 shares of Series B Preferred Stock to GE Equity. The shares of Series B Preferred Stock are redeemable at any time by us for the initial redemption amount of \$40.9 million, plus accrued dividends. The Series B Preferred Stock accrues cumulative dividends at a base annual rate of 12%, subject to adjustment. All payments on the Series B Preferred Stock will be applied first to any accrued but unpaid dividends, and then to redeem shares.

30% of the Series B Preferred Stock (including accrued but unpaid dividends) is required to be redeemed on February 25, 2013, and the remainder on February 25, 2014. In addition, the Series B Preferred Stock includes a cash sweep mechanism that may require accelerated redemptions if we generate excess cash above agreed upon thresholds. Specifically, our excess cash balance at the end of each fiscal year, and at the end of any fiscal quarter during which we sell our auction rate securities or dispose of assets or incur indebtedness above agreed upon thresholds, must be used to redeem the Series B Preferred Stock and pay accrued and unpaid dividends thereon. Excess cash balance is defined as our company’s cash and cash equivalents and marketable securities, adjusted to (i) exclude auction rate securities, (ii) exclude cash pledged to vendors to secure the purchase of inventory, (iii) account for variations that are due to our management of payables, and (iv) provide us a cash cushion of at least \$20 million. Any redemptions as a result of this cash sweep mechanism will reduce the amounts required to be redeemed on February 25, 2013 and February 25, 2014. The Series B Preferred Stock (including accrued but unpaid dividends) is also required to be redeemed, at the option of the holders, upon a change in control.

The Series B Preferred Stock is not convertible into common stock or any other security, but initially will vote with the common stock on a one-for-one basis on general corporate matters other than the election of directors. In addition, the holders of the Series B Preferred Stock have certain class voting rights, including the right to elect the GE Equity director-designees described below.

Amended and Restated Shareholder Agreement

On February 25, 2009, we entered into an amended and restated shareholder agreement with GE Equity and NBCU, which provides for certain corporate governance and standstill matters. The amended and restated shareholder agreement provides that GE Equity is entitled to designate nominees for three out of nine members

of our board of directors so long as the aggregate beneficial ownership of GE Equity and NBCU (and their affiliates) is at least equal to 50% of their beneficial ownership as of February 25, 2009 (i.e. beneficial ownership of approximately 8.75 million common shares), and two out of nine members so long as their aggregate beneficial ownership is at least 10% of the “adjusted outstanding shares of common stock,” as defined in the amended and restated shareholder agreement. In addition, the amended and restated shareholder agreement provides that GE Equity may designate any of its director-designees to be an observer of the Audit, Human Resources and Compensation, and Corporate Governance and Nominating Committees.

The amended and restated shareholder agreement requires the consent of GE Equity prior to our entering into any material agreements with any of CBS, Fox, Disney, Time Warner or Viacom, provided that this restriction will no longer apply when either (i) our trademark license agreement with NBCU (described below) has terminated or (ii) GE Equity is no longer entitled to designate at least two director nominees. In addition, the amended and restated shareholder agreement requires the consent of GE Equity prior to our exceeding certain thresholds relating to the issuance of securities, the payment of dividends, the repurchase of common stock, acquisitions (including investments and joint ventures) or dispositions, and the incurrence of debt; provided, that these restrictions will no longer apply when both (i) GE Equity is no longer entitled to designate three director nominees and (ii) GE Equity and NBCU no longer hold any Series B Preferred Stock. We are also prohibited from taking any action that would cause any ownership interest by us in TV broadcast stations from being attributable to GE Equity, NBCU or their affiliates.

The shareholder agreement provides that during the standstill period (as defined in the shareholder agreement), subject to certain limited exceptions, GE Equity and NBCU are prohibited from: (i) any asset/business purchases from us in excess of 10% of the total fair market value of our assets; (ii) increasing their beneficial ownership above 39.9% of our shares; (iii) making or in any way participating in any solicitation of proxies; (iv) depositing any securities of our company in a voting trust; (v) forming, joining or in any way becoming a member of a “13D Group” with respect to any voting securities of our company; (vi) arranging any financing for, or providing any financing commitment specifically for, the purchase of any voting securities of our company; (vii) otherwise acting, whether alone or in concert with others, to seek to propose to us any tender or exchange offer, merger, business combination, restructuring, liquidation, recapitalization or similar transaction involving us, or nominating any person as a director of our company who is not nominated by the then incumbent directors, or proposing any matter to be voted upon by our shareholders. If, during the standstill period, any inquiry has been made regarding a “takeover transaction” or “change in control,” each as defined in the shareholder agreement, that has not been rejected by the board of directors, or the board pursues such a transaction, or engages in negotiations or provides information to a third party and the board has not resolved to terminate such discussions, then GE Equity or NBCU may propose to us a tender offer or business combination proposal.

In addition, unless GE Equity and NBCU beneficially own less than 5% or more than 90% of the adjusted outstanding shares of common stock, GE Equity and NBCU shall not sell, transfer or otherwise dispose of any securities of our company except for transfers: (i) to certain affiliates who agree to be bound by the provisions of the shareholder agreement, (ii) that have been consented to by us, (iii) pursuant to a third-party tender offer, (iv) pursuant to a merger, consolidation or reorganization to which we are a party, (v) in an underwritten public offering pursuant to an effective registration statement, (vi) pursuant to Rule 144 of the Securities Act of 1933, or (vii) in a private sale or pursuant to Rule 144A of the Securities Act of 1933; provided, that in the case of any transfer pursuant to clause (v), (vi) or (vii), the transfer does not result in, to the knowledge of the transferor after reasonable inquiry, any other person acquiring, after giving effect to such transfer, beneficial ownership, individually or in the aggregate with that person’s affiliates, of more than 10% (or 20% in the case of a transfer by NBCU) of the adjusted outstanding shares of the common stock.

The standstill period will terminate on the earliest to occur of (i) the ten-year anniversary of the amended and restated shareholder agreement, (ii) our entering into an agreement that would result in a “change in control” (subject to reinstatement), (iii) an actual “change in control” (subject to reinstatement), (iv) a third-party tender offer (subject to reinstatement), or (v) six months after GE Equity and NBCU can no longer designate any nominees to the board of directors. Following the expiration of the standstill period pursuant to clause (i) or (v) above (indefinitely in the case of clause (i) and two years in the case of clause (v)), GE Equity and NBCU’s beneficial

ownership position may not exceed 39.9% of our diluted outstanding stock, except pursuant to issuance or exercise of any warrants or pursuant to a 100% tender offer for our company.

Registration Rights Agreement

On February 25, 2009, we entered into an amended and restated registration rights agreement providing GE Equity, NBCU and their affiliates and any transferees and assigns, an aggregate of four demand registrations and unlimited piggy-back registration rights.

NBCU Distribution and Marketing Agreement

We entered into a distribution and marketing agreement with NBCU dated March 8, 1999 that provided NBCU with the exclusive right to negotiate on our behalf for the distribution of our home shopping television programming. This agreement expired in March 2009.

NBCU Trademark License Agreement

On November 16, 2000, we entered into a trademark license agreement with NBCU pursuant to which NBCU granted us an exclusive, worldwide license for a term of ten years to use certain NBC trademarks, service marks and domain names to rebrand our business and corporate name and website. We subsequently selected the names ShopNBC and ShopNBC.com.

Under the license agreement we have agreed, among other things, to (i) certain restrictions on using trademarks, service marks, domain names, logos or other source indicators owned or controlled by NBCU, (ii) the loss of our rights under the license with respect to specific territories outside of the United States in the event we fail to achieve and maintain certain performance targets in such territories, (iii) not own, operate, acquire or expand our business to include certain businesses without NBCU's prior consent, (iv) comply with NBCU's privacy policies and standards and practices, and (v) not own, operate, acquire or expand our business such that one-third or more of our revenues or our aggregate value is attributable to certain services (not including retailing services similar to our existing e-commerce operations) provided over the internet. The license agreement also grants to NBCU the right to terminate the license agreement at any time upon certain changes of control of our company, in certain situations upon the failure by NBCU to own a certain minimum percentage of our outstanding capital stock on a fully diluted basis, and certain other situations. On March 28, 2007, we and NBCU agreed to extend the term of the license by six months, such that the license would continue through May 15, 2011, and to provide that certain changes of control involving a financial buyer would not provide the basis for an early termination of the license by NBCU.

E. Marketing and Merchandising

Television and Internet Retailing

Our television and internet revenues are generated from sales of merchandise and services offered through our "ShopNBC Anywhere" initiative, which includes cable and satellite television, online at www.ShopNBC.com, live streaming at www.ShopNBC.tv, mobile devices and social networking sites. Our television home shopping business utilizes live television 24 hours a day, seven days a week, to create an interactive and entertaining atmosphere to describe and demonstrate our merchandise. Selected customers participate through live conversations with on-air sales hosts and occasional on-air guests. We believe our customers are primarily women between the ages of 40 and 69, married, with average annual household incomes of \$50,000 or more. Our customers make purchases based on our unique products, high quality merchandise, timeliness and compelling values. We schedule special programming at different times of the day and week to appeal to specific viewer and customer profiles. We feature announced and unannounced promotions to drive interest and incremental sales, including "Today's Top Value," a sales program that features one special offer every day. We also feature other major and special promotional events and inventory-clearance sales.

Our merchandise is generally offered at or below comparable retail values. We continually introduce new products on our television home shopping program and website. Inventory sources include manufacturers,

wholesalers, distributors and importers. We intend to continue to promote private label merchandise, which generally has higher margins than branded merchandise.

ShopNBC Private Label and Co-Brand Credit Card Program

During fiscal 2006, we introduced and established a private label and co-branded revolving consumer credit card program (the "Program"). The Program is made available to all qualified consumers for the financing of purchases of products from ShopNBC and for the financing of purchases of products and services from other non-ShopNBC retailers. The Program provides a number of benefits to customers including an awards program, deferred billing options and other special offers. During fiscal 2009 and fiscal 2008, customer use of the private label and co-branded cards accounted for approximately 16% and 21% of our television and internet sales, respectively. We believe that the use of the ShopNBC credit card furthers customer loyalty and reduces our overall bad debt exposure since the credit card issuing bank bears the risk of bad debt on ShopNBC credit card transactions that do not utilize our ValuePay installment payment program.

Purchasing Terms

We obtain products for our direct marketing businesses from domestic and foreign manufacturers and suppliers and are often able to make purchases on favorable terms based on the volume of products purchased or sold. Some of our purchasing arrangements with our vendors include inventory terms that allow for return privileges for a portion of the order or stock balancing. We generally do not have long-term commitments with our vendors, and a variety of sources are available for each category of merchandise sold. During fiscal 2009 products purchased from one vendor accounted for approximately 19% of our consolidated net sales. We believe that we could find alternative sources for this vendor's products if this vendor ceased supplying merchandise; however, the unanticipated loss of any large supplier could impact our sales and earnings on a temporary basis.

F. Order Entry, Fulfillment and Customer Service

Our products are available for purchase via toll-free telephone numbers or on our websites. We maintain agreements with West Corporation and 24-7 INtouch to provide us with telephone order-entry operators and automated order-processing services for the taking of customer orders. We also process orders at our Bowling Green, Kentucky and Eden Prairie, Minnesota facilities. At the present time, we do not utilize any call center services based overseas.

We own a 262,000 square foot distribution facility in Bowling Green, Kentucky, which we use for the fulfillment of all merchandise purchased and sold by us and for certain call center operations. We also lease approximately 150,000 square feet of additional warehouse space under a month to month lease.

The majority of customer purchases are paid by credit or debit cards. As discussed above, we maintain a private label and a co-brand credit card program using the ShopNBC name. Purchases made with the ShopNBC private label credit card are non-recourse to us. We also utilize an installment payment program called ValuePay, which entitles customers to pay by credit card for certain merchandise in two or more equal monthly installments. We intend to continue to sell merchandise using the ValuePay program due to its significant promotional value. It does, however, create a credit collection risk from the potential inability to collect outstanding balances.

We maintain a product inventory, which consists primarily of consumer merchandise held for resale. The product inventory is valued at the lower of average cost or realizable value. As of January 30, 2010 and January 31, 2009, we had inventory balances of \$44.1 million and \$51.1 million, respectively.

Merchandise is shipped to customers by the United States Postal Service, UPS, Federal Express or other recognized carriers. We also have arrangements with certain vendors who ship merchandise directly to our customers after an approved customer order is processed.

We perform all customer service functions at our Eden Prairie, Minnesota and Bowling Green, Kentucky facilities.

Our return policy allows a standard 30-day refund period from the date of invoice for all customer purchases. Our return rate was 21% in fiscal 2009 compared to 31% in fiscal 2008. We attribute the decrease in the 2009 return rate primarily to operational improvements in our delivery time and customer service, a change in our merchandise mix, our overall product quality and quality control enhancements and our lower price points. Prior to fiscal 2009, our return rates have historically been in the range of approximately 31% to 33%. These historical return rates have been higher than the average return rates reported by our larger competitors in the television home shopping industry. Management believes that historically our return rates were high partially as a result of (i) the significantly higher historic average selling prices of our products as compared to the average selling prices of our competitors, and (ii) the fact that we have had a higher percentage of sales attributable to high-priced jewelry products. Both of these characteristics are associated with higher product return rates. We will continue to manage our return rates and will adjust our product mix accordingly to lower average selling price points in an effort to continue to reduce the overall return rates related to our television home shopping and internet businesses.

G. Competition

The direct marketing and retail businesses are highly competitive. In our television home shopping and e-commerce operations, we compete for customers with other television home shopping and e-commerce retailers; infomercial companies; other types of consumer retail businesses, including traditional “brick and mortar” department stores, discount stores, warehouse stores and specialty stores; catalog and mail order retailers; and other direct sellers.

In the competitive television home shopping sector, we compete with QVC Network, Inc. and HSN, Inc., both of whom are substantially larger than we are in terms of annual revenues and customers, and whose programming is carried more broadly to U.S. households than our programming. The American Collectibles Network, which operates Jewelry Television, also competes with us for television home shopping customers in the jewelry category. In addition, there are a number of smaller niche players and startups in the television home shopping arena who compete with our company. We believe that our major competitors incur cable and satellite distribution fees representing a significantly lower percentage of their sales attributable to their television programming than do we; and that their fee arrangements are substantially on a commission basis (in some cases with minimum guarantees) rather than on the predominantly fixed-cost basis that we currently have. This difference in programming distribution fee structures represents a material competitive disadvantage for our company if we were unable to increase sales levels.

The e-commerce sector is also highly competitive, and we are in direct competition with other internet retailers, many of whom are larger, better financed and/or have broader customer bases. Certain of our competitors in the television home shopping sector have acquired internet businesses complementary to their existing internet sites, which poses additional competitive challenges for our company.

We anticipate continuing competition for viewers and customers, for experienced home shopping personnel, for distribution agreements with cable and satellite systems, and for vendors and suppliers — not only from television home shopping companies, but also from other companies that seek to enter the home shopping and internet retail industries, including telecommunications and cable companies, television networks and other established retailers. We believe that our ability to be successful in the television home shopping and e-commerce sectors will be dependent on a number of key factors, including (i) obtaining more favorable terms in our cable and satellite distribution agreements, (ii) increasing the number of customers who purchase products from us, and (iii) increasing the dollar value of sales per customer from our existing customer base.

H. Federal Regulation

The cable television industry 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, known as the Communications Act, the Cable Television Consumer Protection Act of 1992 known as the Cable Act, the Telecommunications Act of 1996, known as the Telecommunications Act, or other laws and FCC rules or policies that may affect our operations.

Cable Television

The cable industry is regulated by the FCC under the Cable Act and FCC regulations promulgated thereunder, as well as by state or local governments with respect to certain franchising matters.

Must Carry. In general, the FCC's "must carry" rules under the Cable Act entitle full power television stations to mandatory cable carriage of the primary video and program-related material in their signals, at no charge, to all cable homes located within each station's broadcast market provided that the signal is of adequate strength, and the must carry signals occupy no more than one-third of the cable system's capacity.

The FCC has also been asked to reevaluate its 1993 extension of must carry rights to predominantly home shopping television stations. Although this request was filed over ten years ago, in May 2007 the FCC issued a public notice seeking additional comment on the request. The comment period in response to the FCC's public notice closed in August 2007, and the proceeding remains pending. There can be no assurance the FCC will uphold the right of home shopping television stations to be eligible for must carry in the future. 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 the station's lack of service to the community, its previous non-carriage or other factors. The unavailability of must carry rights to our existing or future stations would likely substantially reduce the number of cable homes that could be reached by any full power television station that we own or may acquire or on which we might provide programming.

Cable Leased Access

The Cable Act and the FCC's rules provide unaffiliated cable programmers such as us with certain rights to lease channels from cable operators. In February 2008, the FCC released an order revising its leased access rate formulas and policies. The FCC declined, however, to extend at this time the revised leased access rates and policies to home shopping programmers, such as us, and other programmers that predominantly transmit sales presentations or program length commercials and infomercials. Instead, the FCC deferred resolution of that issue until it completes a further proceeding, on which it solicited comments. A number of parties, including us, have sought judicial review of various aspects of the FCC's February 2008 order, and those appeals have been consolidated before the U.S. Court of Appeals for the Sixth Circuit where they remain pending. The Office of Management and Budget refused to allow the FCC's revised rules to go into effect; a request for the FCC to override that decision is also pending. We also have filed comments in response to the FCC's further notice. There can be no assurance as to the outcome of this litigation or of the FCC's ongoing proceeding considering whether to extend the revised leased access rates and policies to home shopping programmers. Although no prediction can be made at this time, it is possible that in the future it will become more difficult for us to lease channels from cable operators because other programmers will occupy the required leased access slots on a particular cable system.

Broadcast Television

General. Our acquisition and operation of television stations is 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. The statute empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, adopt regulations to carry out the provisions of the Communications Act and impose penalties for violation of such regulations. Such regulations impose certain obligations with respect to the programming and operation of television stations, including requirements for carriage of children's educational and informational programming, programming responsive to local problems, needs and interests, advertising upon request by legally qualified candidates for federal office, closed captioning, and other matters. In addition, FCC rules prohibit foreign governments, representatives of foreign governments, aliens, representatives of aliens and corporations and partnerships organized under the laws of a foreign nation 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.

Full Power Television Stations. In April 2003, one of our wholly owned subsidiaries acquired a full power television station serving the Boston, Massachusetts market. On April 11, 2007, the FCC granted our application for renewal of the station's license. We also distribute our programming via leased carriage on full power television

stations in Pittsburgh, Pennsylvania and Seattle, Washington. Our Boston station, WWDP-DT, currently broadcasts in a digital format on channel 10.

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. Verizon, AT&T, Qwest, and a number of other local telephone companies are planning to provide or are providing video services through fiber to the home or fiber to the neighborhood technologies, while other local exchange carriers are using video digital subscriber loop technology, known as VDSL, to deliver video programming, high-speed internet access and telephone service over existing copper telephone lines or new fiber optic lines. In March 2007 and November 2007, the FCC released orders designed to streamline entry by carriers by preempting the imposition by local franchising authorities of unreasonable conditions on entry. A number of franchising authorities have sought judicial review of the March 2007 order, and those cases were consolidated before the U.S. Court of Appeals for the Sixth Circuit. On June 27, 2008, the United States Court of Appeals for the Sixth Circuit denied the petitions for review of the FCC's decision. In addition, a number of parties have requested that the FCC reconsider various aspects of the March 2007 and November 2007 orders, and those requests remain pending. A number of states have also enacted franchise reform legislation to make it easier for telephone companies to provide video services. Both Verizon and AT&T have deployed video delivery systems in many markets across the country, and other telephone companies are also entering the market as a result of these FCC and state decisions. As of September 2009, Verizon and AT&T, respectively, were the eighth and tenth largest multi-channel video programming distributors. No prediction can be made as to their further deployment or success in attracting customers.

Regulations Affecting Multiple Payment Transactions

The antitrust settlement between MasterCard, VISA and approximately 8 million retail merchants raises certain issues for retailers who accept telephonic orders that involve consumer use of debit cards for multiple or continuity payments. A condition of the settlement agreement provided that the code numbers or other means of distinguishing between debit and credit cards be made available to merchants by VISA and MasterCard. Under Federal Reserve Board regulations, this may require merchants to obtain consumers' written consent for preauthorized transfers where the merchant is aware that the method of payment is a debit card as opposed to a credit card. We believe that debit cards are currently being offered as the payment vehicle in approximately 36% of our transactions with VISA and MasterCard. Effective February 9, 2006, the Federal Reserve Board amended language in its official commentary to Regulation E by removing an express prohibition on the use of taped verbal authorization from consumers as evidence of a written authorization for purposes of the regulation. There can be no assurance that compliance with the authorization procedures under this regulation will not adversely affect the customer experience in placing orders or adversely affect sales.

Fair and Accurate Credit Transactions Act

In an attempt to combat identity theft, in 2003, Congress enacted the Fair and Accurate Credit Transactions Act. ("FACTA"). In 2008, the federal bank regulatory agencies and the Federal Trade Commission finalized a joint rule implementing FACTA. Compliance with the rule becomes mandatory on June 1, 2010. FACTA requires companies to take steps to prevent, detect and mitigate the occurrences of identity theft. Pursuant to FACTA, covered companies are required to, among other things, develop an identity theft prevention program to identify and respond appropriately to "red flags" that may be indicative of possible identity theft. We adopted our FACTA policy on May 14, 2009.

I. Seasonality and Economic Sensitivity

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

J. Employees

At January 30, 2010, we had approximately 1,060 employees, the majority of whom are employed in customer service, order fulfillment and television production. Approximately 16% of our employees work part-time. We are not a party to any collective bargaining agreement with respect to our employees.

K. Executive Officers of the Registrant

Set forth below are the names, ages and titles of the persons serving as our executive officers.

<u>Name</u>	<u>Age</u>	<u>Position(s) Held</u>
Keith R. Stewart	46	Chief Executive Officer and Director
Robert Ayd	61	President
William McGrath	52	Vice President — Interim Chief Financial Officer
Carol Steinberg	50	Senior Vice President — E-Commerce, Marketing and Business Development
Kris M. Kulesza	56	Senior Vice President — Merchandising
Jean-Guillaume Sabatier	40	Senior Vice President — Sales & Product Planning and Programming
Nathan E. Fagre	54	Senior Vice President, General Counsel & Secretary
Michael A. Murray	51	Senior Vice President — Operations
Mark A. Ahmann	53	Senior Vice President — Human Resources & TV Sales

Keith R. Stewart was named our President and Chief Executive Officer in January 2009 after having joined ShopNBC as President and Chief Operating Officer in August 2008. Mr. Stewart retired from QVC in July 2007 where he served the majority of his retail career, most recently as Vice President — Merchandising of QVC (USA), and Vice President — Global Sourcing of QVC (USA) from April 2004 to June 2007. Previously he was General Manager of QVC’s large and profitable German business unit from 1998 to March 2004. Mr. Stewart first joined QVC as a consumer electronics buyer in 1992 and through a series of progressively responsible positions developed expertise in all areas of TV shopping, including merchandising, programming, cable distribution, strategic planning, organizational development, and international sourcing.

Robert Ayd joined ShopNBC in February 2010 as President, overseeing Merchandising, Planning, Programming, Broadcast Operations, and On-Air Talent. Mr. Ayd brings an extensive background and proven track record of success to ShopNBC, including executive leadership roles at QVC and Macy’s. Most recently, he served as Executive Vice President and Chief Merchandising Officer at QVC (U.S.) from 2006 to 2008. During his tenure at QVC, Mr. Ayd also served as Senior Vice President, Design Development & Global Sourcing and Brand Development from 2005 to 2006, and Senior Vice President of Jewelry and Fashion from 2000 to 2004. Prior to joining QVC in 1995 as Vice President of Fashion, Mr. Ayd held numerous executive leadership positions for Macy’s, culminating with Senior Vice President in Women’s Sportswear from 1991 to 1995. Mr. Ayd began his career at Macy’s in 1975 as a buyer of handbags, bodywear and footwear.

William McGrath joined ShopNBC in January 2010 as Vice President of Quality Assurance and was named interim Chief Financial Officer in February 2010. Most recently, Mr. McGrath served as Vice President Global Sourcing Operations and Finance at QVC in 2008. During his tenure at QVC, he also served as Vice President Corporate Quality Assurance and Quality Control from 1999 — 2008; Vice President Merchandise Operations and Inventory Control from 1995-1999; Vice President Market Research and Sales Analysis from 1992 — 1995; and Director Financial Planning and Analysis from 1990-1992. Prior to QVC, Mr. McGrath held a variety of leadership positions at Subaru of America from 1983-1990 and Arthur Andersen from 1979-1983. He holds an MBA in finance from Drexel University and a BS in Accounting from Saint Joseph’s University.

Carol Steinberg joined ShopNBC as Senior Vice President, E-Commerce, Marketing and Business Development in June 2009. Previously she was Vice President at David’s Bridal from September 2006 to June 2009 where she expanded its internet presence by designing and implementing marketing and merchandising strategies that

drove traffic in store and online. Prior to this position, Ms. Steinberg spent 12 years at QVC from July 1994 to September 2006, most recently having served as the Director of Online Marketing and Business Development.

Kris M. Kulesza joined ValueVision Media in May 2008 as Senior Vice President, Merchandising, having served most recently as Vice President and General Manager at Hallmark Direct, a division of Hallmark Cards, from July 2007 to April 2008, where she directed its direct-to-consumer business unit (online and catalog) including merchandising, marketing, finance, operations, fulfillment, and technology. Beginning in 1998, she held merchandising and senior executive positions at Home Shopping Network (HSN), including Executive Vice President of HSN.com from November 2005 to November 2006, Senior Vice President of Merchandising at HSN.com from May 2005 to November 2005, and Senior Vice President of Jewelry at HSN from 2004 to May 2005. From December 2006 to June 2007, Ms. Kulesza took time off to be with her family. Prior to her work at HSN, Ms. Kulesza was vice president of merchandising at Peoples Jewelers and president of Lipton's, both in Canada. Ms. Kulesza began her professional career as an auditor with Deloitte & Touche (Toronto).

Jean-Guillaume Sabatier joined ValueVision Media as Senior Vice President, Sales & Product Planning and Programming in November 2008. Most recently, Mr. Sabatier served as Director, Sales and Product Planning for QVC, Inc., from July 2007 to October 2008. Prior to that time, Mr. Sabatier held various positions in QVC's German business unit, including Director, Programming and Planning from July 2003 to July 2007. He began his QVC career as a sales and product planner in June 1997.

Nathan E. Fagre joined us as Senior Vice President, General Counsel and Secretary in May 2000. From 1996 to 2000, Mr. Fagre was Senior Vice President and General Counsel of Occidental Oil and Gas Corporation in Los Angeles, California, the oil and gas operating subsidiary of Occidental Petroleum Corporation. From 1995 to 1996, Mr. Fagre held other positions in the legal department at Occidental. His previous legal experience included corporate and securities law practice with the law firms of Sullivan & Cromwell in New York and Gibson, Dunn & Crutcher in Washington, D.C. During 2008 and 2009, Mr. Fagre served as chairman of the board of directors of the Electronic Retailing Association, a 500-member company industry association serving the television home shopping, e-commerce, infomercial and electronic direct-response industries.

Michael A. Murray joined ValueVision Media as Vice President of Operations in May 2004. Mr. Murray has over 25 years of operations and business management experience. Prior to joining ValueVision Media, Mr. Murray was Senior Vice President of Operations for the Fingerhut Companies and Federated Department Stores direct to consumer divisions primarily from May 1991 to October 2002. While at Fingerhut, Mr. Murray also led FBSI operations, Fingerhut's 3rd party direct to consumer arm serving Walmart.com, Inuit, Levi's, Wet Seal and others. Mr. Murray has held executive leadership positions in various direct to consumer and retail companies including Merrill Corporation, Lieberman Enterprises, and Associated Wholesale Grocers. Mr. Murray began his career with John Deere as an Industrial Engineer.

Mark A. Ahmann has served as Senior Vice President, Human Resources and TV Sales since January 2009, after joining ShopNBC in September 2008 as Senior Vice President, Human Resources. Prior to ShopNBC he served as an independent consultant with HR Connection from October 2007 to August 2008 and as Senior Vice President of Operations and Human Resources at Prime Therapeutics, a pharmacy benefit management services provider, from August 2005 to September 2007. Previously, Mr. Ahmann was Vice President of Human Resources at Cargill, a global agricultural and trading company from November 2003 to March 2005. Prior to that time he served as Vice President of Administration and Human Resources at FSI International and as Vice President of Human Resources — Acquisitions and Divestitures at Aetna. He began his career in human resources with Honeywell.

L. Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports if applicable, are available, without charge, on our Investor Relations website as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission. Copies also are available, without charge, by contacting the General Counsel, ValueVision Media, Inc., 6740 Shady Oak Road, Eden Prairie, Minnesota 55344-3433.

Our Investor Relations internet address is www.valuevisionmedia.com. The information contained on and connected to our Investor Relations website is not incorporated into this report.

Item 1A. 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 our company.

We launched a new business strategy after unsuccessful efforts to sell our company in fiscal 2008.

Beginning in the fall of 2008, the board of directors, with the assistance of financial and legal advisors, pursued a strategy to find a purchaser of the company or a new strategic partner. This effort ended in January 2009 without a transaction taking place. At this time, Keith Stewart was promoted to chief executive officer of our company, and under his leadership, we are currently focused on executing a new strategy for ShopNBC that is designed to grow EBITDA levels and increase revenues. In support of this strategy, we are pursuing the following actions: (i) growing new and active customers while improving household penetration, (ii) reducing our operating expenses to reverse our operating losses, (iii) continue renegotiating cable and satellite carriage contracts where we have cost savings opportunities, (iv) broadening and optimizing our mix of product categories offered on television and the internet in order to appeal to a broader population of potential customers, (v) lowering the average selling price of our products in order to increase the size and purchase frequency of our customer base, (vi) growing our internet business by providing broader and internet-only merchandise offering, and (vii) improving the shopping experience and our customer service in order to retain and attract more customers. There can be no guarantee that we will be able to successfully implement this new strategy on a timeline that would lead to a successful turnaround of operating results before we exhaust available cash and other liquidity resources.

We have a history of losses and a high fixed cost operating base and may not be able to achieve or maintain profitable operations in the future.

We experienced operating losses of approximately \$41.2 million, \$88.5 million and \$23.1 million in fiscal 2009, fiscal 2008 and fiscal 2007, respectively. We reported a net loss of \$42.0 in fiscal 2009 and a net loss in fiscal 2008 of \$97.8 million. While we reported net income of \$22.5 million in fiscal 2007, this was due to the \$40.2 million pre-tax gain we recorded on the sale of our equity interest in Ralph Lauren Media, LLC, operator of the polo.com website. There is no assurance that we will be able to achieve or maintain profitable operations in future fiscal years.

Our television home shopping business operates with a high fixed cost base, primarily driven by fixed fees under distribution agreements with cable and satellite system operators to carry our programming. In order to operate on a profitable basis, we must reach and maintain sufficient annual sales revenues to cover our high fixed cost base negotiate a reduction in this cost structure. If our sales levels are not sufficient to cover our operating expenses, our ability to reduce operating expenses in the near term will be limited by the fixed cost base. In that case, our earnings, cash balance and growth prospects could be materially and adversely affected.

If we do not reverse our current trend of operating losses, we could reduce our operating cash resources to the point where we will not have sufficient liquidity to meet the ongoing cash commitments and obligations to continue operating our business.

We have limited unrestricted cash to fund our business, \$17.0 million as of January 30, 2010 (with an additional \$5.1 million of cash that is used to secure letters of credit and similar arrangements), and have a history of operating losses. We expect to use our cash to fund any further operating losses, to finance our working capital requirements and to make necessary capital expenditures in order to operate our business. We also have significant future commitments for our cash, primarily payments for our cable and satellite program distribution obligations and redemption of the Series B Preferred Stock. If our vendors or service providers were to demand a shift from our current payment terms to upfront prepayments or require cash reserves, this will have a significant adverse impact on our available cash balance and our ability to meet the ongoing commitments and obligations of our business. If

we are not able to attain profitability and generate positive cash flows from operations or obtain cash from other financing sources in addition to our \$20 million secured bank line of credit facility, we may not have sufficient liquidity to continue operating. In addition, our credit agreement with our secured lender requires compliance with various operating and financial covenants (as discussed further in footnote 10 in the accompanying consolidated financial statement), and if we are unable to comply with those covenants, our access to our secured bank line of credit may be restricted or we may even be prohibited from accessing those funds. Based on our current projections for fiscal 2010, we believe that our existing cash balances, our credit line, our ability to raise additional financing and the ability to structure transactions in a manner reflective of capital availability will be sufficient to maintain liquidity to fund our normal business operations through fiscal 2010. However, there can be no assurance that we will meet our projections for 2010 or that, if required, the Company would be able to raise additional capital or reduce spending sufficiently to maintain the necessary liquidity. Our shareholders agreement with GE and NBC Universal require their consent in order for the Company to issue new equity securities above certain thresholds, and there can be no assurance that we would receive such consent if we made a request. If we did issue additional equity, it would be dilutive to our existing shareholders. If we sought to and were successful in incurring indebtedness from sources other than our existing line of credit arrangement to raise additional capital, there would be additional interest expense associated with such funding, which expense could be substantial.

The failure to secure suitable placement for our television programming and the expansion of digital cable systems could adversely affect our ability to attract and retain television viewers and could result in a decrease in revenue.

We are dependent upon our ability to compete for television viewers. Effectively competing for television viewers is dependent on our ability to secure placement of our television programming within a suitable programming tier at a desirable channel position. The majority of cable operators now offer cable programming on a digital basis. While the growth of digital cable systems may over time make it possible for our programming to be more widely distributed, there are several risks as well. The primary risks associated with the growth of digital cable are demonstrated by the following:

- we could experience a reduction in the growth rate or an absolute decline in sales per digital tier subscriber because of the increased number of channels offered on digital systems competing for the same number of viewers and the higher channel location we typically are assigned in digital tiers;
- more competitors may enter the marketplace as additional channel capacity is added; and
- more programming options being available to the viewing public in the form of new television networks and time-shifted viewing (e.g. , personal video recorders, video-on-demand, interactive television and streaming video over broadband internet connections).

Failure to adapt to these risks will result in lower revenue and may harm our results of operations. In addition, failure to anticipate and adapt to technological changes in a cost-effective manner that meets customer demands and evolving industry standards will also reduce our revenue, harm our results of operations and financial condition and have a negative impact on our business.

We may not be able to continue to expand or could lose some of our programming distribution if we cannot negotiate profitable distribution agreements or because of the ongoing shift from analog to digital programming.

We are seeking to continue to materially reduce the costs associated with our cable and satellite distribution agreements. However, while we were able to achieve significant reductions in such costs during fiscal 2009 without a loss in households, there can be no assurance that we will achieve comparable cost reductions in the future or that we will be able to maintain or grow our households on financial terms that are profitable to us. It is possible that we would reduce our programming distribution in certain systems if we are unable to obtain appropriate financial terms. Failure to successfully renew agreements covering a material portion of our existing cable and satellite households on acceptable financial and other terms could adversely affect our future growth, sales revenues and earnings unless we are able to arrange for alternative means of broadly distributing our television programming.

NBCU and GE Equity have the ability to exert significant influence over us and have the right to disapprove of certain actions by us.

As a result of their equity ownership in our company, NBCU and GE Equity together are currently our largest shareholder and have the ability to exert significant influence over actions requiring shareholder approval, including the election of directors, adoption of equity-based compensation plans and approval of mergers or other significant corporate events. Through the provisions in the shareholder agreement and certificate of designation for the preferred stock, NBCU and GE Equity also have the right to block us from taking certain actions (as discussed in greater detail under “Business — Strategic Relationships — Amended and Restated Shareholder Agreement” above). The interests of NBCU and GE Equity may differ from the interests of our other shareholders, and thus they may block us from taking actions that might otherwise be in the interests of our other shareholders.

Expiration of the NBC branding license would require us to pursue a new branding strategy that may not be successful.

We have branded our television home shopping network and internet site as ShopNBC and ShopNBC.com, respectively, under an exclusive, worldwide licensing agreement with NBCU for the use of NBC trademarks, service marks and domain names that continues until May 2011. We do not have the right to automatic renewal at the end of the license term, and consequently may choose or be required to pursue a new branding strategy in the next 12 months which may not be as successful as the NBC brand with current or potential customers. NBCU also has the right to terminate the license prior to the end of the license term in certain circumstances, including without limitation in the event of a breach by us of the terms of the license agreement or upon certain changes of control (as discussed in greater detail under “Business — Strategic Relationships — NBCU Trademark License Agreement” above).

Competition in the general merchandise retailing industry and particularly the live home shopping and e-commerce sectors could limit our growth and reduce our profitability.

As a general merchandise retailer, we compete for consumer expenditures with other forms of retail businesses, including other television home shopping and e-commerce retailers, infomercial companies, other types of consumer retail businesses, including traditional “brick and mortar” department stores, discount stores, warehouse stores, specialty stores, catalog and mail order retailers and other direct sellers. In the competitive television home shopping sector, we compete with QVC Network, Inc., HSN, Inc. and Jewelry Television, as well as a number of smaller “niche” home shopping competitors. QVC Network, Inc and HSN, Inc. both are substantially larger than we are in terms of annual revenues and customers, their programming is more broadly available to U.S. households than is our programming and in many markets they have more favorable channel locations than we have. The internet retailing industry is also highly competitive, with numerous e-commerce websites competing in every product category we carry, in addition to the websites operated by the other television home shopping companies. This competition in the internet retailing sector makes it more challenging and expensive for us to attract new customers, retain existing customers and maintain desired gross margin levels.

We may not be able to maintain our satellite services in certain situations, beyond our control, which may cause our programming to go off the air for a period of time and cause us to incur substantial additional costs.

Our programming is presently distributed to cable systems, full power television stations and satellite dish operators via a leased communications satellite transponder. Satellite service may be interrupted due to a variety of circumstances beyond our control, such as satellite transponder failure, satellite fuel depletion, governmental action, preemption by the satellite service provider, solar activity and service failure. The agreement provides us with preemptable back-up service if satellite transmission is interrupted. Our satellite service provider recently advised us and its other customers that our current satellite had experienced an anomaly and that its customers would be transitioned to a backup satellite for continued service. However, there can be no assurance that there will be no interruption in service in connection with this transition or that, if the transition is successful, we will be able to arrange an additional preemptable back-up service. In the event of a serious transmission interruption where

back-up service is not available, we may need to enter into new arrangements, resulting in substantial additional costs and the inability to broadcast our signal for some period of time.

The FCC could limit must-carry rights, which would impact distribution of our television home shopping programming and might impair the value of our Boston FCC license.

The Federal Communications Commission, known as the FCC, issued a public notice on May 4, 2007 stating that it was updating the public record for a petition for reconsideration filed in 1993 and still pending before the FCC. The petition challenges the FCC's prior determination to grant the same mandatory cable carriage (or "must-carry") rights for TV broadcast stations carrying home shopping programming that the FCC's rules accord to other TV stations. The time period for comments and reply comments regarding the reconsideration closed in August 2007, and we submitted comments supporting the continuation of must-carry rights for home shopping stations. If the FCC decides to change its prior determination and withdraw must-carry rights for home shopping stations as a result of this updating of the public record, we could lose our current carriage distribution on cable systems in three markets: Boston, Pittsburgh and Seattle, which currently constitute approximately 3.2 million full-time equivalent households, or FTE's, receiving our programming. We own the Boston television station and have carriage contracts with the Pittsburgh and Seattle television stations. In addition, if must-carry rights for home shopping stations are withdrawn, it may not be possible to replace these FTE's on commercially reasonable terms and the carrying value of our Boston FCC license (\$23.1 million) may become further impaired.

We may be subject to product liability claims for on-air misrepresentations or if people or properties are harmed by products sold by us.

Products sold by us and representations related to these products may expose us to potential liability from claims by purchasers of such products, subject to our rights, in certain instances, to seek indemnification against this liability from the suppliers or manufacturers of the products. In addition to potential claims of personal injury, wrongful death or damage to personal property, the live unscripted nature of our television broadcasting may subject us to claims of misrepresentation by our customers, the Federal Trade Commission and state attorneys general. We maintain, and have generally required the manufacturers and vendors of these products to carry, product liability and errors and omissions insurance. There can be no assurance that we will maintain this coverage or obtain additional coverage on acceptable terms, or that this insurance will provide adequate coverage against all potential claims or even be available with respect to any particular claim. There also can be no assurance that our suppliers will continue to maintain this insurance or that this coverage will be adequate or available with respect to any particular claims. Product liability claims could result in a material adverse impact on our financial performance.

Our ValuePay installment payment program could lead to significant unplanned credit losses if our credit loss rate was to materially deteriorate.

We utilize an installment payment program called ValuePay that entitles customers to purchase merchandise and generally pay for the merchandise in two or more equal monthly installments. As of January 30, 2010 we had approximately \$62.5 million due from customers under the ValuePay installment program. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. There is no guarantee that we will continue to experience the same credit loss rate that we have in the past or that losses will not be within current provisions. A significant increase in our credit losses above what we have been experiencing could result in a material adverse impact on our financial performance.

Failure to comply with existing laws, rules and regulations, or to obtain and maintain required licenses and rights, could subject us to additional liabilities.

We market and provide a broad range of merchandise through multiple channels. As a result, we are subject to a wide variety of statutes, rules, regulations, policies and procedures in various jurisdictions which are subject to change at any time, including laws regarding consumer protection, privacy, the regulation of retailers generally, the importation, sale and promotion of merchandise and the operation of warehouse facilities, as well as laws and regulations applicable to the internet and businesses engaged in e-commerce. Our failure to comply with these laws and regulations could result in fines and proceedings against us by governmental agencies and consumers, which

could adversely affect our business, financial condition and results of operations. Moreover, unfavorable changes in the laws, rules and regulations applicable to us could decrease demand for merchandise offered by us, increase costs and subject us to additional liabilities. Finally, certain of these regulations impact our marketing efforts.

We may be subject to claims by consumers and state and federal authorities for security breaches involving customer information, which could materially harm our reputation and business.

In order to operate our business we take orders for our products from customers. This requires us to obtain personal information from these customers including credit card numbers. Although we take reasonable and appropriate security measures to protect customer information, there is still the risk that external or internal security breaches could occur. In addition, new tools and discoveries by third parties in computer or communications technology or software or other developments may facilitate or result in a future compromise or breach of our computer systems. Such compromises or breaches could result in significant liability or costs to us from consumer lawsuits for monetary redress, state and federal authorities for fines and penalties, and could also lead to interruptions in our operations and negative publicity causing damage to our reputation and limiting customers' willingness to purchase products from us. Recently, a major discount retailer and a credit reporting agency experienced theft of credit card numbers of millions of consumers resulting in multi-million dollar fines and consumer settlement costs, FTC audit requirements, and significant internal administrative costs.

The unanticipated loss of several of our larger vendors could impact our sales on a temporary basis.

It is possible that one or more of our larger vendors could experience financial difficulties, including bankruptcy, or otherwise could determine to cease doing business with us. While we have periodically experienced the loss of a major vendor, if a number of our current larger vendors ceased doing business with us, this could materially and adversely impact our sales and profitability on a short term basis.

Many of our key functions are concentrated in a single location, and a natural disaster could seriously impact our ability to operate.

Our television broadcast studios, internet operations, IT systems, merchandising team, inventory control systems, executive offices and finance/accounting functions, among others, are centralized in our adjacent offices at 6740 and 6690, Shady Oak Road in Eden Prairie, Minnesota. In addition, our only fulfillment and distribution facility is centralized at a location in Bowling Green, Kentucky. A natural disaster, such as a tornado, could seriously disrupt our ability to continue or resume normal operations for some period of time. While we have certain business continuity plans in place, no assurances can be given as to how quickly we would be able to resume operations and how long it may take to return to normal operations. We could incur substantial financial losses above and beyond what may be covered by applicable insurance policies, and may experience a loss of customers, vendors and employees during the recovery period.

We could be subject to additional sales tax collection obligations and claims for uncollected amounts.

A number of states have adopted new legislation that would require the collection of state and/or local taxes on transactions originating on the internet or by other out-of-state retailers, such as home shopping, infomercial and catalog companies. In some cases these new laws seek to establish grounds for asserting "nexus" by the out-of-state retailer in the applicable state, and are being challenged by internet and other retailers under federal constitutional grounds. However, if this trend continues and the laws are upheld after legal challenges, we could be required to collect additional state and local taxes which could negatively impact sales as well as creating an additional administrative burden which could be costly to the business. In addition, the state of North Carolina is seeking to assert claims for uncollected state sales taxes going back a number of years against out-of-state retailers, including our company. The retailers subject to these claims by North Carolina include major national internet-based retailers and catalog companies. We intend to vigorously contest these efforts by North Carolina.

We place a significant reliance on technology and information management tools to run our existing businesses, the failure of which could adversely impact our operations.

Our businesses are dependent, in part, on the use of sophisticated technology, some of which is provided to us by third parties. These technologies include, but are not necessarily limited to, satellite based transmission of our programming, use of the internet in relation to our on-line business, new digital technology used to manage and supplement our television broadcast operations and a network of complex computer hardware and software to manage an ever increasing need for information and information management tools. The failure of any of these technologies, or our inability to have this technology supported, updated, expanded or integrated into other technologies, could adversely impact our operations. Although we have, when possible, developed alternative sources of technology and built redundancy into our computer networks and tools, there can be no assurance that these efforts to date would protect us against all potential issues or disaster occurrences related to the loss of any such technologies or their use.

Item 1B. *Unresolved Staff Comments*

None

Item 2. *Properties*

We own two commercial buildings occupying approximately 209,000 square feet in Eden Prairie, Minnesota (a suburb of Minneapolis). These buildings are used for office space including executive offices, television studios, broadcast facilities and administrative offices. We own a 262,000 square foot distribution facility on a 34-acre parcel of land in Bowling Green, Kentucky. We also lease approximately 150,000 square feet of additional warehouse space under a month to month lease in Bowling Green, Kentucky. Additionally, we rent transmitter site and studio locations in Boston, Massachusetts for our full power television station. We believe that our existing facilities are adequate to meet our current needs and that suitable additional alternative space will be available as needed to accommodate expansion of operations.

Item 3. *Legal Proceedings*

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

In the third quarter of fiscal 2009, the Company, along with a number of other large out-of-state e-commerce, catalog, home shopping and other retailers, received a letter from the North Carolina Department of Revenue asserting the Company's potential retroactive sales tax collection responsibility resulting from new legislation enacted by the state relating to on-line web affiliate programs. The Company ceased its on-line affiliate relationship in North Carolina prior to the effective date of the state's new law and is vigorously contesting North Carolina's assertions of potential liability. At this time, we are unable to estimate the amount of potential exposure, if any, for previously uncollected sales taxes on sales made prior to August 7, 2009, the effective date of the newly enacted legislation.

Item 4. *Reserved*

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**Market Information for Common Stock**

Our common stock is traded on the Nasdaq Global Market under the symbol "VVTV." The following table sets forth the range of high and low sales prices of the common stock as quoted by the Nasdaq Global Market for the periods indicated.

	<u>High</u>	<u>Low</u>
Fiscal 2009		
First Quarter	\$0.83	\$0.18
Second Quarter	3.22	0.50
Third Quarter	4.15	2.61
Fourth Quarter	5.27	3.00
Fiscal 2008		
First Quarter	6.17	4.82
Second Quarter	4.74	3.04
Third Quarter	2.89	0.97
Fourth Quarter	0.58	0.37

Holdings

As of March 24, 2010 we had approximately 529 shareholders of record.

Dividends

We have never declared or paid any dividends with respect to our common stock. Pursuant to the shareholder agreement we have with GE Equity, we are prohibited from paying dividends on our common stock without their prior consent. Except as required in connection with the Series B Preferred Stock, we currently expect to retain our earnings for the development and expansion of our business and do not anticipate paying cash dividends on the common stock in the foreseeable future. Any future determination by us to pay cash dividends on the common stock will be at the discretion of the board of directors and will be dependent upon our results of operations, financial condition, any contractual restrictions then existing and other factors deemed relevant at the time by the board of directors.

Issuer Purchases of Equity Securities

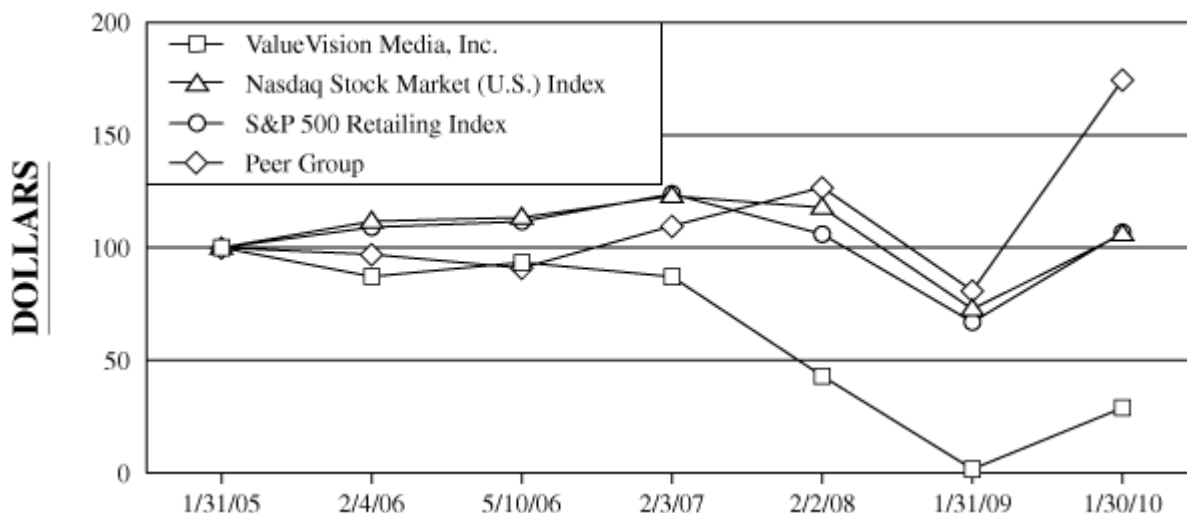
During fiscal 2009, we repurchased a total of 1,622,000 shares of common stock for a total investment of \$937,000 at an average price of \$0.58 per share. During fiscal 2008, we repurchased a total of 556,000 shares of common stock for a total investment of \$3.3 million at an average price of \$5.96 per share. During fiscal 2007, we repurchased a total of 3,618,000 shares of common stock for a total investment of \$27.0 million at an average price of \$7.46 per share. As of January 30, 2010, all authorizations for repurchase programs have expired.

Stock Performance Graph

The graph below compares the cumulative five-year total return to our shareholders (based on appreciation or depreciation of the market price of our common stock) on an indexed basis with (i) a broad equity market index and (ii) a published industry index. The presentation compares the common stock price in the period from January 31, 2005 to January 30, 2010, to the Nasdaq Global Market stock index and the S&P 500 Retailing Index. The cumulative return is calculated assuming an investment of \$100 on January 31, 2005, and reinvestment of all dividends. You should not consider shareholder return over the indicated period to be indicative of future shareholder returns.

In the prior year, a peer group created by us consisting of companies involved in various aspects of the television home shopping, jewelry and internet retail and service industries was used instead of the S&P 500 Retailing Index. The total return to shareholders of those companies comprising the peer group was weighted according to their stock market capitalization. The companies in the prior peer group were: InterActiveCorp, the parent company of the Home Shopping Network; Liberty Interactive, the holding company of QVC, a home shopping television network; Amazon.com, Inc., an on-line retailer; RedEnvelope, Inc., an upscale on-line retailer; GSI Commerce, Inc., a provider of professional services to the on-line retail industry; and Zale Corporation, a specialty jewelry retailer. On May 9, 2006, shares of Liberty Media Corporation were exchanged for shares of Liberty Interactive and Liberty Capital tracking stocks and the old Liberty Media Corporation Series A and Series B shares ceased trading. Due to changes, including divestitures of material business segments and bankruptcies, within the underlying companies of the former peer group, the S&P 500 Retailing Index has been determined to provide a more relative and stable comparison to our stock performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among ValueVision Media, Inc. The NASDAQ Composite Index,
And A Peer Group



* \$100 invested on 1/31/05 in stock or index-including reinvestment of dividends.
Index calculated on month-end basis.

	January 31, 2005	February 4, 2006	May 10, 2006	February 3, 2007	February 2, 2008	January 31, 2009	January 30, 2010
ValueVision Media, Inc.	\$ 100.00	\$ 87.16	\$ 93.47	\$ 87.09	\$ 43.02	\$ 1.72	\$ 28.91
Nasdaq Stock Market (U.S.) Index	100.00	111.70	113.39	122.93	117.81	72.77	105.98
S&P 500 Retailing Index	100.00	109.06	111.61	123.85	105.96	66.99	106.74
Peer Group	100.00	97.01	90.97	109.65	126.75	80.89	174.49

Equity Compensation Plan Information

The following table provides information as of January 30, 2010 for our compensation plans under which securities may be issued:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans</u>
Equity Compensation Plans Approved by Security holders	4,460,000	\$ 6.38	1,033,000 (1)
Equity Compensation Plans Not Approved by Security holders (2)	22,000 (2)	\$ 15.74	—
Total	4,482,000	\$ 6.42	1,033,000

(1) Includes securities available for future issuance under shareholder approved compensation plans other than upon the exercise of outstanding options, warrants or rights, as follows: 254,000 shares under the 2001 Omnibus Stock Plan and 779,000 shares under the 2004 Omnibus Stock Plan.

(2) Reflects 22,000 shares of common stock issuable upon exercise of warrants held by NBCU.

Item 6. Selected Financial Data

The selected financial data for the five years ended January 30, 2010 have been derived from our audited consolidated financial statements. 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 30, 2010(a)	January 31, 2009(b)	February 2, 2008(c)	February 3, 2007	February 4, 2006(d)
(In thousands, except per share data)					
Statement of Operations Data:					
Net sales	\$ 527,873	\$ 567,510	\$ 781,550	\$ 767,275	\$ 691,851
Net sales less cost of sales, exclusive of depreciation and amortization(g)	173,772	182,749	271,015	267,161	238,944
Operating loss	(41,171)	(88,458)	(23,052)	(9,479)	(18,646)
Income (loss) from continuing operations(e)	(41,998)	(97,793)	22,452	(2,396)	(13,457)
Discontinued operations(f)	—	—	—	—	(2,296)
Per Share Data:					
Net income (loss) from continuing operations per common share	\$ (0.45)	\$ (2.92)	\$ 0.53	\$ (0.07)	\$ (0.37)
Net income (loss) from continuing operations per common share — assuming dilution	\$ (0.45)	\$ (2.92)	\$ 0.53	\$ (0.07)	\$ (0.37)
Weighted average shares outstanding:					
Basic	32,538	33,598	41,992	37,646	37,182
Diluted	32,538	33,598	42,011	37,646	37,182

	Year Ended				
	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	February 4, 2006
(In thousands)					
Balance Sheet Data:					
Cash and short-term investments	\$ 17,000	\$ 53,845	\$ 59,078	\$ 71,294	\$ 82,350
Restricted Cash and investments	5,060	1,589	—	—	—
Current assets	139,361	161,469	252,183	260,445	246,029
Long-term investments	—	15,728	26,306	—	—
Property, equipment and other assets	56,853	64,303	80,591	91,535	101,110
Total assets	196,214	241,500	359,080	351,980	347,139
Current liabilities	85,992	95,988	118,350	105,274	100,820
Series B mandatorily redeemable preferred stock	11,243	—	—	—	—
Other long-term obligations	9,522	—	—	2,553	130
Series A redeemable preferred stock	—	44,191	43,898	43,607	43,318
Shareholders' equity	88,304	99,472	194,510	198,847	202,871

	Year Ended				
	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	February 4, 2006
(In thousands, except statistical data)					
Other Data:					
Sales margin(g)	32.9%	32.2%	34.7%	34.8%	34.5%
Working capital	\$ 53,369	\$ 65,481	\$ 133,833	\$ 155,171	\$ 145,209
Current ratio	1.6	1.7	2.1	2.5	2.4
Adjusted EBITDA (as defined)(h)	\$ (19,411)	\$ (51,421)	\$ 6,850	\$ 14,690	\$ 1,910
Cash Flows:					
Operating	\$ (37,896)	\$ 7,100	\$ 11,189	\$ 3,542	\$ (10,374)
Investing	\$ 8,307	\$ 24,557	\$ (475)	\$ (1,562)	\$ (10,111)
Financing	\$ (7,256)	\$ (3,417)	\$ (26,605)	\$ (3,627)	\$ 988

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- (a) Results of operations for fiscal 2009 include the following: (i) a \$3.6 million gain on the sale of auction rate securities, (ii) a \$2.3 million charge related to the restructuring of certain company operations and (iii) a \$1.9 million charge related to costs associated with our chief executive officer transition. See Notes 7, 19 and 20 to the consolidated financial statements.
 - (b) Results of operations for fiscal 2008 include the following: (i) an \$11.1 million auction rate securities write down, (ii) an \$8.8 million FCC license intangible asset impairment, (iii) a \$4.3 million charge related to the restructuring of certain company operations and (iv) a \$2.7 million charge related to costs associated with our chief executive officer transition. See Notes 4, 7, 19 and 20 to the consolidated financial statements.
 - (c) Results of operations for fiscal 2007 include the following: (i) a \$40.2 million gain on the sale of RLM, (ii) a \$5.0 million charge related to the restructuring of certain company operations and (iii) a \$2.5 million charge related to costs associated with our chief executive officer transition. See Notes 17, 19 and 20 to the consolidated financial statements.
 - (d) Results of operations for fiscal 2005 include a \$294,000 gain on the sale of a television station.
 - (e) Income (loss) from continuing operations includes a net pre-tax gain of \$40.2 million from the sale of RLM in fiscal 2007.
 - (f) Discontinued operations relate to the operations of our FanBuzz subsidiary, which were shut down in fiscal 2005.
 - (g) Management includes net sales less cost of sales from continuing operations (exclusive of depreciation and amortization), also known as sales margin because it is an operating measure commonly used by management, analysts and institutional investors in analyzing our net sales profitability. This term is not considered a measure determined in accordance with generally accepted accounting principles, or GAAP. The comparable GAAP measurement is gross profit, which is defined as net sales less cost of sales (inclusive of depreciation and amortization). Our gross profit from continuing operations for fiscal 2009, fiscal 2008 and fiscal 2007 was \$159.5 million, \$165.5 million and \$251.0 million, respectively.
 - (h) EBITDA as defined for this statistical presentation represents net income (loss) from continuing operations for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. We define EBITDA, as adjusted, as EBITDA excluding non-operating gains (losses) and equity in income of Ralph Lauren Media, LLC; non-cash impairment charges and write downs; restructuring and CEO transition costs; and non-cash share-based compensation expense. Management has included the term EBITDA, as adjusted, in its EBITDA reconciliation in order to adequately assess the operating performance of our “core” television and internet businesses and in order to maintain comparability to our analyst’s coverage and financial guidance, when given. Management believes that EBITDA, as adjusted, allows investors to make a more meaningful comparison between our core business operating results over different periods of time with those of other similar companies. In addition, management uses EBITDA, as adjusted, as a metric measure to evaluate operating performance under its management and executive incentive compensation programs. EBITDA, as adjusted, should not be construed as an alternative to operating income (loss), net income (loss) or to cash flows from operating activities as determined in accordance with generally accepted accounting principles and should not be construed as a measure of liquidity. EBITDA, as adjusted, may not be comparable to similarly entitled measures reported by other companies.

A reconciliation of EBITDA, as adjusted, to its comparable GAAP measurement, net income (loss), follows:

	Year Ended				
	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	February 4, 2006
	(In thousands)				
EBITDA, as adjusted	\$ (19,411)	\$ (51,421)	\$ 6,850	\$ 14,690	\$ 1,910
Less:					
Non-operating gains (losses) and equity in income of RLM	3,628	(969)	40,663	3,356	1,379
Write-down of auction rate investments	—	(11,072)	—	—	—
FCC license impairment	—	(8,832)	—	—	—
Restructuring costs and other non-recurring television station sale gains	(2,303)	(4,299)	(5,043)	(29)	212
CEO transition costs	(1,932)	(2,681)	(2,451)	—	—
Non-cash share-based compensation expense	(3,205)	(3,928)	(2,415)	(1,901)	(199)
EBITDA (as defined)	(23,223)	(83,202)	37,604	16,116	3,302
A reconciliation of EBITDA to net income (loss) is as follows:					
EBITDA, as defined	(23,223)	(83,202)	37,604	16,116	3,302
Adjustments:					
Depreciation and amortization	(14,320)	(17,297)	(19,993)	(22,239)	(20,569)
Interest income	382	2,739	5,680	3,802	3,048
Interest expense	(4,928)	—	—	—	—
Income tax (provision) benefit	91	(33)	(839)	(75)	762
Discontinued operations of FanBuzz	—	—	—	—	(2,296)
Net income (loss)	<u>\$ (41,998)</u>	<u>\$ (97,793)</u>	<u>\$ 22,452</u>	<u>\$ (2,396)</u>	<u>\$ (15,753)</u>

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 is qualified by reference to and should be read in conjunction with our audited consolidated financial statements and notes thereto included elsewhere in this annual report.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This Annual Report on Form 10-K, including the following Management’s Discussion and Analysis of Financial Condition and Results of Operations and other materials we file with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us) contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position, made in this annual report on Form 10-K are forward looking. We often use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. These statements are based on management’s current expectations and are accordingly subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to various important factors, including (but not limited to): consumer spending and debt levels; the general economic and credit environment; interest rates; seasonal variations in consumer purchasing activities; changes in the mix of products sold by us; competitive pressures on sales; pricing and sales margins; the level of

cable and satellite distribution for our programming and the associated fees; our ability to continue to manage our cash, cash equivalents and investments to meet our company’s liquidity needs; our ability to manage our operating expenses successfully; changes in governmental or regulatory requirements; litigation or governmental proceedings affecting our operations; the risks identified under “Risk Factors” in this report; significant public events that are difficult to predict, such as widespread weather catastrophes or other significant television-covering events causing an interruption of television coverage or that directly compete with the viewership of our programming; and our ability to obtain and retain key executives and employees. Investors are cautioned that all forward-looking statements involve risk and uncertainty. The facts and circumstances that exist when any forward-looking statements are made and on which those forward-looking statements are based may significantly change in the future, thereby rendering the forward-looking statements obsolete. We are under no obligation (and expressly disclaim any obligation) to update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

Overview

Company Description

We are an interactive multi-media retailer that markets, sells and distributes products to consumers through various digital platforms including TV, online, mobile and social media. Our live 24-hour per day television shopping channel is distributed primarily through cable and satellite affiliation agreements and on-line through ShopNBC.com and ShopNBC.tv. We have an exclusive license from NBC Universal, Inc., known as NBCU, for the worldwide use of an NBC-branded name and the peacock image for a period ending in May 2011. Pursuant to the license, we operate our television home shopping network under the ShopNBC brand name and operate our internet website under the ShopNBC.com and ShopNBC.tv brand names.

Products and Customers

Products sold on our multi-media platforms include jewelry, watches, consumer electronics, housewares, apparel, cosmetics, seasonal items and other merchandise. Historically jewelry has been our largest single category of merchandise, followed by watches, coins & collectibles, consumer electronics and apparel, fashion accessories and health & beauty. More recently in fiscal 2009, this product mix has shifted such that watches, coins & collectibles are the largest single category, followed by jewelry, consumer electronics, and apparel, fashion accessories, and health & beauty. The following table shows our merchandise mix as a percentage of television home shopping and internet net sales for the years indicated by product category:

	Year Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Merchandise Mix			
Watches, Coins & Collectibles	34%	22%	16%
Jewelry	23%	36%	38%
Consumer Electronics	18%	22%	25%
Apparel, Fashion Accessories and Health & Beauty	13%	12%	10%
Home and All Other	12%	8%	11%

Our product strategy is to continue to develop new product offerings across multiple merchandise categories as needed in response to both customer demand and in order to maximize margin dollars per minute in our television home shopping operations. Our customers are primarily women between the ages of 40 and 69, married, with average annual household incomes of \$50,000 or more. Our customers make purchases based on our unique products, high quality merchandise, timeliness and compelling values. During fiscal 2009, we changed our product mix in order to diversify our product offerings to achieve an improved balance between jewelry and non-jewelry merchandise, which we believe will maximize the acquisition of new customers and the retention of repeat customers.

Company Strategy

Our goal is to be the premium lifestyle brand in the multi-media retailing industry. As an interactive, multi-media retailer, our strategy is to offer our current and new customers brands and products that are meaningful, unique and relevant at a compelling value proposition. Our merchandise brand positioning aims to be the destination and authority in the categories of home, electronics, beauty, health, fitness, fashion, jewelry and watches. We focus on creating a customer experience that builds strong loyalty and a growing customer base.

We are currently in a transition period as we implement our new strategic vision. In support of this strategy, we are pursuing the following actions in our ongoing efforts to improve the operational and financial performance of our company which include: (i) growing new and active customers while improving household penetration, (ii) reducing our operating expenses to reverse our operating losses, (iii) continue renegotiating cable and satellite carriage contracts where we have cost savings opportunities, (iv) broadening and optimizing our mix of product categories offered on television and the internet in order to appeal to a broader population of potential customers, (v) lowering the average selling price of our products in order to increase the size and purchase frequency of our customer base, (vi) growing our internet business by providing broader and internet-only merchandise offerings, and (vii) improving the shopping experience and our customer service in order to retain and attract more customers.

Primary Challenge

Our television home shopping business operates with a high fixed cost base, which is primarily due to fixed contractual fees paid to cable and satellite operators to carry our programming. In order to attain profitability, we must achieve sufficient sales volume through the acquisition of new customers and the increased retention of existing customers to cover our high fixed costs or reduce the fixed cost base for our cable and satellite distribution. Our growth and profitability could be adversely impacted if our sales volume does not sufficiently increase, as we have limited capability to reduce our fixed cable and satellite distribution operating expenses to mitigate a sales shortfall. Our near-term primary challenge is to continue our cost-control efforts and to expand our operational capacity to support the sales and margin growth needed in order to reach profitability.

Our Competition

The direct marketing and retail businesses are highly competitive. In our television home shopping and e-commerce operations, we compete for customers with other television home shopping and e-commerce retailers; infomercial companies; other types of consumer retail businesses, including traditional “brick and mortar” department stores, discount stores, warehouse stores and specialty stores; catalog and mail order retailers and other direct sellers.

In the competitive television home shopping sector, we compete with QVC Network, Inc. and HSN, Inc., both of whom are substantially larger than we are in terms of annual revenues and customers, and whose programming is carried more broadly to U.S. households than our programming. The American Collectibles Network, which operates Jewelry Television, also competes with us for television home shopping customers in the jewelry category. In addition, there are a number of smaller niche players and startups in the television home shopping arena who compete with our company. We believe that our major competitors incur cable and satellite distribution fees representing a significantly lower percentage of their sales attributable to their television programming than do we; and that their fee arrangements are substantially on a commission basis (in some cases with minimum guarantees) rather than on the predominantly fixed-cost basis that we currently have. This difference in programming distribution fee structures represents a material competitive disadvantage for our company.

The e-commerce sector also is highly competitive, and we are in direct competition with numerous other internet retailers, many of whom are larger, better financed and/or have a broader customer base. Certain of our competitors in the television home shopping sector have acquired internet businesses complementary to their existing internet sites, which poses additional competitive challenges for our company.

We anticipate continuing competition for viewers and customers, for experienced home shopping personnel, for distribution agreements with cable and satellite systems and for vendors and suppliers — not only from television home shopping companies, but also from other companies that seek to enter the home shopping and

internet retail industries, including telecommunications and cable companies, television networks, and other established retailers. We believe that our ability to be successful in the television home shopping and e-commerce sectors will be dependent on a number of key factors, including (i) obtaining more favorable terms in our cable and satellite distribution agreements, (ii) increasing the number of customers who purchase products from us and (iii) increasing the dollar value of sales per customer from our existing customer base.

Results for Fiscal 2009 and 2008

Consolidated net sales from continuing operations in fiscal 2009 were \$527.9 million compared to \$567.5 million in fiscal 2008, a 7% decrease. We reported an operating loss of \$41.2 million and net loss of \$42.0 million for fiscal 2009, which included a pretax gain of \$3.6 million from the sale of our auction rate securities. Operating expenses in fiscal 2009 included \$2.3 million of restructuring charges and CEO transition costs of \$1.9 million. We reported an operating loss of \$88.5 million and net loss of \$97.8 million for fiscal 2008, which included a pretax loss of \$11.1 million related to an impairment write-down of our auction rate securities. Operating expenses in fiscal 2008 included \$4.3 million of restructuring charges, an \$8.8 million FCC license intangible asset write-down and CEO transition costs of \$2.7 million.

Revolving Credit Facility

On November 25, 2009, we entered into an agreement with PNC Bank, National Association to establish a senior secured revolving credit facility. The credit facility has a three-year term and provides for up to a \$20 million revolving line of credit. Borrowings under the credit facility may bear interest at either fixed rates or floating rates of interest based on either the prime rate or LIBOR, plus variable margins. Borrowings are secured primarily by our eligible accounts receivable and inventory as well as other assets as defined in the revolving credit and security agreement (including a negative pledge on our distribution facility in Bowling Green, Kentucky) and are subject to customary financial and other covenants and conditions, including, among other things, minimum EBITDA (as defined in the revolving credit and security agreement), tangible net worth, and annual capital expenditure limits. Certain financial covenants (including the EBITDA and tangible net worth covenants) become applicable only if we choose to make borrowings in excess of \$8 million. As of January 30, 2010, there were no borrowings against the new credit facility and we were in compliance with all covenants required by the revolving credit and security agreement allowing full access to the \$20 million credit line. However, there can be no assurance that the Company will remain in compliance with each of these financial covenants, and if the Company were not to be in compliance with certain financial covenants, borrowings under the line may be limited to \$8 million.

Subject to certain conditions, the revolving credit and security agreement also provides for the issuance of letters of credit which, upon issuance, would be deemed advances under the credit facility. We are required to pay a fee equal to 0.5% per annum on the average daily unused amount of the credit facility.

Preferred Stock Exchange

On February 25, 2009, GE Equity exchanged all outstanding shares of our Series A Preferred Stock for (i) 4,929,266 shares of our Series B Redeemable Preferred Stock, (ii) warrants to purchase up to 6,000,000 shares of our common stock at an exercise price of \$0.75 per share and (iii) a cash payment in the amount of \$3.4 million.

The shares of Series B Preferred Stock are redeemable at any time by us for the initial redemption amount of \$40.9 million, plus accrued dividends. The Series B Preferred Stock accrues cumulative dividends at a base annual rate of 12%, subject to adjustment. All payments on the Series B Preferred Stock will be applied first to any accrued but unpaid dividends, and then to redeem shares. 30% of the Series B Preferred Stock (including accrued but unpaid dividends) is required to be redeemed on February 25, 2013, and the remainder on February 25, 2014. In addition, the Series B Preferred Stock includes a cash sweep mechanism that may require accelerated redemptions if we generate excess cash above agreed upon thresholds. Due to the mandatory redemption feature of the preferred stock, we classified the carrying value of the Series B Preferred Stock, and related accrued dividends, as long-term liabilities on its consolidated balance sheet.

Restructuring Costs

On May 21, 2007, we announced the initiation of a restructuring of our operations that included a 12% reduction in the salaried workforce, a consolidation of our distribution operations into a single warehouse facility, the exit and closure of a retail outlet store and other cost saving measures. On January 14, 2008, we announced additional organizational changes and cost-saving measures following a formal business review conducted by management and an outside consulting firm and again reduced its headcount in the fourth quarter of fiscal 2007. Our organizational structure was simplified and streamlined to focus on profitability. As a result of these and other subsequent restructuring initiatives, we recorded restructuring charges of \$2.3 million in fiscal 2009, \$4.3 million in fiscal 2008 and \$5.0 million in fiscal 2007. Restructuring costs primarily include employee severance and retention costs associated with the consolidation and elimination of approximately 300 positions across our company including ten officers. In addition, restructuring costs also include incremental charges associated with the Company's consolidation of our distribution and fulfillment operations into a single warehouse facility, the closure of a retail outlet store, fixed asset impairments incurred as a direct result of the operational consolidation and closures, restructuring advisory service fees and costs associated with strategic alternative initiatives.

Chief Executive Officer Transition Costs

During fiscal 2009, we recorded a \$1.9 million charge relating primarily to a \$1.5 million December 1, 2009 settlement charge and other legal costs associated with the termination of our former chief executive officer, Ms. Rene Aiu. During fiscal 2008, we recorded charges to income totaling \$2.7 million, which include \$1.6 million relating primarily to accrued severance and other costs associated with the departures of three senior officers and costs associated with hiring Mr. Stewart in August 2008, as well as costs of \$1.1 million associated with the hiring of Ms. Aiu in March 2008. During fiscal 2007, we recorded a charge to income of \$2.5 million relating primarily to severance payments to Mr. Lansing, a former chief executive officer.

Limitation on Must-Carry Rights

The Federal Communications Commission, known as the FCC, issued a public notice on May 4, 2007 stating that it was updating the public record for a petition for reconsideration filed in 1993 and still pending before the FCC. The petition challenges the FCC's prior determination to grant the same mandatory cable carriage (or "must-carry") rights for TV broadcast stations carrying home shopping programming that the FCC's rules accord to other TV stations. The time period for comments and reply comments regarding the reconsideration closed in August 2007, and we submitted comments supporting the continuation of must-carry rights for home shopping stations. If the FCC decides to change its prior determination and withdraw must-carry rights for home shopping stations as a result of this updating of the public record, we could lose our current carriage distribution on cable systems in three markets: Boston, Pittsburgh and Seattle, which currently constitute approximately 3.2 million full-time equivalent households, or FTE's, receiving our programming. We own the Boston television station and have carriage contracts with the Pittsburgh and Seattle television stations. In addition, if must-carry rights for home shopping stations are withdrawn, it may not be possible to replace these FTE's on commercially reasonable terms and the carrying value of our Boston FCC license (\$23.1 million) may become further impaired. At this time, we cannot predict the timing or the outcome of the FCC's action to update the public record on this issue.

Results of Operations

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

	Year Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Net sales	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation and amortization)	67.1%	67.8%	65.3%
Operating expenses:			
Distribution and selling	33.7%	37.9%	30.9%
General and administrative	3.5%	4.1%	3.2%
Depreciation and amortization	2.7%	3.0%	2.6%
Restructuring costs	0.4%	0.8%	0.6%
CEO transition costs	0.4%	0.4%	0.3%
FCC license impairment	—	1.6%	—
Total operating expenses	40.7%	47.8%	37.6%
Operating loss	(7.8)%	(15.6)%	(2.9)%
Interest expense	(0.9)%	—	—
Other income (loss), net	0.7%	(1.6)%	0.7%
Loss before income taxes and equity in net income of affiliates	(8.0)%	(17.2)%	(2.2)%
Income taxes	—	—	(0.1)%
Gain on sale of RLM	—	—	5.1%
Equity in net income of affiliates	—	—	0.1%
Net income (loss)	(8.0)%	(17.2)%	2.9%

Key Performance Metrics*

	For the Twelve Months Ended				
	January 30, 2010	% Change	January 31, 2009	% Change	February 2, 2008
Program Distribution, (in thousands, except percentages)					
Cable FTE's	43,927	2%	43,127	4%	41,335
Satellite FTE's	29,649	4%	28,613	4%	27,585
Total Average FTEs	73,576	3%	71,740	4%	68,920
Net Sales per FTE (Annualized)	\$ 7.17	(9)%	\$ 7.88	(29)%	\$ 11.13
Customer counts:					
New	523,314	63%	321,054	(20)%	402,849
Active	1,021,725	36%	753,538	(12)%	854,992
Merchandise Metrics					
Net Shipped Units (in thousands)	4,537	47%	3,088	(15)%	3,628
Average Selling Price — Net Shipped Units	\$ 108	(39)%	\$ 176	(14)%	\$ 204
Return Rate	21.0%	(10.2)ppt	31.2%	(1.6)ppt	32.8%

* Includes television home shopping and internet sales only.

Program Distribution

Our television home shopping program was available to approximately 73.6 million average full time equivalent, or FTE, households for fiscal 2009, approximately 71.7 million average FTE households for fiscal 2008 and approximately 68.9 million average FTE households for fiscal 2007. Average FTE subscribers grew 3% in fiscal 2009, resulting in a 1.9 million increase in average FTE's compared to fiscal 2008. Average FTE subscribers grew 4% in fiscal 2008, resulting in a 2.8 million increase in average FTE's compared to fiscal 2007. The annual increases were driven by continued growth in satellite distribution of our programming and increased distribution of our programming on digital cable. We anticipate that our cable programming distribution will increasingly shift towards a greater mix of digital as opposed to analog cable tiers, both through growth in the number of digital subscribers and through cable system operators moving programming that is carried on analog channels over to digital channels. Nonetheless, because of the broader universe of programming choices available for viewers in digital systems and the higher channel placements commonly associated with digital tiers, the shift towards digital systems may adversely impact our ability to compete for television viewers even if our programming is available in more homes. Our television home shopping programming is also simulcast live 24 hours a day, 7 days a week through our internet websites, www.ShopNBC.com and www.ShopNBC.TV, which is not included in total FTE households.

Cable and Satellite Distribution Agreements

We have entered into cable and satellite distribution agreements that represent approximately 1,500 cable systems that require each operator to offer our television home shopping programming substantially on a full-time basis over their systems. The terms of these existing agreements typically range from one to four years. Under certain circumstances, the television operators or we may cancel the agreements prior to their expiration. If certain of these agreements are terminated, the termination may materially or adversely affect our business. Cable and satellite distribution agreements representing a majority of the total cable and satellite households in the United States currently receiving our television programming were scheduled to expire at the end of the 2008 calendar year. Over the past year, each of the material cable and satellite distribution agreements up for renewal have been renegotiated and renewed with no reduction to our distribution footprint. As a result of our cable and satellite distribution agreement renegotiations, we have realized fiscal 2009 cost savings estimated at approximately \$24 million from the contracts that were up for renewal. Failure to maintain our cable agreements covering a material portion of our existing cable households on acceptable financial and other terms could adversely affect our future growth, sales revenues and earnings unless we are able to arrange for alternative means of broadly distributing our television programming.

Customer Counts

During fiscal 2009, customer trends improved with new and active customers up 63% and 36%, respectively, over fiscal 2008. We attribute the increase in new and active customers during the year to our merchandise strategy of a broader assortment, a change in our merchandise mix, lower price points and new products, brands and concepts that proved successful in driving increased customer activity. During fiscal 2008, new and active customers were down 20% and 12%, respectively, over fiscal 2007. We believe that the decrease in customers were caused in part by merchandising, promotional and operational decisions made during fiscal 2008 that were not well received by our existing customer base and as a result of having a higher price point merchandise strategy, particularly high priced jewelry items, which did not appeal to current and prospective customers coupled with the overall challenging retail environment.

Net Shipped Units

The number of units shipped during fiscal 2009 increased 47% from fiscal 2008 to 4.5 million from 3.1 million. The number of units shipped during fiscal 2008 decreased 15% from fiscal 2007 to 3.1 million from 3.6 million. We believe that the average selling prices, discussed below, was a major contributing factor to the increase in unit sales during fiscal 2009. The decrease in shipped units in fiscal 2008 was directly related to the decrease in sales experienced in fiscal 2008.

Average Selling Price

Our average selling price, or ASP, per net unit was \$108 in fiscal 2009, a 39% decrease over fiscal 2008. The decrease in the fiscal 2009 ASP, which is part of our overall merchandise strategy, was driven primarily by unit selling price decreases within all product categories. We intentionally modified our product mix to reduce our average selling price points in order to appeal to a broader audience, to allow for a broader merchandise assortment and to reduce our return rates. For fiscal 2008, the average selling price per net unit was \$176, a 14% decrease over fiscal 2007. The decrease in the 2008 ASP was driven primarily by selling price decreases within most product categories, including jewelry.

Return Rates

Our return rate was 21.0% in fiscal 2009 compared to 31.2% in fiscal 2008, a 33% decrease or a 10.2 percentage point decrease. We attribute the decrease in the 2009 return rate primarily to operational improvements in our delivery time and customer service, a change in our merchandise mix, our overall product quality and quality control enhancements and our lower price points. Our return rate was 31.2% in the fiscal 2008 compared to 32.8% in fiscal 2007, a 5% decrease or a 1.6 percentage point decrease. We will continue to manage our return rates and will adjust our product mix accordingly to lower average selling price points in an effort to continue to reduce the overall return rates related to our television home shopping and internet businesses.

Sales

Consolidated net sales, inclusive of shipping and handling revenue, for fiscal 2009 were \$527.9 million compared to \$567.5 million for fiscal 2008, a 7% decrease. These declines in consolidated net sales are directly attributed to an approximate 39% decrease in our average selling price offset by a 47% increase in net shipped units. The reduction in our selling price is an essential part of our strategy to increase viewership, rebuild our customer base and increase unit volume. However, with this reduction in our average price point, we will need to achieve a significant increase in the number of sales transactions in order to achieve comparable sales revenues year over year. Sales during fiscal 2009 were also negatively impacted by a change in our on-air merchandise mix as we allocated more airtime to categories such as health & beauty and certain home categories and away from higher priced consumer electronics and jewelry. From a product category perspective, our gemstone and gold categories experienced significant declines as these businesses are being repositioned at lower price points in order to broaden their appeal and reduce return rates. During fiscal 2009, our watch and health & beauty sales off-set some of the decline experienced in our jewelry business. In addition, total net sales decreased due to reduced total revenues associated with our discontinued polo.com fulfillment operations.

Consolidated net sales, inclusive of shipping and handling revenue, for fiscal 2008 were \$567.5 million compared to \$781.6 million for fiscal 2007, a 27% decrease. The decline in consolidated net sales is due in part to a significant decrease in our number of active customers along with a decrease in their purchasing frequency and the amount spent per customer compared with the prior year. We believe that these declines were caused in part by merchandising, promotional and operational decisions made in the first half of fiscal 2008 that were not well received by our existing customer base; by a lack of focus as we experienced senior management changes and turnover throughout fiscal 2008; by frequent changes in operational tactics during fiscal 2008; by an inventory mix, particularly in high priced jewelry items, which did not appeal to current and prospective customers; and by the challenging overall environment for retailers. During fiscal 2008, we sold through a significant amount of high price-point jewelry inventory that also contributed to the sales decreases experienced. In addition, television and internet net sales also decreased due to decreased shipping and handling revenue resulting from decreased sales in fiscal 2008 compared to fiscal 2007 and reduced total revenues associated with our polo.com fulfillment operations.

Cost of Sales (exclusive of depreciation and amortization)

Cost of sales (excluding depreciation and amortization) for fiscal 2009 was \$354.1 million compared to \$384.8 million for fiscal 2008, a decrease of 8%. Cost of sales (excluding depreciation and amortization) for fiscal 2008 was \$384.8 million compared to \$510.5 million for fiscal 2007, a decrease of 25%. The decreases in cost of sales is directly attributable to decreased costs associated with decreased sales volume from our television home

shopping and internet businesses and decreases in shipping and handling revenues. Net sales less cost of sales (exclusive of depreciation and amortization) as a percentage of sales (sales margin) for fiscal 2009, fiscal 2008 and fiscal 2007 was 33%, 32% and 35%, respectively. The increase in gross margins experienced during fiscal 2009 was driven primarily by a shift in our merchandise mix away from low margin consumer electronics to higher margin product categories, such as watches and health & beauty, and as a result of reduced charges during fiscal 2009 for inventory obsolescence. The decrease in gross margins experienced during fiscal 2008 results were driven by lower margin rates achieved across almost all major product categories. The margin decreases also resulted primarily from our effort during fiscal 2008 to reduce inventory levels of high-priced jewelry items by taking aggressive markdowns during our end of quarter and other clearance sale initiatives in an effort to reduce and move aged inventory. During fiscal 2008, we recorded inventory obsolescence charges of \$3.3 million relating to unsold aged inventory items which impacted our gross margins.

Operating Expenses

Total operating expenses were \$214.9 million, \$271.2 million and \$294.1 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively, representing a decrease of \$56.3 million, or 21% from fiscal 2008 to fiscal 2009, and a decrease of \$22.9 million, or 8% from fiscal 2007 to fiscal 2008. Fiscal 2009 total operating expenses included \$2.3 million of restructuring charges and \$1.9 million of chief executive officer transition costs. Fiscal 2008 total operating expenses included \$4.3 million of restructuring charges, a \$2.7 million charge relating to the termination and transition of our chief executive officer and an \$8.8 million intangible asset impairment charge relating to our Boston FCC license. Fiscal 2007 total operating expenses included a \$5.0 million restructuring charge and a \$2.5 million charge relating to the termination and transition of our chief executive officer.

Distribution and selling expense for fiscal 2009 decreased \$36.9 million, or 17%, to \$178.1 million, or 34% of net sales compared to \$215.0 million, or 38% of net sales in fiscal 2008. Distribution and selling expense decreased from fiscal 2008 primarily due to a \$23.5 million decrease in net cable and satellite rates; a decrease in third-party cable affiliation fees of \$848,000; decreases in salaries, headcount and other related personnel costs associated with merchandising, television production and show management personnel and on-air talent of \$4.4 million; decreases in marketing expenses of \$2.5 million; decreases in stock option expense of \$159,000 and decreases in credit card fees and bad debt expense of \$6.6 million due to the overall decrease in net sales during the year and a decrease in net write-offs experienced during fiscal 2009. Distribution and selling expense for fiscal 2008 decreased \$26.7 million, or 11%, to \$215.0 million, or 38% of net sales compared to \$241.7 million, or 31% of net sales in fiscal 2007. Distribution and selling expense decreased from fiscal 2007 primarily due to a decrease in telemarketing, customer service and fulfillment variable costs of \$10.7 million associated with decreased sales volume and efficiency gains; decreases in net cable and satellite fees of \$1.5 million; decreases in salaries, headcount and other related personnel costs associated with merchandising, television production and show management personnel and on-air talent of \$1.4 million; decreases in marketing expenses of \$6.8 million and decreases in credit card fees and bad debt expense of \$9.4 million due to the overall decrease in net sales and due to a lower percentage of and our reduced reliance during fiscal 2008 on net sales achieved using the ValuePay installment program. These decreases were offset by an increase in stock option expense of \$595,000 associated with fiscal 2008 stock option grants.

General and administrative expense for fiscal 2009 decreased \$4.8 million, or 21%, to \$18.4 million, or 3.5% of net sales compared to \$23.1 million, or 4.1% of net sales in fiscal 2008. General and administrative expense decreased from fiscal 2008 primarily as a result of our restructuring initiatives that included reductions in salaries, related benefits and consulting fees totaling \$3.0 million; decreases in board related expenses of \$319,000; increased cash discounts of \$418,000 and a \$545,000 decrease associated with share-based compensation expense. General and administrative expense for fiscal 2008 decreased \$1.8 million, or 7%, to \$23.1 million, or 4.1% of net sales compared to \$24.9 million, or 3.2% of net sales in fiscal 2007. General and administrative expense decreased from fiscal 2007 primarily as a result of our restructuring initiative which included reductions in salaries, related benefits and accrued bonuses totaling \$2.8 million, offset by increases associated with our board of director's compensation and consulting fees of \$820,000 and increased share-based compensation expense of \$366,000.

Depreciation and amortization expense was \$14.3 million, \$17.3 million and \$20.0 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively, representing a decrease of \$3.0 million, or 17%, from fiscal 2008 to fiscal 2009 and a decrease of \$2.7 million, or 13%, from fiscal 2007 to fiscal 2008. Depreciation and amortization expense as a percentage

of net sales was 2.7%, 3.0% and 2.6% for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. The fiscal 2009 and fiscal 2008 decreases in depreciation and amortization expense relates to reduced capital spending and the timing of fully depreciated assets year over year, reduced amortization of cable launch fees and our NBC distribution agreement, offset by increased depreciation and amortization as a result of assets placed in service in connection with our various application software development and functionality enhancements and new digital transmission equipment.

Operating Loss

We reported an operating loss of \$41.2 million for fiscal 2009 compared with an operating loss of \$88.5 million for fiscal 2008, a decrease of \$47.3 million. Our operating loss decreased during fiscal 2009 primarily as a result of decreases in our overall operating expenses year over year, particularly the cable and satellite fees within our distribution and selling expenses and decreases in operating expenses associated with our restructuring efforts and CEO transition. These expense decreases were offset by decreases in net sales and gross profit margin due to the factors noted above.

We reported an operating loss of \$88.5 million for fiscal 2008 compared with an operating loss of \$23.1 million for fiscal 2007, an increase of \$65.4 million. Our operating loss increased during fiscal 2008 primarily as a result of our decrease in net sales and gross profit margin due to the factors noted above, including the decisions to change the way in which we operated our business in the first half of fiscal 2008 discussed above. In addition, we experienced increases during the year in operating expenses associated with our FCC license impairment and costs associated with our chief executive officer departures in October 2007 and August 2008, as well as the hiring of a new chief executive. These operating expense increases were offset by decreases in distribution and selling expenses due primarily to decreased sales, decreases in general and administrative expense as a result of reduced headcount in the form of reduced salary and bonuses and a net decrease in depreciation and amortization expense as a result of the timing of fully depreciated assets year over year.

Net Income (Loss)

For fiscal 2009, we reported a net loss available to common shareholders of \$14.7 million, or \$0.45 per basic and dilutive share, on 32,538,000 weighted average common shares outstanding. For fiscal 2008, we reported a net loss available to common shareholders of \$98.1 million, or \$2.92 per basic and diluted share, on 33,598,000 weighted average common shares outstanding. For fiscal 2007, we reported net income available to common shareholders of \$22.2 million, or \$0.53 per basic and diluted share, on 41,992,000 weighted average common shares outstanding (42,011,000 diluted shares). The decrease in our net loss available to common shareholders for fiscal 2009 is primarily due to a \$27.4 million addition to earnings related to the recording of the excess of the carrying amount of the Series A Preferred Stock over the fair value of the Series B Preferred Stock. Other factors affecting our net loss during fiscal 2009 include interest expense of \$4.9 million primarily related to the Series B preferred stock, the recording of a pre-tax gain of \$3.6 million from the sale of our auction rate investments and interest income totaling \$382,000 earned on our cash and investments. Net loss available to common shareholders for fiscal 2008 includes an \$11.1 million other-than-temporary impairment charge related to a write down of our auction rate securities, investment losses totaling \$969,000 relating to the sale of three held-to-maturity securities due to the significant deterioration at the time of sale of the issuer's creditworthiness and interest income totaling \$2.7 million earned on our cash and investments. Net income available to common shareholders for fiscal 2007 includes the recording of a pre-tax gain of \$40.2 million on the sale of RLM, the recording of \$609,000 of equity in earnings from RLM, a loss of \$119,000 on the sale of a non-operating real estate asset held for sale, a loss of \$67,000 relating to non-operating investments and interest income totaling \$5.7 million earned on our cash and investments.

For fiscal 2009, net loss reflects an income tax benefit of \$91,000 relating to certain amended state returns for which tax refunds have been received, offset by the recording of state income taxes payable on income for which there is no loss carryforward benefit available. For fiscal 2008, net loss reflects an income tax provision of \$33,000 relating to state income taxes payable on certain income for which there is no loss carryforward benefit available. Due to the large pretax loss, the effective tax rate for fiscal 2008 was 0%. For fiscal 2007, we reported a net income tax provision of \$839,000 which resulted in a recorded effective tax rate of 3.6%. The provision recorded in fiscal 2007 primarily relates to income taxes attributable to the gain on the sale of RLM which reflects a 2.5% effective alternative minimum tax rate recorded on the gain on the sale of RLM and state income taxes payable on certain income for which there is no loss carryforward benefit available.

We have not recorded any other income tax benefit on the losses recorded during fiscal 2009 due to the uncertainty of realizing income tax benefits in the future as indicated by our recording of an income tax valuation reserve. Based on our recent history of losses, a full valuation allowance has been recorded and was calculated in accordance with GAAP, which places primary importance on our most recent operating results when assessing the need for a valuation allowance. We intend to maintain a full valuation allowance for our net deferred tax assets and net operating loss carryforwards until we believe it is more likely than not that these assets will be realized in the future.

Quarterly Results

The following summarized unaudited results of operations for the quarters in fiscal 2009 and 2008 have been prepared on the same basis as the annual financial statements and reflect adjustments (consisting of normal recurring adjustments) that we consider necessary for a fair presentation of results of operations for the periods presented. Our 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.

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
(In thousands, except percentages and per share amounts)					
Fiscal 2009:					
Net sales	\$133,802	\$119,345	\$119,441	\$155,285	\$527,873
Net sales less cost of sales (exclusive of depreciation and amortization)	42,189	41,560	39,667	50,356	173,772
Sales margin	31.5%	34.8%	33.2%	32.4%	32.9%
Operating expenses	53,836	52,329	51,238	57,540	214,943
Operating loss	(11,647)	(10,769)	(11,571)	(7,184)	(41,171)
Other income (loss), net	(527)	2,540	(1,348)	(1,583)	(918)
Net loss	<u>\$ (12,012)</u>	<u>\$ (8,234)</u>	<u>\$ (12,919)</u>	<u>\$ (8,833)</u>	<u>\$ (41,998)</u>
Net loss per share	<u>\$.46</u>	<u>\$ (.26)</u>	<u>\$ (.40)</u>	<u>\$ (.27)</u>	<u>\$ (0.45)</u>
Net loss per share — assuming dilution	<u>\$.46</u>	<u>\$ (.26)</u>	<u>\$ (.40)</u>	<u>\$ (.27)</u>	<u>\$ (0.45)</u>
Weighted average shares outstanding:					
Basic	<u>33,104</u>	<u>32,273</u>	<u>32,332</u>	<u>32,443</u>	<u>32,538</u>
Diluted	<u>33,110</u>	<u>32,273</u>	<u>32,332</u>	<u>32,443</u>	<u>32,538</u>
Fiscal 2008:					
Net sales	\$156,288	\$141,927	\$124,769	\$144,526	\$567,510
Net sales less cost of sales (exclusive of depreciation and amortization)	49,956	47,881	43,075	41,837	182,749
Sales margin	32.0%	33.7%	34.5%	28.9%	32.2%
Operating expenses	68,344	64,308	63,629	74,926	271,207
Operating loss	(18,388)	(16,427)	(20,554)	(33,089)	(88,458)
Other income, net	825	761	(224)	408	1,770
Write-down of auction rate securities	—	—	—	(11,072)	(11,072)
Net loss	<u>\$ (17,578)</u>	<u>\$ (15,684)</u>	<u>\$ (20,778)</u>	<u>\$ (43,753)</u>	<u>\$ (97,793)</u>
Net loss per share	<u>\$ (.53)</u>	<u>\$ (.47)</u>	<u>\$ (.62)</u>	<u>\$ (1.30)</u>	<u>\$ (2.92)</u>
Net loss per share — assuming dilution	<u>\$ (.53)</u>	<u>\$ (.47)</u>	<u>\$ (.62)</u>	<u>\$ (1.30)</u>	<u>\$ (2.92)</u>
Weighted average shares outstanding:					
Basic	<u>33,578</u>	<u>33,574</u>	<u>33,591</u>	<u>33,650</u>	<u>33,598</u>
Diluted	<u>33,578</u>	<u>33,574</u>	<u>33,591</u>	<u>33,650</u>	<u>33,598</u>

Financial Condition, Liquidity and Capital Resources

As of January 30, 2010, we had an Adjusted EBITDA loss of \$19.4 million and our net cash used for operating activities was \$37.9 million which was driven primarily by the Adjusted EBITDA loss and our working capital investment. As of January 30, 2010, we had cash and cash equivalents of \$17.0 million and had restricted cash of \$5.1 million pledged as collateral for our issuances of standby and commercial letters of credit. Our restricted cash is generally restricted for a period ranging from 30-60 days and / or to the extent that standby and commercial letters of credit remain outstanding. As of January 31, 2009 we had cash and cash equivalents of \$53.8 million and had restricted cash of \$1.6 million pledged as collateral for our issuances of standby and commercial letters of credit. For fiscal 2009 working capital decreased \$12.1 million to \$53.4 million compared to working capital of \$65.5 million for fiscal 2008. The decrease in fiscal 2009 working capital is primarily related to our decrease in cash and inventories, offset by an increase in accounts receivable resulting from increased sales using the ValuePay installment program and decreases in accounts payable and accrued liabilities. The current ratio was 1.6 at January 30, 2010 compared to 1.7 at January 31, 2009.

Sources of Liquidity

Our principal source of liquidity is our available cash and cash equivalents of \$17.0 million as of January 30, 2010 and \$20 million of additional borrowing capacity relating to our revolving asset-backed bank line of credit with PNC Bank, National Association. Certain financial covenants (including the defined EBITDA and tangible net worth covenants) become applicable only if we choose to borrow in excess of \$8 million. However, there can be no assurance that the Company will remain in compliance with each of these financial covenants, and if the Company were not to be in compliance with certain financial covenants, borrowings under the line may be limited to \$8 million. We are limited to \$8 million if we are not in compliance with certain financial covenants when applicable. We also have the ability to increase our short-term liquidity and cash resources by reducing the percentage of our sales offered to customers using our ValuePay installment program and by decreasing the length of time we extend credit to our customers using the ValuePay program. We ended January 30, 2010 with cash and cash equivalents of \$17.0 million and restricted cash and investments of \$5.1 million. Our \$5.1 million restricted cash and investment balance which is used as collateral for our issuances of standby and commercial letters of credit is expected to fluctuate in relation to the level of our seasonal overseas inventory purchases. As a result of our recent and continuing operating losses, it is possible that our existing cash and cash equivalent balances and line of credit borrowing capacity may not be sufficient to fund obligations and commitments as they come due beyond fiscal 2010 and we may need to raise additional financing to fund our future growth and other operational needs. There is no assurance that we will be able to successfully raise additional funds if necessary or that the terms of any financing will be acceptable to us. At January 30, 2010, our cash and cash equivalents were held in bank depository accounts primarily for the preservation of cash liquidity. Interest earned on money market funds is subject to interest rate fluctuations.

In the second quarter of fiscal 2009, we sold our long-term illiquid auction rate securities portfolio for net proceeds of \$19.4 million. The auction rate securities had a carrying value of \$15.7 million and we recorded a \$3.6 million non operating gain in the second quarter of fiscal 2009.

Cash Requirements

We experienced Adjusted EBITDA losses of approximately \$19.4 million in fiscal 2009 and \$51.4 million in fiscal 2008, which has caused a significant reduction in our cash balances. As a result of these and previously reported operating losses, we are managing our working capital in an effort to preserve our limited cash resources in order to sustain our ongoing operations during our efforts to attain profitability.

Currently, our principal cash requirements are to fund our business operations, which consist primarily of purchasing inventory for resale, funding accounts receivable growth in support of sales growth, funding our basic operating expenses, particularly our contractual commitments for cable and satellite programming and, to a lesser extent, the funding of necessary capital expenditures. We are closely managing our cash resources. We manage our inventory receipts and reorders through a system that minimizes our inventory investment commensurate with our sales levels. We also closely monitor the collection of our credit card and ValuePay installment receivables and have negotiated extended payment terms with most of our vendors.

In the third quarter of fiscal 2009, we restructured one of our larger service provider agreements to defer a significant portion of its monthly contractual cash payment obligation over the next three fiscal years. The Company has also restructured payment terms with other service providers to defer certain payments until the second quarter of 2010. We have total long-term contractual cash obligations and commitments primarily with respect to our cable and satellite agreements, Series B preferred stock and operating leases totaling approximately \$333 million over the next five fiscal years with average annual cash payments of approximately \$67 million from fiscal 2010 through fiscal 2014.

For fiscal 2009, net cash used for operating activities totaled \$37.9 million compared to net cash provided by operating activities of \$7.1 million in fiscal 2008 and net cash provided by operating activities of \$11.2 million in fiscal 2007. Net cash used for operating activities for fiscal 2009 reflects a net loss, as adjusted for depreciation and amortization, share-based payment compensation, amortization of deferred revenue, amortization of debt discount, gain on sale of investments and asset impairments and write-offs. In addition, net cash used for operating activities for fiscal 2009 reflects primarily an increase in accounts receivable and prepaid expenses and other, a decrease in accounts payable and accrued liabilities, offset by a decrease in inventories and an increase in accrued dividends payable. Accounts receivable increased primarily as a result of our increased use of our ValuePay extended credit as a promotional tool to stimulate sales. Accounts payable and accrued liabilities decreased primarily due to decreased inventory purchases, decreased cable and satellite accruals resulting from lower cable and satellite rates effective this year, decreases in accrued salaries and 401(k) payable due to reduced vacation accruals and the cessation of our company matching policy in fiscal 2009 and payments made in connection with our restructuring liability and Series B preferred stock issuance. We have extended payment terms with certain service providers in an effort to more effectively manage our working capital and match cash receipts from our customers with the related cash payments. Our day's payable outstanding (DPO) increased by approximately 2% compared to the same quarter last year. Inventories decreased primarily as a result of our strong fourth quarter sales activity and management's focused effort to aggressively manage our inventory balance down as we introduce new merchandise categories and reinvest in new jewelry inventory in an effort to reposition our merchandise offerings to improve sales performance.

Net cash provided by operating activities for fiscal 2008 reflects a net loss, as adjusted for depreciation and amortization, share-based payment compensation, amortization of deferred revenue, loss on sale of investments and asset impairments and write-offs. In addition, net cash provided by operating activities for fiscal 2008 reflects primarily a decrease in accounts receivable and inventories, offset by an increase in prepaid expenses and other expenses, a decrease in deferred revenue and a decrease in accounts payable and accrued liabilities. Accounts receivable decreased primarily as a result of our overall decreased sales volume experienced and due to a reduction in the use of extended credit as a promotional tool. In addition, certain credit scoring criteria were tightened during the year in an effort to avoid increased bad debt expense. Inventories decreased during fiscal 2008 as a result of our clearance promotions and increased inventory obsolescence charges taken during the fiscal year due to aged inventory. The decrease in accounts payable and accrued liabilities relates directly to our overall year-to-date reduction in merchandise inventory and reductions in accrued operating expenses driven by our decreased sales during fiscal 2008. In addition, we experienced reductions in accrued liabilities associated with salaries, our restructuring effort, internet marketing fees and the reserve for product returns due to lower sales.

Net cash provided by operating activities for fiscal 2007 reflects net income, as adjusted for depreciation and amortization, share-based payment compensation, common stock issued to employees, amortization of deferred revenue, gain on sale of property and investments, asset impairments and write off charges and equity in net income of affiliates. In addition, net cash provided by operating activities for fiscal 2007 reflects a decrease in accounts receivable, decreases in prepaid expenses and other assets, an increase in deferred revenue and an increase in accounts payable and accrued liabilities, offset by an increase in inventory. Accounts receivable decreased primarily due to a decrease from sales made during the fourth quarter of fiscal 2007 utilizing extended payment terms over fiscal 2006 as we tightened up our customer credit offerings. Prepaid expenses decreased primarily as a result of proceeds received on the sale of a non-operating real estate asset held for sale. The increase in deferred revenue is a direct result of the sales growth volume experienced with our private label and co-branded credit card program which launched in fiscal 2006. The increase in accounts payable and accrued expenses is a direct result of the increase in inventory levels and the timing of merchandise payments, increased accruals associated with our private label loyalty point program and the restructuring initiative. These increases were offset by decreases in accrued

salaries, bonuses and accrued cable access and marketing fees. Inventories increased due to marginal fourth quarter sales increases and due to the timing of merchandise receipts.

Net cash provided by investing activities totaled \$8.3 million in fiscal 2009, compared to net cash provided by investing activities of \$24.6 million in fiscal 2008 and net cash used for investing activities of \$475,000 in fiscal 2007. Expenditures for property and equipment were \$7.6 million in fiscal 2009 compared to \$8.3 million in fiscal 2008 and \$11.8 million in fiscal 2007. Expenditures for property and equipment during fiscal 2009, fiscal 2008 and fiscal 2007 primarily include capital expenditures made for the development, upgrade and replacement of computer software, customer care management and merchandising systems, related computer equipment, digital broadcasting equipment and other office equipment, warehouse equipment and production equipment. Principal future capital expenditures are expected to include the development, upgrade and replacement of various enterprise software systems, the expansion of warehousing capacity and security in our fulfillment network, the upgrade and digitalization of television production and transmission equipment and related computer equipment associated with the expansion of our home shopping business and e-commerce initiatives. During fiscal 2009, we increased our restricted cash and investments by \$3.5 million and received net cash proceeds totaling \$19.4 million in connection with the sale of our auction rate securities. During fiscal 2008, we received proceeds of \$34.5 million from the sale of short and long-term investments and increased our restricted cash collateral balance by \$1.6 million. During fiscal 2007, we invested \$82.9 million in various short and long-term investments, we received proceeds of \$50.5 million from the sale of short and long-term investments and received proceeds of \$43.8 million from the sale of our RLM investment.

Net cash used for financing activities totaled \$7.3 million in fiscal 2009 and related primarily to a \$3.4 million cash payment made in conjunction with our Series A preferred stock redemption, payments made totaling \$937,000 in conjunction with the purchase of 1,622,000 shares of our common stock and payments of \$3.6 million made in conjunction with obtaining our new secured bank line of credit, the Series B preferred stock issuance, and an equity offering initiative, offset by cash proceeds received of \$729,000 from the exercise of stock options. Net cash used for financing activities totaled \$3.4 million in fiscal 2008 and related primarily to payments of \$3.3 million in conjunction with the repurchase of 556,000 shares of our common stock and deferred offering cost payments of \$100,000. Net cash used for financing activities totaled \$26.6 million in fiscal 2007 and related primarily to payments made of \$27.0 million in conjunction with the repurchase of 3,618,000 shares of our common stock and payments of long-term lease obligations of \$134,000, offset by cash proceeds received of \$514,000 from the exercise of stock options.

Contractual Cash Obligations and Commitments

The following table summarizes our obligations and commitments as of January 30, 2010, and the effect these obligations and commitments are expected to have on our liquidity and cash flow in future periods:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In thousands)				
Cable and satellite agreements(a)	\$231,815	\$105,288	\$125,487	\$ 1,040	\$ —
Series B preferred stock redemption	40,854	—	—	40,854	—
Series B preferred stock interest(b)	30,464	—	—	30,464	—
Operating leases	7,853	1,697	2,416	2,040	1,700
Employment agreements	2,340	2,337	3	—	—
Purchase order obligations	22,088	22,088	—	—	—
Total	\$335,414	\$131,410	\$127,906	\$74,398	\$ 1,700

- (a) Future cable and satellite payment commitments are based on subscriber levels as of January 30, 2010 and future payment commitment amounts could increase or decrease as the number of cable and satellite subscribers increase or decrease. Under certain circumstances, operators or we may cancel the agreements prior to expiration.
- (b) Interest commitments on the Series B preferred stock is estimated based on scheduled contractual redemption dates.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for each of the fiscal years in the three-year period ended January 30, 2010. We cannot assure you that inflation will not have an adverse impact on our operating results and financial condition in future periods.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates its estimates and assumptions, including those related to the realizability of long-term investments and intangible assets, accounts receivable, inventory and product returns. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the more significant assumptions and estimates used in the preparation of the consolidated financial statements:

- *Accounts receivable.* We utilize an installment payment program called ValuePay that entitles customers to purchase merchandise and generally pay for the merchandise in two to six equal monthly credit card installments in which we bear the risk of collection. As of January 30, 2010 and January 31, 2009, we had approximately \$62.5 million and \$46.3 million respectively, due from customers under the ValuePay installment program. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Estimates are used in determining the provision for doubtful accounts and are based on historical rates of actual write offs and delinquency rates, historical collection experience, credit policy, current trends in the credit quality of our customer base, average length of ValuePay offers, average selling prices, our sales mix and accounts receivable aging. The provision for doubtful accounts receivable (primarily related to our ValuePay program) for fiscal 2009, fiscal 2008 and fiscal 2007 were \$6.8 million, \$9.8 million and \$12.6 million, respectively. Based on our fiscal 2009 bad debt experience, a one-half point increase or decrease in our bad debt experience as a percentage of total television home shopping and internet net sales would have an impact of approximately \$2.6 million on consolidated distribution and selling expense.
- *Inventory.* We value our inventory, which consists primarily of consumer merchandise held for resale, principally at the lower of average cost or realizable value. As of January 30, 2010 and January 31, 2009, we had inventory balances of \$44.1 million and \$51.1 million, respectively. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on a percentage of the inventory balance as determined by its age and specific product category. In determining these percentages, we look at our historical write-off experience, the specific merchandise categories on hand, our historic recovery percentages on liquidations, forecasts of future product television shows, historic show pricing and the current market value of gold. Provision for excess and obsolete inventory for fiscal 2009, fiscal 2008 and fiscal 2007 were \$1.7 million, \$5.0 million and \$1.8 million, respectively. Based on our fiscal 2009 inventory write down experience, a 10% increase or decrease in inventory write downs would have had an impact of approximately \$175,000 on consolidated net sales less cost of sales (exclusive of depreciation and amortization).
- *Product returns.* We record a reserve as a reduction of gross sales for anticipated product returns at each month-end and must make estimates of potential future product returns related to current period product revenue. Our return rates on our television and internet sales was 21% in fiscal 2009, 31% in fiscal 2008 and 33% in fiscal 2007. We estimate and evaluate the adequacy of our returns reserve by analyzing historical

returns by merchandise category, looking at current economic trends and changes in customer demand and by analyzing the acceptance of new product lines. Assumptions and estimates are made and used in connection with establishing the sales returns reserve in any accounting period. Reserves for product returns for fiscal 2009, fiscal 2008 and fiscal 2007 were \$2.7 million, \$2.8 million and \$8.4 million, respectively. Based on our fiscal 2009 sales returns, a one-point increase or decrease in our television and internet sales returns rate would have had an impact of approximately \$2.3 million on consolidated net sales less cost of sales (exclusive of depreciation and amortization).

- *FCC broadcasting license.* As of January 30, 2010 and January 31, 2009, we have recorded an intangible FCC broadcasting license asset totaling \$23.1 million as a result of our acquisition of Boston television station WWDP TV-46 in fiscal 2003. In assessing the recoverability of our FCC broadcasting license asset, which we determined to have an indefinite life, we must make assumptions regarding estimated projected cash flows, recent comparable asset market data and other factors to determine the fair value of the related reporting unit. We had an independent fair market appraisal valuation performed on our television station WWDP TV-46 in the fourth quarter of fiscal 2009. While we believe that our estimates and assumptions regarding the valuation of our reporting unit are reasonable, different assumptions or future events could materially affect our valuations. In fiscal 2008, we recorded an intangible asset impairment of \$8.8 million and reduced the carrying value of our intangible FCC broadcast license asset as of January 31, 2009.
- *Deferred taxes.* We account for income taxes under the liability method of accounting whereby income taxes are recognized during the fiscal year in which transactions enter into the determination of financial statement income (loss). Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities. 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. We assess the recoverability of our deferred tax assets in accordance with GAAP. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In accordance with that standard, as of January 30, 2010 and January 31, 2009, we recorded a valuation allowance of approximately \$102.4 million and \$91.6 million, respectively, for our net deferred tax assets and net operating and capital loss carryforwards. Based on our recent history of losses, a full valuation allowance was recorded in fiscal 2009, fiscal 2008 and fiscal 2007 and was calculated in accordance with GAAP, which places primary importance on our most recent operating results when assessing the need for a valuation allowance. We intend to maintain a full valuation allowance for our net deferred tax assets and loss carryforwards until sufficient positive evidence exists to support reversal of allowances.

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105-10, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement no. 162." This Statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective August 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission (SEC). Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. We adopted this Statement effective August 2, 2009.

In May 2009, the FASB issued ASC 855-10, "Subsequent Events". ASC 855-10 provides guidance on management's assessment of subsequent events and incorporates this guidance into accounting literature. ASC 855-10 is effective prospectively for interim and annual periods ending after June 15, 2009. The adoption

of this Statement did not have an impact on our financial position or results of operations. Effective February 24, 2010, the FASB modified its guidance related to subsequent events and we have adopted the change. This guidance continues to require entities that file or furnish financial statements with the SEC to evaluate subsequent events through the date the financial statements are issued; however, this guidance removed the requirement for these entities to disclose the date through which events have been evaluated. The adoption of this guidance did not have an effect on our results of operations or financial position.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We do not enter into financial instruments for trading or speculative purposes and do not currently utilize derivative financial instruments as a hedge to offset market risk. In past years, we held certain equity investments in the form of common stock purchase warrants in public companies and accounted for these investments in accordance with GAAP. We no longer have investments of that nature. Our operations are conducted primarily in the United States and are not subject to foreign currency exchange rate risk. However, some of our products are sourced internationally and may fluctuate in cost as a result of foreign currency swings. We currently have no long-term debt that is significantly exposed to interest rate risk, although changes in market interest rates do impact the level of interest income earned on our cash and cash equivalents portfolio.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
ValueVision Media, Inc. and Subsidiaries
Eden Prairie, Minnesota

We have audited the accompanying consolidated balance sheets of ValueVision Media, Inc. and subsidiaries (the “Company”) as of January 30, 2010 and January 31, 2009 and the related consolidated statements of operations, shareholders’ equity and cash flows for each of the three years in the period ended January 30, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of ValueVision Media, Inc. and subsidiaries as of January 30, 2010 and January 31, 2009, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of January 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 12, 2010, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, MN
April 12, 2010

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 30, 2010	January 31, 2009
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,000	\$ 53,845
Restricted cash and investments	5,060	1,589
Accounts receivable, net	68,891	51,310
Inventories	44,077	51,057
Prepaid expenses and other	4,333	3,668
Total current assets	139,361	161,469
Long-term investments	—	15,728
Property and equipment, net	28,342	31,723
FCC broadcasting license	23,111	23,111
NBC Trademark License Agreement, net	4,154	7,381
Other assets	1,246	2,088
	<u>\$ 196,214</u>	<u>\$ 241,500</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 58,777	\$ 64,615
Accrued liabilities	26,487	30,657
Deferred revenue	728	716
Total current liabilities	85,992	95,988
Deferred revenue	1,153	1,849
Long-term payable	4,841	—
Accrued Dividends — Series B Preferred Stock	4,681	—
Series B Mandatorily Redeemable Preferred Stock, \$.01 par value, 4,929,266 shares authorized; 4,929,266 shares issued and outstanding	11,243	—
Total liabilities	107,910	97,837
Commitments and contingencies (Notes 14 and 15)		
Series A Redeemable Convertible Preferred Stock, \$.01 par value, 5,339,500 shares authorized	—	44,191
Shareholders' equity:		
Common stock, \$.01 par value, 100,000,000 shares authorized; 32,672,735 and 33,690,266 shares issued and outstanding	327	337
Warrants to purchase 6,022,115 and 29,487 shares of common stock	637	138
Additional paid-in capital	316,721	286,380
Accumulated deficit	(229,381)	(187,383)
Total shareholders' equity	88,304	99,472
	<u>\$ 196,214</u>	<u>\$ 241,500</u>

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

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
	(In thousands, except share and per share data)		
Net sales	\$ 527,873	\$ 567,510	\$ 781,550
Cost of sales (exclusive of depreciation and amortization shown below)	354,101	384,761	510,535
Operating (income) expenses:			
Distribution and selling	178,015	214,956	241,681
General and administrative	18,373	23,142	24,899
Depreciation and amortization	14,320	17,297	19,993
Restructuring costs	2,303	4,299	5,043
CEO transition costs	1,932	2,681	2,451
FCC license impairment	—	8,832	—
Total operating expenses	<u>214,943</u>	<u>271,207</u>	<u>294,067</u>
Operating loss	<u>(41,171)</u>	<u>(88,458)</u>	<u>(23,052)</u>
Other income (expense):			
Write down of auction rate investments	—	(11,072)	—
Gain (loss) on sale of investments	3,628	(969)	(186)
Interest expense	(4,928)	—	—
Interest income	382	2,739	5,680
Total other income (expense)	<u>(918)</u>	<u>(9,302)</u>	<u>5,494</u>
Loss from before income taxes and equity in net income of affiliates	<u>(42,089)</u>	<u>(97,760)</u>	<u>(17,558)</u>
Gain on sale of RLM investment	—	—	40,240
Income tax benefit (provision)	91	(33)	(839)
Equity in net income of affiliates	—	—	609
Net income (loss)	<u>(41,998)</u>	<u>(97,793)</u>	<u>22,452</u>
Excess of preferred stock carrying value over redemption value	27,362	—	—
Accretion of redeemable Series A preferred stock	<u>(62)</u>	<u>(293)</u>	<u>(291)</u>
Net income (loss) available to common shareholders	<u>\$ (14,698)</u>	<u>\$ (98,086)</u>	<u>\$ 22,161</u>
Net income (loss) per common share	<u>\$ (0.45)</u>	<u>\$ (2.92)</u>	<u>\$ 0.53</u>
Net income (loss) per common share — assuming dilution	<u>\$ (0.45)</u>	<u>\$ (2.92)</u>	<u>\$ 0.53</u>
Weighted average number of common shares outstanding:			
Basic	<u>32,537,849</u>	<u>33,598,177</u>	<u>41,992,167</u>
Diluted	<u>32,537,849</u>	<u>33,598,177</u>	<u>42,010,972</u>

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

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008

	Comprehensive Income (Loss)	Common Stock Number of Shares	Par Value	Common Stock Purchase Warrants	Additional Paid-In Capital	Accumulated Other Comprehensive Losses	Accumulated Deficit	Total Shareholders' Equity
Balance, February 3, 2007		37,593,768	\$ 376	\$ 22,972	\$ 287,541	\$ —	\$ (112,042)	\$ 198,847
Net income	\$ 22,452						22,452	22,452
Other comprehensive loss, net of tax:								
Unrealized loss on securities	(2,454)	—	—	—	—	(2,454)	—	(2,454)
Comprehensive income	<u>\$ 19,998</u>							
Repurchases of common stock		(3,617,562)	(36)	—	(26,948)	—	—	(26,984)
Exercise of stock options and common stock issuances		94,216	1	—	525	—	—	526
Stock purchase warrants forfeited		—	—	(10,931)	10,931	—	—	—
Share-based payment compensation		—	—	—	2,414	—	—	2,414
Accretion on Series A redeemable preferred stock		—	—	—	(291)	—	—	(291)
Balance, February 2, 2008		37,070,422	341	12,041	274,172	(2,454)	(89,590)	194,510
Net loss	\$ (97,793)						(97,793)	(97,793)
Other comprehensive loss, net of tax:								
Unrealized loss on securities	(3,860)	—	—	—	—	(3,860)	—	(3,860)
Losses on securities included in net loss	6,314	—	—	—	—	6,314	—	6,314
Comprehensive loss	<u>\$ (95,339)</u>							
Repurchases of common stock		(556,330)	(6)	—	(3,311)	—	—	(3,317)
Common stock issuances		176,174	2	—	(19)	—	—	(17)
Stock purchase warrants forfeited		—	—	(11,903)	11,903	—	—	—
Share-based payment compensation		—	—	—	3,928	—	—	3,928
Accretion on Series A redeemable preferred stock		—	—	—	(293)	—	—	(293)
Balance, January 31, 2009		33,690,266	337	138	286,380	—	(187,383)	99,472
Net loss	<u>\$ (41,998)</u>						(41,998)	(41,998)
Value assigned to common stock purchase warrants		—	—	533	—	—	—	533
Repurchases of common stock		(1,622,168)	(16)	—	(921)	—	—	(937)
Exercise of stock options and common stock issuances		604,637	6	—	723	—	—	729
Stock purchase warrants forfeited		—	—	(34)	34	—	—	—
Share-based payment compensation		—	—	—	3,205	—	—	3,205
Excess of Series A preferred stock carrying value over redemption value		—	—	—	27,362	—	—	27,362
Accretion on Series A redeemable preferred stock		—	—	—	(62)	—	—	(62)
Balance, January 30, 2010		<u>32,672,735</u>	<u>\$ 327</u>	<u>\$ 637</u>	<u>\$ 316,721</u>	<u>\$ —</u>	<u>\$ (229,381)</u>	<u>\$ 88,304</u>

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

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

	For the Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
	(In thousands)		
OPERATING ACTIVITIES:			
Net income (loss)	\$ (41,998)	\$ (97,793)	\$ 22,452
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	14,320	17,297	19,993
Share-based payment compensation	3,205	3,928	2,415
Common stock issued to employees	—	—	12
Amortization of deferred revenue	(715)	(287)	(287)
Amortization of debt discount	181	—	—
Loss (gain) on sale of investments	(3,628)	969	(40,240)
Asset impairments and write-offs	1,446	19,904	428
Equity in net income of affiliates	—	—	(609)
Changes in operating assets and liabilities:			
Accounts receivable	(17,581)	58,179	7,680
Inventories	6,980	28,387	(12,822)
Prepaid expenses and other	(493)	(64)	1,532
Deferred revenue	31	(118)	1,189
Accounts payable and accrued liabilities	(4,325)	(23,302)	9,446
Accrued dividends payable — Series B preferred stock	4,681	—	—
Net cash provided by (used for) operating activities	<u>(37,896)</u>	<u>7,100</u>	<u>11,189</u>
INVESTING ACTIVITIES:			
Property and equipment additions	(7,578)	(8,318)	(11,789)
Proceeds from sale of investment in RLM	—	—	43,750
Purchase of investments	—	—	(82,913)
Proceeds from sale of short and long-term investments	19,356	34,464	50,477
Change in restricted cash	(3,471)	(1,589)	—
Net cash provided by (used for) investing activities	<u>8,307</u>	<u>24,557</u>	<u>(475)</u>
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	729	—	514
Payments for repurchases of common stock	(937)	(3,317)	(26,985)
Payment on redemption of Series A preferred stock	(3,400)	—	—
Payment for Series B preferred stock and other issuance costs	(3,648)	(100)	—
Payment of long-term obligations	—	—	(134)
Net cash used for financing activities	<u>(7,256)</u>	<u>(3,417)</u>	<u>(26,605)</u>
Net increase (decrease) in cash and cash equivalents	(36,845)	28,240	(15,891)
BEGINNING CASH AND CASH EQUIVALENTS	<u>53,845</u>	<u>25,605</u>	<u>41,496</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 17,000</u>	<u>\$ 53,845</u>	<u>\$ 25,605</u>

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

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended January 30, 2010, January 31, 2009, and February 2, 2008

1. The Company:

ValueVision Media, Inc. and subsidiaries (the “Company”) is an interactive multi-media retailer that markets, sells and distributes products to consumers through various digital platforms including TV, online, mobile and social media. The Company’s principal form of multi-media retailing is its television shopping network, ShopNBC, which markets brand name and private label products in the main categories of home, beauty, fashion and jewelry. The Company’s live 24-hour per day television shopping channel is distributed into approximately 76 million homes, primarily through cable and satellite affiliation agreements and the purchase of month-to-month full- and part-time lease agreements of cable and broadcast television time. In addition, the Company distributes its programming through a company-owned full power television station in Boston, Massachusetts and through leased carriage on full power television stations in Pittsburgh, Pennsylvania and Seattle, Washington. ShopNBC programming is also streamed live on the internet at www.ShopNBC.tv.

The Company has an exclusive license agreement with NBC Universal, Inc. (“NBCU”), for the worldwide use of an NBC-branded name and the peacock image through May 2011. Pursuant to the license, the Company operates its television home shopping network under the ShopNBC brand name and operates its internet website under the ShopNBC.com and ShopNBC.tv brand names.

2. Summary of Significant Accounting Policies:

Fiscal Year

The Company’s most recently completed fiscal year ended on January 30, 2010 and is designated fiscal 2009. The year ended January 31, 2009 is designated fiscal 2008 and the year ended February 2, 2008 is designated fiscal 2007. The Company reports on a 52/53 week fiscal year which ends on the Saturday nearest to January 31. The 52/53 week fiscal year allows for the weekly and monthly comparability of sales results relating to the Company’s television home-shopping and internet businesses. Each of fiscal 2009, fiscal 2008 and fiscal 2007 contained 52 weeks.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis. The Company has experienced operating losses of approximately \$41.2 million, \$88.5 million and \$23.1 million in fiscal 2009, fiscal 2008 and fiscal 2007, respectively. As a result of these and other previously reported losses, the Company has an accumulated deficit of \$229.4 million at January 30, 2010 and has had a significant reduction in its cash balance over these years. The Company and other retailers are particularly sensitive to adverse global economic and business conditions (in particular to the extent they result in a loss of consumer confidence) and decreases in consumer spending, particularly discretionary spending. The world-wide credit market disruptions and economic slowdown have negatively impacted consumer confidence and consumer spending and, consequently, the Company’s business. The Company has been pursuing a number of key initiatives in an effort to reverse its trend of historical operating losses and to generate positive cash flows from its operations. In an effort to increase revenues, the Company is broadening its mix of product categories to increase home, beauty and fashion categories, while reducing the jewelry being offered on its television home shopping and internet businesses in order to appeal to a broader population of potential customers. The Company is also focusing on increasing merchandise margin rates while at the same time delivering exceptional value to the customer. The Company is continuing to lower the average selling price of its products in order to increase the size and purchase frequency of its customer base, to increase its new and active customer base and to reduce its return rates. The Company has seen an improvement in key metrics during fiscal 2009, including; an increase in new and active customers, a decrease in cancel and return rates, decreased transaction costs and a smaller percentage of customers contacting customer service. These factors have contributed to an improvement in the net loss and EBITDA, as adjusted. The Company will continue to focus

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

on improving these metrics to drive improvement in its cash flow and operating income. The Company has significantly reduced its cable and satellite program distribution cost during fiscal 2009 and will continue to work with cable and satellite providers to further reduce its carriage costs, to increase the number of households receiving its programming and to improve channel placement. The Company is also closely watching its other operating costs in an effort to reduce non-revenue-related discretionary spending.

On November 25, 2009 the Company closed on a \$20 million asset-backed bank line of credit facility thus enhancing its near term liquidity position. The Company is actively working with its large vendors and service providers to reduce costs and improve payment terms to increase the liquidity of the Company. In addition, the Company has the ability to increase its near term liquidity position by reducing the percentage usage and average length of its ValuePay installment program. The Company anticipates that its existing capital resources and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2010. To address future liquidity needs the Company may pursue additional financing arrangements if needed and further reduce operating expenditures as necessary to meet its cash requirements.

Principles of Consolidation

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

Revenue Recognition and Accounts Receivable

Revenue is recognized at the time merchandise is shipped or when services are provided. Shipping and handling fees charged to customers are recognized as merchandise is shipped and are classified as revenue in the accompanying statements of operations in accordance with GAAP. The Company classifies shipping and handling costs in the accompanying statements of operations as a component of cost of sales. Revenue is reported net of estimated sales returns and excludes sales taxes. Sales 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.

Revenue is recognized for the Company's fulfillment services when the services are provided in accordance with the Company's contractual obligation, the sales price is fixed or determinable and collectibility is reasonably assured. The Company's customary shipping terms for its fulfillment services are Freight-On-Board shipping point.

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 \$4,819,000 at January 30, 2010 and \$6,063,000 at January 31, 2009. The Company utilizes an installment payment program called ValuePay that entitles customers to purchase merchandise and generally pay for the merchandise in two or more equal monthly credit card installments. As of January 30, 2010 and January 31, 2009, the Company had approximately \$62,492,000 and \$46,324,000, respectively, of net receivables due from customers under the ValuePay installment program. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Provision for doubtful accounts receivable (primarily related to the Company's ValuePay program) for fiscal 2009, fiscal 2008 and fiscal 2007 were \$6,813,000, \$9,826,000 and \$12,613,000, respectively.

Cost of Sales and Other Operating Expenses

Cost of sales includes primarily the cost of merchandise sold, shipping and handling costs, inbound freight costs, excess and obsolete inventory charges and customer courtesy credits. Purchasing and receiving costs, including costs of inspection, are included as a component of distribution and selling expense and were approximately \$7,877,000, \$9,524,000 and \$10,289,000 for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Distribution and selling expense consist primarily of cable and satellite access fees, credit card fees, bad debt

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

expense and costs associated with purchasing and receiving, inspection, marketing and advertising, show production, website marketing and merchandising, telemarketing, customer service, warehousing and fulfillment. General and administrative expense consists primarily of costs associated with executive, legal, accounting and finance, information systems and human resources departments, software and system maintenance contracts, insurance, investor and public relations and director fees.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and money market funds. The Company maintains its cash balances at financial institutions in investment accounts that are not federally insured. The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash and Investments

The Company had restricted cash and investments of \$5,060,000 and \$1,589,000 for fiscal 2009 and 2008. The restricted cash primarily collateralizes the Company's issuances of standby and commercial letters of credit. The Company's restricted cash and investments consist of government money markets and certificates of deposit. Dividends or interest income is recognized when earned.

Inventories

Inventories, which consists of consumer merchandise held for resale, are stated principally at the lower of average cost or realizable value and are reflected net of markdowns of \$2,998,000 at January 30, 2010 and \$7,381,000 at January 31, 2009.

Marketing and Advertising Costs

Marketing and advertising costs are expensed as incurred and consist primarily of contractual marketing fees paid to certain cable operators for cross channel promotions and internet advertising including amounts paid to online search engine operators, customer mailings and traffic-driving affiliate websites. The Company receives vendor allowances for the reimbursement of certain advertising costs. Advertising allowances received by the Company are recorded as a reduction of expense and were \$1,203,000, \$1,472,000 and \$2,020,000 for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Total marketing and advertising costs and internet search marketing fees, after reflecting allowances given by vendors, totaled \$7,799,000, \$18,099,000 and \$24,838,000 for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. The Company includes advertising costs as a component of distribution and selling expense in the Company's consolidated statement of operations.

Property and Equipment

Property and equipment are stated at cost. Improvements 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 on the straight-line method based upon estimated useful lives. Costs incurred to develop software for internal use and the Company's websites are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal-use software and website development are expensed as incurred.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible Assets

The Company's primary identifiable intangible assets include an FCC broadcast license and a trademark license agreement. Identifiable intangibles with finite lives are amortized and those identifiable intangibles with indefinite lives are not amortized. Identifiable intangible assets that are subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifiable intangible assets not subject to amortization are tested for impairment annually or more frequently if events warrant. The impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount.

Income Taxes

The Company accounts for income taxes under the liability method of accounting in accordance with GAAP whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement and tax basis of assets and liabilities. 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. The Company assesses the recoverability of its deferred tax assets in accordance with GAAP.

The Company recognizes interest and penalties related to uncertain tax positions within income tax expense.

The Company is subject to U.S. federal income taxation and the taxing authorities of various states. The Company's tax years for 2006, 2007, and 2008 are currently subject to examination by taxing authorities. With limited exceptions, the Company is no longer subject to U.S. federal, state, or local examinations by tax authorities for years before 2006.

Net Income (Loss) Per Common Share

Basic earnings per share is computed by dividing reported earnings by the weighted average number of common shares outstanding for the reported period following the two-class method. The effect of the Company's participating convertible preferred stock is included in basic earnings per share under the two-class method if dilutive. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock of the Company during reported periods.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of earnings per share calculations and the number of shares used in the calculation of basic earnings per share under the two-class method and diluted earnings per share is as follows:

	For the Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Net income (loss) available to common shareholders	\$(14,698,000)	\$(98,086,000)	\$ 22,161,000
Weighted average number of common shares outstanding using two-class method	32,538,000	33,598,000	36,652,000
Effect of participating convertible preferred stock	—	—	5,340,000
Weighted average number of common shares outstanding using two-class method — Basic	32,538,000	33,598,000	41,992,000
Dilutive effect of stock options, non-vested shares and warrants	—	—	19,000
Weighted average number of common shares outstanding — Diluted	32,538,000	33,598,000	42,011,000
Net income (loss) per common share	\$ (0.45)	\$ (2.92)	\$ 0.53
Net income (loss) per common share — assuming dilution	\$ (0.45)	\$ (2.92)	\$ 0.53

For fiscal 2009 and fiscal 2008, approximately 3,107,000 and 40,000, respectively, incremental in-the-money potentially dilutive common share stock options and warrants have been excluded from the computation of diluted earnings per share, as the effect of their inclusion would be anti-dilutive. In addition, for the year ended January 31, 2009, 5,340,000 shares of convertible Series A preferred stock have been excluded from the computation of basic earnings per share, as the effect of their inclusion would be antidilutive.

Comprehensive Income (Loss)

For the Company, comprehensive income (loss) is computed as net earnings plus other items that are recorded directly to shareholders' equity. Total comprehensive income (loss) was \$(41,998,000), \$(95,339,000) and \$19,998,000 for fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

Fair Value of Financial Instruments

GAAP 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. GAAP excludes certain financial instruments and all non-financial instruments from its disclosure requirements.

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

The carrying amounts reported in the accompanying consolidated balance sheets approximate the fair value for cash and cash equivalents, short-term investments and accrued liabilities, due to the short maturities of those instruments.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair values for long-term investments are based on quoted market prices, where available. For 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, formulas or cash flow forecasting models using current assumptions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 these estimates.

Stock-Based Compensation

The Company accounts for stock-based compensation arrangements in accordance with GAAP. Compensation is recognized for all stock-based compensation arrangements by the Company, including employee and non-employee stock options granted. In accordance with GAAP, the estimated grant date fair value of each stock-based award is recognized in income over the requisite service period (generally the vesting period). The estimated fair value of each option is calculated using the Black-Scholes option-pricing model. Non-vested share awards are recorded as compensation cost over the requisite service periods based on the market value on the date of grant.

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105-10, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162." This Statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective August 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. The Company adopted this Statement effective August 2, 2009.

In May 2009, the FASB issued ASC 855-10, "Subsequent Events." ASC 855-10 provides guidance on management's assessment of subsequent events and incorporates this guidance into accounting literature. ASC 855-10 is effective prospectively for interim and annual periods ending after June 15, 2009. The adoption of this Statement did not have an impact on the Company's financial position or results of operations. Effective February 24, 2010, the FASB modified its guidance related to subsequent events and the Company has adopted the change. This guidance continues to require entities that file or furnish financial statements with the SEC to evaluate subsequent events through the date the financial statements are issued; however, this guidance removed the requirement for these entities to disclose the date through which events have been evaluated. The adoption of this guidance did not have an effect on the results of operations or financial position of the Company.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Property and Equipment:

Property and equipment in the accompanying consolidated balance sheets consisted of the following:

	Estimated Useful Life (In Years)	January 30, 2010	January 31, 2009
Land and improvements	—	\$ 3,454,000	\$ 3,454,000
Buildings and improvements	5-40	22,298,000	22,158,000
Transmission and production equipment	5-10	8,194,000	8,593,000
Office and warehouse equipment	3-15	10,832,000	11,024,000
Computer hardware, software and telephone equipment	3-7	76,026,000	68,298,000
Leasehold improvements	3-5	3,197,000	3,110,000
Less — Accumulated depreciation		<u>(95,659,000)</u>	<u>(84,914,000)</u>
		<u>\$ 28,342,000</u>	<u>\$ 31,723,000</u>

Depreciation expense in fiscal 2009, fiscal 2008 and fiscal 2007 was \$10,937,000, \$13,354,000 and \$15,880,000, respectively.

4. Intangible Assets:

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

	Weighted Average Life (Years)	January 30, 2010		January 31, 2009	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:					
NBC trademark license agreement	10.5	\$ 34,437,000	\$(30,283,000)	\$ 34,437,000	\$(27,056,000)
Cable distribution and marketing agreement	9.5	<u>8,278,000</u>	<u>(8,278,000)</u>	<u>8,278,000</u>	<u>(8,122,000)</u>
		<u>\$ 42,715,000</u>	<u>\$(38,561,000)</u>	<u>\$ 42,715,000</u>	<u>\$(35,178,000)</u>
Unamortized intangible assets:					
FCC broadcast license		<u>\$ 23,111,000</u>		<u>\$ 23,111,000</u>	

Amortization expense in fiscal 2009, fiscal 2008 and fiscal 2007 was \$3,383,000, \$3,943,000 and \$4,113,000, respectively. Estimated amortization expense for the next five years is as follows: \$3,227,000 in fiscal 2010 and \$927,000 in fiscal 2011.

In the fourth quarter, or more frequently if an impairment indicator is present, the Company reviews its FCC broadcast license for impairment. The Company estimates the fair value of its FCC broadcast license by using an income-based discounted cash flow model with the assistance of an independent outside fair value consultant. The discounted cash flow model includes certain assumptions including revenues, operating profit and a discount rate. Further, the Company also considers recent comparable asset market data to assist in determining fair value. In fiscal 2009, no impairment was indicated as a result of the fair value assessment. In fiscal 2008, as a result of its fair value assessment, the Company recorded an intangible asset impairment of \$8,832,000 in the fourth quarter and reduced the carrying value of the intangible FCC broadcast license asset as of January 31, 2009.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Accrued Liabilities:

Accrued liabilities in the accompanying consolidated balance sheets consisted of the following:

	<u>January 30, 2010</u>	<u>January 31, 2009</u>
Accrued cable access fees	\$ 11,636,000	\$ 11,503,000
Accrued salaries and related	1,412,000	2,584,000
Reserve for product returns	2,742,000	2,770,000
Other	10,697,000	13,800,000
	<u>\$ 26,487,000</u>	<u>\$ 30,657,000</u>

6. ShopNBC Private Label and Co-Brand Credit Card Program:

The Company has a private label and co-brand revolving consumer credit card program (the “Program”). The Program is made available to all qualified consumers for the financing of purchases of products from ShopNBC and for the financing of purchases of products and services from other non-ShopNBC retailers. The Company accounts for the Private Label and Co-Brand Credit Card Agreement in accordance with GAAP. In connection with the introduction of the Program, the Company entered into a Private Label Credit Card and Co-Brand Credit Card Consumer Program Agreement with GE Money Bank. The Company received a million dollar signing bonus as an incentive for the Company to enter into the agreement. The signing bonus has been recorded as deferred revenue in the accompanying financial statements and is being recognized as revenue over the six-year term of the agreement.

GE Money Bank, the issuing bank for the program, is indirectly wholly-owned by the General Electric Company (“GE”), which is also the parent company of NBCU and GE Equity. NBCU and GE Equity have a substantial percentage ownership in the Company and together have the right to select three members of the Company’s board of directors.

7. Long-Term Investments:

Long-term investments include the following available-for-sale securities at January 31, 2009:

	<u>January 31, 2009</u>			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Long-term:				
Auction-rate securities	<u>\$ 15,728,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,728,000</u>

Proceeds from sales of available-for-sale and held-to-maturity securities were \$19,356,000, \$34,464,000, and \$50,477,000 during fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Other than the sale of the Company’s auction rate securities, sales of available-for-sale securities in fiscal 2009, fiscal 2008 and fiscal 2007 resulted in no gains or losses recorded. The Company recorded charges for other-than-temporary impairment of securities of \$-0-, \$11,072,000 and \$72,000 during fiscal 2009, fiscal 2008 and fiscal 2007, respectively.

In the second quarter of fiscal 2009, the Company sold its long-term illiquid auction rate securities portfolio for net proceeds of \$19,356,000. The auction rate securities had a carrying value of \$15,728,000 and the Company recorded a \$3,628,000 non-operating gain in the second quarter of fiscal 2009. During fiscal 2008, the Company sold held-to-maturity securities with a net carrying amount of \$8,881,000 due to the significant deterioration of the issuer’s creditworthiness. The sales of these securities resulted in the recording of losses totaling \$969,000. The cost of all securities sold is based on the specific identification method.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Fair Value Measurements:

The Company adopted ASC 820-10, prospectively effective February 3, 2008, with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. The Company adopted the remaining aspects of ASC 820-10 relative to nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, prospectively effective February 1, 2009. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to observable quoted prices (unadjusted) in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

As of January 30, 2010 the Company had \$3,961,000 in Level 2 investments in the form of bank Certificates of Deposit and as of January 31, 2009 had \$15,728,000 in Level 3 investments in the form of Auction Rate Securities which were sold during fiscal 2009.

The following table provides a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3):

	<u>2009</u>	<u>2008</u>
	<u>Marketable securities — auction rate securities only</u>	<u>Marketable securities — auction rate securities only</u>
Beginning balance	\$ 15,728,000	\$ 24,346,000
Total gains or losses:		
Included in earnings	3,628,000	(11,072,000)
Included in other comprehensive income	—	2,454,000
Purchases, issuances, and settlements	(19,356,000)	—
Transfers in and/or out of Level 3	—	—
Ending balance	<u>\$ —</u>	<u>\$ 15,728,000</u>

Measured at Fair Value — Nonrecurring Basis

During the quarter ended May 2, 2009, the Company measured the fair value of the Series B Preferred Stock issued in connection with the preferred stock exchange described in Note 9. The Company estimated the fair value of the Series B Preferred Stock of \$12,959,000 utilizing a discounted cash flow model estimating the projected future cash payments over the life of the five-year redemption term. The assumptions used in preparing the discounted cash flow model include estimates for discount rate and expected timing of repayment of the Series B Preferred Stock. The Company concluded that the inputs used in its Series B Preferred Stock valuation are Level 3 inputs.

9. Preferred Stock and long-term payables:

	<u>January 30, 2010</u>
Series B Preferred Stock	\$ 40,854,000
Unamortized debt discount on Series B Preferred Stock	(29,611,000)
Series B Preferred Stock, carrying value	<u>\$ 11,243,000</u>
Long-term payables	<u>\$ 4,841,000</u>

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On February 25, 2009, GE Equity exchanged all outstanding shares of the Company's Series A Preferred Stock for (i) 4,929,266 shares of the Company's Series B Redeemable Preferred Stock, (ii) warrants to purchase up to 6,000,000 shares of the Company's common stock at an exercise price of \$0.75 per share and (iii) a cash payment in the amount of \$3,400,000.

The shares of Series B Preferred Stock are redeemable at any time by the Company for the initial redemption amount of \$40,854,000, plus accrued dividends. The Series B Preferred Stock accrues cumulative dividends at a base annual rate of 12%, subject to adjustment. All payments on the Series B Preferred Stock will be applied first to any accrued but unpaid dividends, and then to redeem shares. 30% of the Series B Preferred Stock (including accrued but unpaid dividends) is required to be redeemed on February 25, 2013, and the remainder on February 25, 2014. In addition, the Series B Preferred Stock includes a cash sweep mechanism that may require accelerated redemptions if the Company generates excess cash above agreed upon thresholds. Specifically, the Company's excess cash balance at the end of each fiscal year, and at the end of any fiscal quarter during which the Company sells auction rate securities or disposes of assets or incurs indebtedness above agreed upon thresholds, will trigger a calculation to determine whether the Company needs to redeem a portion of the Series B Preferred Stock and pay accrued and unpaid dividends thereon. Excess cash balance is defined as the Company's cash and cash equivalents and marketable securities, adjusted to (i) exclude auction rate securities, (ii) exclude cash pledged to vendors to secure the purchase of inventory, (iii) account for variations that are due to the Company's management of payables, and (iv) provide the Company a cash cushion of at least \$20,000,000. Any redemption as a result of this cash sweep mechanism will reduce the amounts required to be redeemed on February 25, 2013 and February 25, 2014. The Series B Preferred Stock (including accrued but unpaid dividends) is also required to be redeemed, at the option of the holders, upon a change in control. The Series B Preferred Stock is not convertible into common stock or any other security, but initially will vote with the common stock on a one-for-one basis on general corporate matters other than the election of directors. In addition, the holders of the Series B Preferred Stock have the class voting rights and rights to designate members of the Company's board of directors previously held by the holders of the Series A Preferred Stock. The Company was not required to make an accelerated redemption payment as of January 30, 2010 or during fiscal 2009.

On February 25, 2009, the Company, GE Equity, and NBCU also amended and restated the shareholder agreement and registration rights agreement. The terms of the amended and restated shareholder agreement are generally consistent with the terms of the prior shareholder agreement, and the terms of the amended and restated registration rights agreement are generally consistent with the terms of the prior registration rights agreement.

As a result of the preferred stock exchange transaction, the Company recorded the Series B Preferred Stock at fair value upon issuance and the excess of the carrying amount of the Series A Preferred Stock over the fair value of the Series B Preferred Stock as an addition to earnings to arrive at net earnings available to common shareholders. The Company estimated the fair value of the Series B Preferred Stock utilizing the assistance of an independent fair value consultant and using a discounted cash flow model estimating the projected future cash payments over the life of the five-year redemption term. The excess of the Series B Preferred Stock redemption value over its carrying value (discount) is being amortized and charged to interest expense over the five year redemption period using the effective interest method. Due to the mandatory redemption feature, the Company has classified the carrying value of the Series B Preferred Stock, and related accrued dividends, as long-term liabilities on its consolidated balance sheet.

Long-term payables totaling \$4,841,000 on the accompanying balance sheet represent deferred cash payments related to a restructured service provider contract. In the third quarter of fiscal 2009, the Company entered into a long-term agreement with one of its larger service providers to defer a significant portion of its monthly contractual cash payment obligation over the next three fiscal years. Interest on deferred unpaid balances is to be accrued at 10% through February 2010 and will reduce to 5% on deferred unpaid balances thereafter through March 2012. Future cash commitments, inclusive of accrued interest, relating to this deferred cash payment agreement will require future cash payments of approximately \$25 million to be paid in fiscal 2011 and fiscal 2012. In connection

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

with this long-term agreement, the Company has granted a security interest in its Eden Prairie, Minnesota headquarters facility and its Boston television station to this service provider.

Aggregate contractual maturities of Preferred Stock and long-term payables are as follows:

<u>Fiscal Year</u>	
2010	\$ —
2011	4,841,000
2012	—
2013	12,256,000
2014	28,598,000
	<u>\$ 45,695,000</u>

10. Credit Facility:

On November 25, 2009, the Company entered into an agreement with PNC Bank, National Association to establish a senior secured revolving credit facility (the “Revolving Credit and Security Agreement”). The credit facility has a three-year term and provides for up to a \$20 million new revolving line of credit. Borrowings under the credit facility may bear interest at either fixed rates or floating rates of interest based on either the prime rate or LIBOR, respectively, plus variable margins. Borrowings are secured primarily by the Company’s eligible accounts receivable and inventory as well as other assets as defined in the Revolving Credit and Security Agreement (including a negative pledge on the Company’s distribution facility in Bowling Green, Kentucky) and are subject to customary financial and other covenants and conditions, including, among other things, minimum EBITDA (as defined in the Revolving Credit and Security Agreement), tangible net worth, and annual capital expenditure limits. Certain financial covenants (including the EBITDA and tangible net worth covenants) become applicable only if the Company chooses to borrow in excess of \$8 million. As of January 30, 2010, there were no borrowings against the new credit facility and we were in compliance with all financial covenants required by the revolving credit and security agreement allowing full access to the \$20 million credit line. However, there can be no assurance that the Company will remain in compliance with each of these financial covenants, and if the Company were not to be in compliance with certain financial covenants, borrowings under the line may be limited to \$8 million. PNC Bank has the right to terminate the revolving credit facility in the event of a material adverse effect condition as defined in the agreement. Cost incurred to obtain the line of credit were capitalized and are being expensed as interest over the life of the agreement.

Subject to certain conditions, the Revolving Credit and Security Agreement also provides for the issuance of letters of credit which, upon issuance, would be deemed advances under the credit facility. The Company is required to pay a fee equal to 0.5% per annum on the average daily unused amount of the credit facility.

11. Shareholders’ Equity:

Common Stock

The Company currently has authorized 100,000,000 shares of undesignated capital stock, of which approximately 32,673,000 shares were issued and outstanding as common stock as of January 30, 2010. The board of directors may establish new classes and series of capital stock by resolution without shareholder approval.

Dividends

The Company has never declared or paid any dividends with respect to its capital stock. Under the terms of the amended and restated shareholder agreement between the Company and GE Capital Equity Investments, Inc. (“GE Equity”), the Company is prohibited from paying dividends on its common stock without GE Capital’s prior consent.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Warrants

As of January 30, 2010, the Company had outstanding warrants to purchase 6,000,000 shares of the Company's common stock at an exercise price of \$0.75 per share issued to GE Equity. The warrants are fully vested and expire ten years from date of grant. The warrants were issued in connection with the issuance of the Company's Series B Redeemable Preferred Stock in February 2010. In addition, the Company also has outstanding warrants to purchase 22,115 shares of the Company's stock at an exercise price of \$15.74 per share issued to NBCU. These warrants are fully vested and expire five years from the date of vesting.

Stock-Based Compensation

Stock-based compensation expense charged to continuing operations for fiscal 2009, fiscal 2008 and fiscal 2007 related to stock option awards was \$2,752,000, \$3,069,000 and \$1,880,000, respectively. The Company has not recorded any income tax benefit from the exercise of stock options due to the uncertainty of realizing income tax benefits in the future.

As of January 30, 2010, the Company had two active omnibus stock plans for which stock awards can be currently granted: the 2004 Omnibus Stock Plan (as amended and restated in fiscal 2006) that provides for the issuance of up to 4,000,000 shares of the Company's common stock; and the 2001 Omnibus Stock Plan that provides for the issuance of up to 3,000,000 shares of the Company's stock. These plans are administered by the human resources and compensation committee of the board of directors and provide for awards for employees, directors and consultants. All employees and directors of the Company and its affiliates are eligible to receive awards under the plans. The types of awards that may be granted under these plans include restricted and unrestricted stock, incentive and nonstatutory stock options, stock appreciation rights, performance units, and other stock-based awards. Incentive stock options may be granted to employees at such exercise prices as the human resources and compensation committee may determine but not less than 100% of the fair market value of the underlying stock as of the date of grant. No incentive stock option may be granted more than ten years after the effective date of the respective plan's inception or be exercisable more than ten years after the date of grant. Options granted to outside directors are nonstatutory stock options with an exercise price equal to 100% of the fair market value of the underlying stock as of the date of grant. Options granted under these plans are exercisable and generally vest over three years in the case of employee stock options and vest immediately on the date of grant in the case of director options, and generally have contractual terms of either five years from the date of vesting or ten years from the date of grant. Prior to the adoption of the 2004 and 2001 plans, the Company had other incentive stock option plans in place in which stock options were granted to employees under similar vesting terms. The Company has also granted non-qualified stock options to current and former directors and certain employees with similar vesting terms.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's stock. Expected term is calculated using the simplified method taking into consideration the option's contractual life and vesting terms. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yields were not used in the fair value computations as the Company has never declared or paid dividends on its common stock and currently intends to retain earnings for use in operations.

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Expected volatility	66%-78%	41%-56%	33%-40%
Expected term (in years)	6 years	6 years	6 years
Risk-free interest rate	2.3%-3.4%	2.9%-3.7%	3.2%-5.1%

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of the status of the Company's stock option activity as of January 30, 2010 and changes during the year then ended is as follows:

	2004 Incentive Stock Option Plan	Weighted Average Exercise Price	2001 Incentive Stock Option Plan	Weighted Average Exercise Price	1990 Incentive Stock Option Plan	Weighted Average Exercise Price	Other Non- Qualified Stock Options	Weighted Average Exercise Price
Balance outstanding, January 31, 2009	2,690,000	\$ 8.01	2,479,000	\$ 7.05	11,000	\$ 13.73	1,400,000	\$ 15.46
Granted	452,000	1.00	199,000	3.44	—	—	—	—
Exercised	(146,000)	2.36	(191,000)	2.02	—	—	—	—
Forfeited or canceled	(554,000)	10.31	(469,000)	11.18	(11,000)	13.73	(1,400,000)	15.46
Balance outstanding, January 30, 2010	<u>2,442,000</u>	<u>\$ 6.52</u>	<u>2,018,000</u>	<u>\$ 6.21</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
Options exercisable at: January 30, 2010	<u>1,342,000</u>	<u>\$ 8.79</u>	<u>969,000</u>	<u>\$ 8.32</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
January 31, 2009	<u>1,412,000</u>	<u>\$ 9.90</u>	<u>1,103,000</u>	<u>\$ 9.85</u>	<u>11,000</u>	<u>\$ 13.73</u>	<u>1,400,000</u>	<u>\$ 15.46</u>
February 2, 2008	<u>1,276,000</u>	<u>\$ 11.91</u>	<u>918,000</u>	<u>\$ 14.46</u>	<u>36,000</u>	<u>\$ 13.83</u>	<u>1,403,000</u>	<u>\$ 15.46</u>

The following table summarizes information regarding stock options at January 30, 2010:

Option Type	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Vested or Expected to Vest	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
2004 Incentive:	<u>2,442,000</u>	\$6.52	7.6	<u>\$1,608,000</u>	<u>2,332,000</u>	\$6.65	7.5	<u>\$1,450,000</u>
2001 Incentive:	<u>2,018,000</u>	\$6.21	8.0	<u>\$1,579,000</u>	<u>1,913,000</u>	\$6.31	7.6	<u>\$1,475,000</u>

The weighted average grant date fair value of options granted in fiscal 2009, fiscal 2008 and fiscal 2007 was \$1.17, \$1.51 and \$3.16, respectively. The total intrinsic value of options exercised during fiscal 2009, fiscal 2008 and fiscal 2007 was \$898,000, \$-0- and \$52,000, respectively. As of January 30, 2010, total unrecognized compensation cost related to stock options was \$3,417,000 and is expected to be recognized over a weighted average period of approximately 1.0 year.

Stock Option Tax Benefit

The exercise of certain stock options granted under the Company's stock option plans gives rise to compensation, which is includible 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 will be recorded as additional paid-in capital if and when realized, and totaled \$332,000, \$-0- and \$23,000 in fiscal 2009, fiscal 2008 and fiscal 2007, respectively. The Company has not recorded the tax benefit through paid in capital in these fiscal years, as the related tax deductions were not taken due to the losses incurred. These benefits will be recorded in the applicable future periods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock

Compensation expense recorded in fiscal 2009, fiscal 2008 and fiscal 2007 relating to restricted stock grants was \$453,000, \$859,000 and \$534,000, respectively. As of January 30, 2010, there was \$31,000 of total unrecognized compensation cost related to non-vested restricted stock granted. That cost is expected to be recognized over a weighted average period of 0.4 years. The total fair value of restricted stock vested during fiscal 2009, fiscal 2008 and fiscal 2007 was \$306,000, \$464,000 and \$492,000 respectively.

A summary of the status of the Company's non-vested restricted stock activity as of January 30, 2010 and changes during the twelve-month period then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding, January 31, 2009	268,000	\$ 2.31
Granted	39,000	\$ 2.26
Vested	(266,000)	\$ 2.32
Forfeited	(2,000)	\$ 1.35
Non-vested outstanding, January 30, 2010	<u>39,000</u>	<u>\$ 2.26</u>

Common Stock Repurchase Program

The Company's board of directors had, in previous fiscal years, authorized common stock repurchase programs. These programs had authorized the Company's management, acting through an investment banking firm selected as the Company's agent, to repurchase the Company's common stock by open market purchases or negotiated transactions at prices and amounts as determined by the Company from time to time. During 2009, the Company repurchased a total of 1,622,000 shares of common stock for a total investment of \$937,000 at an average price of \$0.58 per share. During the fiscal 2008, the Company repurchased a total of 556,000 shares of common stock for a total investment of \$3,317,000 at an average price of \$5.96 per share. During fiscal 2007, the Company repurchased a total of 3,618,000 shares of common stock for a total investment of \$26,985,000 at an average price of \$7.46 per share. As of January 30, 2010, the authorizations for repurchase programs had expired.

12. Sales by Product Group:

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

	For the Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Watches, Coins & Collectibles	\$ 164,860	\$ 121,127	\$ 113,871
Jewelry	116,852	196,207	289,786
Consumer Electronics	88,434	109,558	170,262
Apparel, Fashion Accessories and Health & Beauty	63,732	60,699	66,932
Home	57,996	40,236	84,708
All other	35,999	39,683	55,991
Total	<u>\$ 527,873</u>	<u>\$ 567,510</u>	<u>\$ 781,550</u>

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. Income Taxes:

The Company records deferred taxes for differences between the financial reporting and income tax bases of assets and liabilities, computed in accordance with tax laws in effect at that time. The deferred taxes related to such differences as of January 30, 2010 and January 31, 2009 were as follows:

	January 30, 2010	January 31, 2009
Accruals and reserves not currently deductible for tax purposes	\$ 5,038,000	\$ 8,385,000
Inventory capitalization	640,000	965,000
Basis differences in intangible assets	(2,100,000)	(1,116,000)
Differences in depreciation lives and methods	2,626,000	1,592,000
Differences in investments and other items	(185,000)	3,669,000
Net operating loss carryforwards	96,353,000	78,072,000
Valuation allowance	(102,372,000)	(91,567,000)
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

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

	Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Current	\$ 91,000	\$ (33,000)	\$(839,000)
Deferred	—	—	—
	<u>\$ 91,000</u>	<u>\$ (33,000)</u>	<u>\$(839,000)</u>

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

	Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Taxes at federal statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.9	1.9	2.5
Non-cash stock option vesting expense	(1.6)	(1.1)	3.1
Non-deductible interest	(4.0)	—	—
Valuation allowance and NOL carryforward benefits	(31.1)	(35.8)	(37.0)
Effective tax rate on continuing operations	<u>0.2%</u>	<u>0.0%</u>	<u>3.6%</u>

Based on the Company's recent history of losses, the Company has recorded a full valuation allowance for its net deferred tax assets and net operating loss carryforwards as of January 30, 2010 and January 31, 2009 in accordance with GAAP, which places primary importance on the Company's most recent operating results when assessing the need for a valuation allowance. The ultimate realization of these deferred tax assets depends on the ability of the Company to generate sufficient taxable income and capital gains in the future. The Company intends to maintain a full valuation allowance for its net deferred tax assets and net operating loss carryforwards until sufficient positive evidence exists to support reversal of the reserve. As of January 30, 2010, the Company has gross operating loss carryforwards for Federal and state income tax purposes of approximately \$248 million and \$103 million, respectively, which begin to expire in January 2023 and 2011, respectively.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
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taxable income. The Company's existing NOLs could be subject to these limitations arising from previous ownership changes, or if the Company undergoes an ownership change in the future. As of January 30, 2010 and January 31, 2009, there were no unrecognized tax benefits for uncertain tax positions.

14. Commitments and Contingencies:

Cable and Satellite Affiliation Agreements

As of January 31, 2009, the Company has entered into affiliation agreements that represent approximately 1,500 cable systems along with the satellite companies DIRECTV and DISH that require each to offer the Company's television home shopping programming on a full-time basis over their systems. Under certain circumstances, these television operators or the Company may cancel their agreements prior to expiration. The affiliation agreements generally provide that the Company will pay each operator a monthly access fee and in some cases a marketing support payment based upon the number of homes carrying the Company's television home shopping programming. For fiscal 2009, fiscal 2008 and fiscal 2007, respectively, the Company expensed approximately \$103,057,000, \$126,564,000 and \$128,024,000 under these affiliation agreements.

Cable and satellite distribution agreements representing a majority of the total cable and satellite households in the United States currently receiving the Company's television programming were scheduled to expire at the end of the 2008 calendar year. Over the past year, each of the material cable and satellite distribution agreements up for renewal have been renegotiated and renewed with no reduction to the Company's distribution footprint. As a result of the Company's cable and satellite distribution agreement renegotiations, the Company has realized fiscal 2009 cost savings of approximately \$24 million from the contracts that were up for renewal. Failure to maintain the cable agreements covering a material portion of the Company's existing cable households on acceptable financial and other terms could adversely affect future growth, sales revenues and earnings unless the Company is able to arrange for alternative means of broadly distributing its television programming. In addition, many cable operators are moving to transition the Company's programming (and other cable content providers as well) in many of their local cable systems to digital instead of analog programming tiers. As this occurs, the Company may experience temporary reductions in cable households in certain markets.

The Company has entered into, and will continue to enter into, affiliation agreements with other 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 operator a one-time initial launch fee, which is capitalized and amortized on a straight-line basis over the term of the agreement.

Future cable and satellite affiliation cash commitments at January 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 105,288,000
2011	75,830,000
2012	48,710,000
2013	955,000
2014 and thereafter	85,000

Employment Agreements

The Company has entered into employment agreements with its on-air hosts and the chief executive officer of the Company with original terms of 12 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-disclosure and non-compete restrictions. The aggregate commitment for future base compensation at January 30, 2010 was approximately \$2,339,000.

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has a policy and practice regarding severance for its senior officers whereby up to 12 months of base salary could become payable in the event of terminations without cause only under specified circumstances. The chief executive officer's employment agreement provides for 12 months of base salary and his target bonus payment in the event of termination without cause and 24 months of base salary for change of control severance under specified circumstances.

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 offices and warehousing facilities at subsidiary locations, satellite transponder, office equipment and certain tower site locations.

Future minimum lease payments at January 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$1,697,000
2011	1,278,000
2012	1,138,000
2013	1,020,000
2014 and thereafter	2,720,000

Total rent expense under such agreements was approximately \$2,180,000 in fiscal 2009, \$2,679,000 in fiscal 2008 and \$2,499,000 in fiscal 2007.

Retirement and Savings Plan

The Company maintains 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. During fiscal 2009, the Company did not make any matching contributions to the plan. During fiscal 2008, the Company matched \$.50 for every \$1.00 contributed by eligible participants up to a maximum of 6% of eligible compensation. The Company made plan contributions totaling approximately \$-0-, \$935,000, and \$1,106,000 during fiscal 2009, 2008 and 2007, respectively.

State Sales Tax

In the third quarter of fiscal 2009, the Company received a letter from the North Carolina Department of Revenue asserting the Company's potential retroactive sales tax collection responsibility for sales to customers resident in that state resulting from new legislation enacted by the state relating to on-line web affiliate programs. The Company ceased its on-line affiliate relationship in North Carolina prior to the effective date of the state's new law and intends to vigorously contest any assertions by North Carolina of potential liability. At this time, the Company is unable to estimate the amount of potential exposure, if any, for previously uncollected sales taxes on sales made prior to August 7, 2009, the effective date of the newly enacted legislation.

15. Litigation:

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. Supplemental Cash Flow Information:

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

	For the Years Ended		
	January 30, 2010	January 31, 2009	February 2, 2008
Supplemental cash flow information:			
Interest paid	\$ 11,000	\$ —	\$ 9,000
Income taxes paid	\$ 43,000	\$ 208,000	\$ 1,009,000
Supplemental non-cash investing and financing activities:			
Common stock purchase warrants forfeited	\$ 34,000	\$ 11,903,000	\$ 10,931,000
Deferred financing costs included in accrued liabilities	\$ 414,000	\$ 1,283,000	\$ —
Property and equipment purchases included in accounts payable	\$ 72,000	\$ 94,000	\$ 523,000
Accretion of redeemable preferred stock	\$ 62,000	\$ 293,000	\$ 291,000
Issuance of Series B Preferred Stock	\$ 12,959,000	\$ —	\$ —
Excess of preferred stock carrying value over redemption value	\$ 27,362,000	\$ —	\$ —
Redemption of Series A Preferred Stock	\$ 40,854,000	\$ —	\$ —
Issuance of 6,000,000 common stock warrants	\$ 533,000	\$ —	\$ —

17. Sale of Ralph Lauren Media, LLC Equity Investment:

The Company owned a 12.5% equity interest in Ralph Lauren Media, LLC (“RLM”). RLM’s primary business activity during the company’s partial ownership has been the operations of the Polo.com website. On March 28, 2007, the Company entered into a membership interest purchase agreement with Polo Ralph Lauren, NBCU and certain NBCU affiliates, pursuant to which the Company sold its 12.5% membership interest in RLM to Polo Ralph Lauren for an aggregate purchase price of \$43,750,000 in cash. As a result of this sales transaction, the Company recorded a pre-tax gain of \$40,240,000 on the sale of RLM in the first quarter of fiscal 2007.

The Company accounted for its ownership interest in RLM under the equity method of accounting and adjusted its investment balance for its share of RLM income and losses each reporting period. Total equity in net income of RLM recorded by the Company during fiscal 2007 was \$609,000.

The following summarized financial information relates to RLM for the applicable reporting periods (in thousands):

	Three Months Ended March 31, 2007
Net sales	\$ 26,211
Gross profit	\$ 17,223
Net income	\$ 4,871

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Agreement for Services

RLM and VVIFC entered into an agreement for services under which VVIFC agreed to provide to RLM certain telemarketing, customer service and fulfillment services to RLM. The services agreement with RLM ended in the first quarter of fiscal 2008 as RLM migrated to its own customer service, warehousing and fulfillment facilities.

18. Relationship with NBCU and GE Equity:

Strategic Alliance with GE Equity and NBCU

In March 1999, the Company entered into a strategic alliance with GE Capital Equity Investments, Inc. (“GE Equity”) and NBC Universal, Inc. (“NBCU”) pursuant to which the Company issued Series A Redeemable Convertible Preferred Stock and common stock warrants, and entered into a shareholder agreement, a registration rights agreement, a distribution and marketing agreement and, the following year, a trademark license agreement. On February 25, 2009, the Company entered into an exchange agreement with the same parties, pursuant to which GE Equity exchanged all outstanding shares of the Company’s Series A Preferred Stock for (i) 4,929,266 shares of the Company’s Series B Redeemable Preferred Stock, (ii) warrants to purchase up to 6,000,000 shares of the Company’s common stock at an exercise price of \$0.75 per share and (iii) a cash payment in the amount of \$3.4 million. Immediately after the exchange, the aggregate equity ownership of GE Equity and NBCU in the Company was as follows: (i) 6,452,194 shares of common stock, (ii) warrants to purchase up to 6,029,487 shares of common stock and (iii) 4,929,266 shares of Series B Preferred Stock. In connection with the exchange, the parties also amended and restated both the shareholder agreement and the registration rights agreement. The outstanding agreements with GE Equity and NBCU are described in more detail below.

Amended and Restated Shareholder Agreement

On February 25, 2009, the Company entered into an amended and restated shareholder agreement with GE Equity and NBCU, which provides for certain corporate governance and standstill matters. The amended and restated shareholder agreement provides that GE Equity is entitled to designate nominees for three out of nine members of the Company’s board of directors so long as the aggregate beneficial ownership of GE Equity and NBCU (and their affiliates) is at least equal to 50% of their beneficial ownership as of February 25, 2009 (i.e. beneficial ownership of approximately 8.75 million common shares), and two out of nine members so long as their aggregate beneficial ownership is at least 10% of the “adjusted outstanding shares of common stock,” as defined in the amended and restated shareholder agreement. In addition, the amended and restated shareholder agreement provides that GE Equity may designate any of its director-designees to be an observer of the Audit, Human Resources and Compensation, and Corporate Governance and Nominating Committees. The amended and restated shareholder agreement requires the consent of GE Equity prior to the Company entering into any material agreements with any of CBS, Fox, Disney, Time Warner or Viacom, provided that this restriction will no longer apply when either (i) the Company’s trademark license agreement with NBCU (described below) has terminated or (ii) GE Equity is no longer entitled to designate at least two director nominees. In addition, the amended and restated shareholder agreement requires the consent of GE Equity prior to the Company exceeding certain thresholds relating to the issuance of securities, the payment of dividends, the repurchase of common stock, acquisitions (including investments and joint ventures) or dispositions, and the incurrence of debt; provided, that these restrictions will no longer apply when both (i) GE Equity is no longer entitled to designate three director nominees and (ii) GE Equity and NBCU no longer hold any Series B Preferred Stock. The Company is also prohibited from taking any action that would cause any ownership interest by the Company in television broadcast stations from being attributable to GE Equity, NBCU or their affiliates.

The shareholder agreement provides that during the standstill period (as defined in the shareholder agreement), subject to certain limited exceptions, GE Equity and NBCU are prohibited from: (i) any asset/business purchases from the Company in excess of 10% of the total fair market value of the Company’s assets; (ii) increasing their

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

beneficial ownership above 39.9% of our shares; (iii) making or in any way participating in any solicitation of proxies; (iv) depositing any securities of the Company in a voting trust; (v) forming, joining or in any way becoming a member of a “13D Group” with respect to any voting securities of the Company; (vi) arranging any financing for, or providing any financing commitment specifically for, the purchase of any voting securities of the Company; (vii) otherwise acting, whether alone or in concert with others, to seek to propose to the Company any tender or exchange offer, merger, business combination, restructuring, liquidation, recapitalization or similar transaction involving the Company, or nominating any person as a director of the Company who is not nominated by the then incumbent directors, or proposing any matter to be voted upon by the Company’s shareholders. If, during the standstill period, any inquiry has been made regarding a “takeover transaction” or “change in control,” each as defined in the shareholder agreement, that has not been rejected by the board of directors, or the board pursues such a transaction, or engages in negotiations or provides information to a third party and the board has not resolved to terminate such discussions, then GE Equity or NBCU may propose to the Company a tender offer or business combination proposal.

In addition, unless GE Equity and NBCU beneficially own less than 5% or more than 90% of the adjusted outstanding shares of common stock, GE Equity and NBCU shall not sell, transfer or otherwise dispose of any securities of the Company except for transfers: (i) to certain affiliates who agree to be bound by the provisions of the shareholder agreement, (ii) that have been consented to by the Company, (iii) pursuant to a third-party tender offer, (iv) pursuant to a merger, consolidation or reorganization to which the Company is a party, (v) in an underwritten public offering pursuant to an effective registration statement, (vi) pursuant to Rule 144 of the Securities Act of 1933, or (vii) in a private sale or pursuant to Rule 144A of the Securities Act of 1933; provided, that in the case of any transfer pursuant to clause (v), (vi) or (vii), the transfer does not result in, to the knowledge of the transferor after reasonable inquiry, any other person acquiring, after giving effect to such transfer, beneficial ownership, individually or in the aggregate with that person’s affiliates, of more than 10% (or 16.2%, adjusted for repurchases of common stock by the Company, in the case of a transfer by NBCU) of the adjusted outstanding shares of the common stock.

The standstill period will terminate on the earliest to occur of (i) the ten-year anniversary of the amended and restated shareholder agreement, (ii) the Company entering into an agreement that would result in a “change in control” (subject to reinstatement), (iii) an actual “change in control” (subject to reinstatement), (iv) a third-party tender offer (subject to reinstatement), or (v) six months after GE Equity and NBCU can no longer designate any nominees to the board of directors. Following the expiration of the standstill period pursuant to clause (i) or (v) above (indefinitely in the case of clause (i) and two years in the case of clause (v)), GE Equity and NBCU’s beneficial ownership position may not exceed 39.9% of the Company’s diluted outstanding stock, except pursuant to issuance or exercise of any warrants or pursuant to a 100% tender offer for the Company.

Registration Rights Agreement

On February 25, 2009, the Company entered into an amended and restated registration rights agreement providing GE Equity, NBCU and their affiliates and any transferees and assigns, an aggregate of four demand registrations and unlimited piggy-back registration rights.

NBCU Distribution and Marketing Agreement

The Company entered into a distribution and marketing agreement with NBCU dated March 8, 1999 that provided NBCU with the exclusive right to negotiate on the Company’s behalf for the distribution of its home shopping television programming. This agreement expired in March 2009.

NBCU Trademark License Agreement

On November 16, 2000, the Company entered into a trademark license agreement with NBCU pursuant to which NBCU granted it an exclusive, worldwide license for a term of ten years to use certain NBC trademarks,

VALUEVISION MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

service marks and domain names to rebrand the Company's business and corporate name and website. The Company subsequently selected the names ShopNBC and ShopNBC.com.

Under the license agreement the Company has agreed, among other things, to (i) certain restrictions on using trademarks, service marks, domain names, logos or other source indicators owned or controlled by NBCU, (ii) the loss of its rights under the license with respect to specific territories outside of the United States in the event it fails to achieve and maintain certain performance targets in such territories, (iii) not own, operate, acquire or expand its business to include certain businesses without NBCU's prior consent, (iv) comply with NBCU's privacy policies and standards and practices, and (v) not own, operate, acquire or expand its business such that one-third or more of our revenues or the Company's aggregate value is attributable to certain services (not including retailing services similar to our existing e-commerce operations) provided over the internet. The license agreement also grants to NBCU the right to terminate the license agreement at any time upon certain changes of control of the Company, in certain situations upon the failure by NBCU to own a certain minimum percentage of the Company's outstanding capital stock on a fully diluted basis, and certain other situations. In connection with the license agreement, the Company issued to NBCU warrants to purchase 6,000,000 shares of the Company's common stock at an exercise price of \$17.375 per share. In March 2001, the Company established a measurement date with respect to the license agreement by amending the agreement, and fixed the fair value of the trademark license asset at \$32,837,000, which is being amortized over the remaining term of the license agreement. As of January 31, 2009, all of the warrants are vested and have expired unexercised. As of January 30, 2010 and January 31, 2009, accumulated amortization related to this asset totaled \$30,283,000 and \$27,056,000, respectively. On March 28, 2007, the Company and NBCU agreed to extend the term of the license by six months, such that the license would continue through May 15, 2011, and to provide that certain changes of control involving a financial buyer would not provide the basis for an early termination of the license by NBCU.

19. Restructuring Costs:

On May 21, 2007, the Company announced the initiation of a restructuring of its operations that included a 12% reduction in the salaried workforce, a consolidation of its distribution operations into a single warehouse facility, the exit and closure of a retail outlet store and other cost saving measures. On January 14, 2008, the Company announced additional organizational changes and cost-saving measures following a formal business review conducted by management and an outside consulting firm and again reduced its headcount in the fourth quarter of fiscal 2007. The Company's organizational structure was simplified and streamlined to focus on profitability. As a result of these and other subsequent restructuring initiatives, the Company recorded restructuring charges of \$2,303,000 in fiscal 2009, \$4,299,000 in fiscal 2008 and \$5,043,000 in fiscal 2007. Restructuring costs primarily include employee severance and retention costs associated with the consolidation and elimination of approximately 300 positions across the Company including ten officers. In addition, restructuring costs also include incremental charges associated with the Company's consolidation of its distribution and fulfillment operations into a single warehouse facility, the closure of a retail outlet store, fixed asset impairments incurred as a direct result of the operational consolidation and closures, restructuring advisory service fees and costs associated with strategic alternative initiatives.

The table below sets forth for the years ended January 30, 2010, and January 31, 2009 the significant components and activity under the restructuring program:

	Balance at January 31, 2009	Charges	Write-offs	Cash Payments	Balance at January 30, 2010
Severance and retention	\$1,509,000	\$ 743,000	\$ —	\$(1,997,000)	\$ 255,000
Incremental restructuring charges	95,000	1,560,000	—	(1,476,000)	179,000
	<u>\$1,604,000</u>	<u>\$2,303,000</u>	<u>—</u>	<u>\$(3,473,000)</u>	<u>\$ 434,000</u>

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>Balance at February 2, 2008</u>	<u>Charges</u>	<u>Write-offs</u>	<u>Cash Payments</u>	<u>Balance at January 31, 2009</u>
Severance and retention	\$ 874,000	\$3,394,000	\$ —	\$(2,759,000)	\$1,509,000
Incremental restructuring charges	294,000	905,000	—	(1,104,000)	95,000
	<u>\$1,168,000</u>	<u>\$4,299,000</u>	<u>—</u>	<u>\$(3,863,000)</u>	<u>\$1,604,000</u>

20. Chief Executive Officer Transition Costs:

During fiscal 2009, the Company recorded a \$1.9 million charge relating primarily to a \$1.5 million December 1, 2009 settlement charge and other legal costs associated with the termination of the Company's former chief executive officer, Ms. Rene Aiu. During fiscal 2008, the Company recorded charges to income totaling \$2.7 million, which include \$1.6 million relating primarily to accrued severance and other costs associated with the departures of three senior officers and costs associated with hiring Mr. Stewart in August 2008, as well as costs of \$1.1 million associated with the hiring of Ms. Aiu in March 2008. During fiscal 2007, the Company recorded a charge to income of \$2.5 million relating primarily to severance payments to Mr. Lansing, a former chief executive officer.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of ValueVision Media, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act 1934. Our company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our company's internal control over financial reporting as of January 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework*.

Based on management's evaluation under the framework in *Internal Control — Integrated Framework*, management concluded that our internal control over financial reporting was effective as of January 30, 2010.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on our company's internal control over financial reporting for January 30, 2010. The Deloitte & Touche LLP attestation report is set forth below.

/s/ KEITH R. STEWART

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

/s/ WILLIAM MCGRATH

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

April 15, 2010

Changes in Internal Controls over Financial Reporting

Management, with the participation of the chief executive officer and chief financial officer, performed an evaluation as to whether any change in the internal controls over financial reporting (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934) occurred during the quarter ended January 30, 2010. Based on that evaluation the chief executive officer and chief financial officer concluded that no change occurred in the internal controls over financial reporting during the period covered by this report that materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
ValueVision Media, Inc. and Subsidiaries
Eden Prairie, Minnesota

We have audited the internal control over financial reporting of ValueVision Media, Inc. and subsidiaries (the “Company”) as of January 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the index at Item 15 as of and for the year ended January 30, 2010, of the Company and our report dated April 12, 2010, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, MN
April 12, 2010

Item 9B. *Other Information*

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information in response to this item with respect to certain information relating to our executive officers is contained in Item 1 under the heading “Executive Officers of the Registrant” and with respect to other information relating to our executive officers and directors is incorporated herein by reference to the sections titled “Proposal 1 — Election of Directors,” “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our 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.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics applicable to all of our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller and other employees performing similar functions. A copy of this code of business conduct and ethics is available on our website at www.shopnbc.com, under “Investor Relations — Business Ethics Policy.” In addition, we have adopted a code of ethics policy for our senior financial management; this policy is also available on our website at www.shopnbc.com, under “Investor Relations — Code of Ethics Policy for Chief Executive and Senior Financial Officers.”

We intend to satisfy the disclosure requirements under Form 8-K regarding an amendment to, or waiver from, a provision of our code of business conduct and ethics by posting such information on our website at the address specified above.

Item 11. *Executive Compensation*

Information in response to this item is incorporated herein by reference to the sections titled “Director Compensation for Fiscal 2009,” “Executive Compensation” and “Corporate Governance” in our 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 and Related Shareholder Matters*

Information in response to this item is incorporated herein by reference to the section titled “Security Ownership of Principal Shareholders and Management” in our 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, and Director Independence*

Information in response to this item is incorporated herein by reference to the section titled “Certain Transactions” and “Corporate Governance” in our 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 14. *Principal Accountant Fees and Services*

Information in response to this item is incorporated herein by reference to the section titled “Proposal 2 — Ratification of the Independent Registered Public Accounting Firm” in our 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 15. *Exhibit and Financial Statement Schedule*

1. Financial Statements

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of January 30, 2010 and January 31, 2009
- Consolidated Statements of Operations for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008
- Consolidated Statements of Shareholders' Equity for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008
- Consolidated Statements of Cash Flows for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008
- Notes to Consolidated Financial Statements

2. Financial Statement Schedule

VALUEVISION MEDIA, INC. AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

<u>Column A</u>	<u>Column B</u> Balances at Beginning of Year	<u>Column C</u> Additions Charged to Costs and Expenses	<u>Column D</u> Deductions	<u>Column E</u> Balance at End of Year
For the year ended January 30, 2010:				
Allowance for doubtful accounts	<u>\$6,063,000</u>	<u>\$ 6,813,000</u>	<u>\$ (8,057,000)</u> (1)	<u>\$4,819,000</u>
Reserve for returns	<u>\$2,770,000</u>	<u>\$ 49,276,000</u>	<u>\$ (49,304,000)</u> (2)	<u>\$2,742,000</u>
For the year ended January 31, 2009:				
Allowance for doubtful accounts	<u>\$6,888,000</u>	<u>\$ 9,826,000</u>	<u>\$ (10,651,000)</u> (1)	<u>\$6,063,000</u>
Reserve for returns	<u>\$8,376,000</u>	<u>\$ 85,112,000</u>	<u>\$ (90,718,000)</u> (2)	<u>\$2,770,000</u>
For the year ended February 2, 2008:				
Allowance for doubtful accounts	<u>\$3,641,000</u>	<u>\$ 12,613,000</u>	<u>\$ (9,366,000)</u> (1)	<u>\$6,888,000</u>
Reserve for returns	<u>\$8,498,000</u>	<u>\$153,607,000</u>	<u>\$ (153,729,000)</u> (2)	<u>\$8,376,000</u>

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

(2) Refunds or credits on products returned.

3. Exhibits

The exhibits filed with this report are set forth on the exhibit index filed as a part of this report immediately following the signatures to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 15, 2010.

VALUEVISION MEDIA, INC.
(Registrant)

By: /s/ KEITH R. STEWART

Keith R. Stewart
Chief Executive Officer and President

Each of the undersigned hereby appoints Keith R. Stewart and William McGrath, and each of them (with full power to act alone), as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1934, any and all amendments and exhibits to this annual report on Form 10-K and any and all applications, instruments, and other documents to be filed with the Securities and Exchange Commission pertaining to this annual report on Form 10-K or any amendments thereto, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 15, 2010.

<u>Name</u>	<u>Title</u>
/s/ KEITH R. STEWART <u>Keith R. Stewart</u>	Chief Executive Officer President and Director (Principal Executive Officer)
/s/ WILLIAM MCGRATH <u>William McGrath</u>	Vice President, Interim Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ RANDY S. RONNING <u>Randy S. Ronning</u>	Chairman of the Board
/s/ JOSEPH F. BERARDINO <u>Joseph F. Berardino</u>	Director
<u>Catherine Dunleavy</u>	Director
<u>Patrick O. Kocsi</u>	Director
/s/ ROBERT J. KORKOWSKI <u>Robert J. Korkowski</u>	Director
/s/ EDWIN GARRUBBO <u>Edwin Garrubbo</u>	Director
/s/ JOHN D. BUCK <u>John D. Buck</u>	Director

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing</u>
3.1	Articles of Incorporation, as amended	Filed herewith
3.2	Certificate of Designation of Series B Redeemable Convertible Preferred Stock	Incorporated by reference(R)
3.3	Statement of Cancellation of Certificate of Designation of Series A Redeemable Convertible Preferred Stock dated February 26, 2009.	Incorporated by reference(P)
3.4	Bylaws, as amended	Incorporated by reference(A)
10.1	2001 Omnibus Stock Plan of the Registrant	Incorporated by reference(M)†
10.2	Amendment No. 1 to the 2001 Omnibus Stock Plan of the Registrant	Incorporated by reference(O)†
10.3	Form of Incentive Stock Option Agreement under the 2001 Omnibus Stock Plan of the Registrant	Incorporated by reference(Q)†
10.4	Form of Nonstatutory Stock Option Agreement under the 2001 Omnibus Stock Plan of the Registrant	Incorporated by reference(Q)†
10.5	Form of Restricted Stock Agreement under the 2001 Omnibus Stock Plan of the Registrant	Incorporated by reference(Q)†
10.6	2004 Omnibus Stock Plan	Incorporated by reference(I)†
10.7	Form of Stock Option Agreement (Employees) under 2004 Omnibus Stock Plan	Incorporated by reference(G)†
10.8	Form of Stock Option Agreement (Executive Officers) under 2004 Omnibus Stock Plan	Incorporated by reference(G)†
10.9	Form of Stock Option Agreement (Executive Officers) under 2004 Omnibus Stock Plan	Incorporated by reference(G)†
10.10	Form of Stock Option Agreement (Directors — Annual Grant) under 2004 Omnibus Stock Plan	Incorporated by reference(G)†
10.11	Form of Stock Option Agreement (Directors — Other Grants) under 2004 Omnibus Stock Plan	Incorporated by reference(G)†
10.12	Form of Restricted Stock Agreement (Directors) under 2004 Omnibus Stock Plan	Incorporated by reference(C)†
10.13	Form of Option Agreement between the Registrant and John D. Buck	Incorporated by reference(B)†
10.14	Amended and Restated Employment Agreement between the Registrant and Keith R. Stewart dated February 19, 2010	Incorporated by reference(J)†
10.15	2007 Annual Management Incentive Plan	Incorporated by reference (D)†
10.16	Description of Director Compensation Program	Filed herewith†
10.17	Revolving Credit and Security Agreement between the Registrant and PNC Bank, National Association dated November 25, 2009	Filed herewith
10.18	Investment Agreement by and between the Registrant and GE Equity dated as of March 8, 1999	Incorporated by reference(E)
10.19	First Amendment and Agreement dated as of April 15, 1999 to the Investment Agreement, dated as of March 8, 1999, by and between the Registrant and GE Equity	Incorporated by reference(F)
10.20	Letter Agreement dated March 8, 1999 between NBC, GE Equity and the Registrant	Incorporated by reference(E)
10.21	Amended and Restated Shareholder Agreement dated February 25, 2009 between the Registrant, GE Capital Equity Investments, Inc. and NBC Universal, Inc.	Incorporated by reference(R)

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing</u>
10.22	Common Stock Purchase Warrants issued on February 25, 2009 between the Registrant, GE Capital Equity Investments, Inc. and NBC Universal, Inc.	Incorporated by reference(R)
10.23	Exchange Agreement dated February 25, 2009 between the Registrant, GE Capital Equity Investments, Inc. and NBC Universal, Inc.	Incorporated by reference(R)
10.24	Amended and Restated Registration Rights Agreement dated February 25, 2009 between the Registrant, GE Capital Equity Investments, Inc. and NBC Universal, Inc.	Incorporated by reference(R)
10.25	Letter Agreement dated November 16, 2000 between the Registrant and NBC	Incorporated by reference(L)
10.26	Trademark License Agreement dated as of November 16, 2000 between NBC and the Registrant	Incorporated by reference(K)
10.27	Stock Purchase Agreement dated as of February 9, 2005 between GE Capital Equity Investments, Inc. and Delta Onshore, LP, Delta Institutional, LP, Delta Pleiades, LP and Delta Offshore, Ltd.	Incorporated by reference(H)
21	Significant Subsidiaries of the Registrant	Filed herewith
23	Consent of Independent Registered Public Accounting Firm	Filed herewith
24	Powers of Attorney	Included with signature pages
31.1	Certification	Filed herewith
31.2	Certification	Filed herewith
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith

† Management compensatory plan/arrangement.

- (A) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 3, 2008, filed on June 12, 2008, File No. 0-20243.
- (B) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated August 25, 2008, filed on August 28, 2008, File No. 0-20243.
- (C) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated June 21, 2006, filed on June 26, 2006, File No. 0-20243.
- (D) Incorporated herein by reference to the Registrant's Proxy Statement in connection with its annual meeting of shareholders held on June 28, 2007, filed on June 1, 2007, File No. 0-20243.
- (E) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated March 8, 1999, filed on March 18, 1999, File No. 0-20243.
- (F) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated April 15, 1999, filed on April 29, 1999, File No. 0-20243.
- (G) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated January 14, 2005, filed on January 14, 2005, File No. 0-20243.
- (H) Incorporated by reference to the Schedule 13D/A (Amendment No. 7) dated February 11, 2005, filed February 15, 2005, File No. 005-41757.
- (I) Incorporated herein by reference to the Registrant's Proxy Statement in connection with its annual meeting of shareholders held on June 21, 2006, filed on May 23, 2006, File No. 0-20243.
- (J) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated February 19, 2010, filed on February 23, 2010, File No. 0-20243.
- (K) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2000, filed on December 14, 2000, File No. 0-20243.

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- (L) Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2001, File No. 0-20243.
- (M) Incorporated herein by reference to the Registrant's Registration Statement on Form S-8 filed on January 25, 2002, File No. 333-81438.
- (N) Incorporated herein by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2001, filed on June 14, 2001, File No. 0-20243.
- (O) Incorporated herein by reference to the Registrant's Proxy Statement in connection with its annual meeting of shareholders held on June 20, 2002, filed on May 23, 2002, File No. 0-20243.
- (P) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated February 26, 2009, filed on February 27, 2009, File No. 0-20243.
- (Q) Incorporated herein by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003, File No. 0-20243.
- (R) Incorporated herein by reference to the Registrant's Current Report on Form 8-K dated February 25, 2009, filed on February 26, 2009, File No. 0-20243.

**ARTICLES OF INCORPORATION
OF
VALUEVISION MEDIA, INC.
(Conformed Copy — Includes all amendments through April 1, 2010)**

**ARTICLE 1
NAME**

The name of the Corporation is ValueVision Media, Inc.

**ARTICLE 2
REGISTERED OFFICE**

The address of the registered office of the Corporation is 6740 Shady Oak Road, Minneapolis, Minnesota 55344-3433.

**ARTICLE 3
CAPITAL**

- A. The Corporation is authorized to issue One Hundred Million (100,000,000) shares of capital stock, having a par value of one cent (\$.01) per share in the case of common stock, and having a par value as determined by the Board of Directors in the case of preferred stock, to be held, sold and paid for at such times and in such manner as the Board of Directors may from time to time determine in accordance with the laws of the State of Minnesota.
- B. In addition to any and all powers conferred upon the Board of Directors by the laws of the State of Minnesota, the Board of Directors shall have the authority to establish by resolution more than one class or series of shares, either preferred or common, and to fix the relative rights, restrictions and preferences of any such different classes or series, and the authority to issue shares of a class or series to another class or series to effectuate share dividends, splits or conversion of the Corporation's outstanding shares.
- C. The Board of Directors shall also have the authority to issue rights to convert any of the Corporation's securities into shares of stock of any class or classes, the authority to issue options to purchase or subscribe for shares of stock of any class or classes, and the authority to issue share purchase or subscription warrants or any other evidence of such option rights which set forth the terms, provisions and conditions thereof, including the price or prices at which such shares may be subscribed for or purchased. Such options, warrants and rights, may be transferable or nontransferable and separable or inseparable from other securities of the Corporation. The Board of Directors is authorized to fix the terms, provisions and conditions of such options, warrants and rights, including the conversion basis or bases and the option price or prices at which shares may be subscribed for or purchased.
- D. Any provisions herein to the contrary notwithstanding, except as otherwise provided by law, not more than twenty percent (20%) of the aggregate voting power of all shares outstanding entitled to vote on any matter shall be at any time voted by or for the account of aliens or their representatives, or by or for the account of a foreign government or representative thereof, or by or for the account of any corporation organized under the laws of foreign country.

The Board of Directors shall make such rule and regulations as it shall deem necessary or appropriate to enforce the provisions of this paragraph D.

- E. Except as otherwise provided by law, aliens, foreign governments, or corporations organized under the laws of a foreign country, or the representatives of such aliens, foreign governments, or corporations organized under the laws of a foreign country, shall not own, directly or through a third party who holds the stock for the account of such alien, foreign government, or corporation organized under the laws of a foreign country: (1) more than twenty percent (20%) of the number of shares of outstanding stock of the Corporation, or (2) shares representing more than twenty

percent (20%) of the aggregate voting power of all outstanding shares of voting stock of the Corporation.

Shares of stock shall not be transferable on the books of the Corporation to aliens, foreign governments, or corporations organized under the laws of foreign countries, or to the representatives of, or persons holding for the account of, such aliens, foreign governments, or corporations organized under the laws of foreign countries, unless, after giving effect to such transfer, the aggregate number of shares of stock owned by or for the account of aliens, foreign governments, and corporations organized under the laws of foreign countries, and any representatives thereof, will not exceed twenty percent (20%) of the number of shares of outstanding stock of the Corporation, and the aggregate voting power of such shares will not exceed twenty percent (20%) of the aggregate voting power of all outstanding shares of voting stock of the Corporation.

If, notwithstanding the restriction on transfer set forth in this Article 3E, the aggregate number of shares of stock owned by or for the account of aliens, foreign governments, and corporations organized under the laws of foreign countries, exceed twenty percent (20%) of the number of shares of outstanding stock of the Corporation, or if the aggregate voting power of such shares exceed twenty percent (20%) of the aggregate voting power of all outstanding shares of voting stock of the Corporation, the Corporation shall have the right to redeem shares of all classes of capital stock, at their then fair market value, on a pro rata basis, owned by or for the account of all aliens, foreign governments, and corporations organized under the laws of foreign countries, in order to reduce the number of shares and/or percentage of voting power held by or for the account of aliens, foreign governments, and corporations organized under the laws of foreign countries, and their representatives to the maximum number or percentage allowed under these Articles of Incorporation or as otherwise required by applicable federal law.

The Board of Directors shall make such rules and regulations as it deems necessary or appropriate to enforce the foregoing provisions of this Article 3E.

ARTICLE 4 SHAREHOLDER RIGHTS

- A. No shareholder of the Corporation shall have any preemptive rights.
- B. No shareholder of the Corporation shall have any cumulative voting rights.

ARTICLE 5 WRITTEN ACTION BY LESS THAN ALL OF THE DIRECTORS

Any action required or permitted to be taken at a Board meeting, other than an action requiring shareholder approval, may be taken by written action of the Board of Directors if signed by the number of directors that would be required to take the same action at a meeting at which all directors were present.

ARTICLE 6 LIMITED LIABILITY OF DIRECTORS

To the fullest extent permitted by law, a director shall have no personal liability to the Corporation or its shareholders for breach of fiduciary duty as a director. Any amendment to or repeal of this Article 6 shall not adversely affect any right or protection of a director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE 7

No officer or director of the Corporation shall be an alien, or a representative of a foreign government.

The term "alien" as used in these Articles of Incorporation shall have the meaning assigned to such term in the Communications Act of 1934, as amended.

**CERTIFICATE OF DESIGNATION OF
SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK**

Pursuant to Section 302A.401 of the Minnesota Business Corporation Act, ValueVision International, Inc., a Minnesota corporation (the "Corporation"), hereby certifies that the following resolutions were duly adopted by its Board of Directors on March 8, 1999 to set forth the powers, designations, preferences and relative, participating, optional or other rights of its Redeemable Convertible Preferred Stock:

RESOLVED, that, pursuant to the authority granted to the Board of Directors in the Articles of Incorporation, there is hereby created, and the Corporation is hereby authorized to issue, a series of Preferred Stock (as defined in the Articles of Incorporation) having the following powers, designations, preferences and rights:

I. Designation of Series and Number of Shares . This series of the Preferred Stock shall be designated the "Series A Redeemable Convertible Preferred Stock" (the "Convertible Preferred Stock") and shall consist of 5,339,500 shares, par value \$.01 per share. The stated value of the Convertible Preferred Stock shall be \$8.288 per share (the "Stated Value"). The number of shares of Convertible Preferred Stock may be decreased from time to time, as such shares are converted or redeemed as provided herein, by a resolution of the Board of Directors filed with the Secretary of State of the State of Minnesota.

II. Rank .

(a) All shares of Convertible Preferred Stock shall rank prior, both as to payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, to all of the Corporation's now or hereafter issued Common Stock, par value \$0.01 per share ("Common Stock"), and to all of the Corporation's now existing or hereafter issued capital stock which by its terms ranks junior to the Convertible Preferred Stock both as to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, when and if issued (the Common Stock and any such other capital stock being herein referred to as "Junior Stock").

(b) No payment on account of the purchase, redemption, retirement or other acquisition of shares of Junior Stock or any class or series of the Corporation's capital stock which by its terms ranks junior to the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (the Junior Stock and any such other class or series of the Corporation's capital stock being herein referred to as "Junior Liquidation Stock"), shall be made directly or indirectly by the Corporation unless and until all the Convertible Preferred Stock shall have been converted into Common Stock or redeemed as provided for herein or otherwise reacquired by the Corporation.

III. Dividends .

(a) In the event that the Corporation declares and pays any dividend on the Common Stock while any shares of Convertible Preferred Stock are outstanding, dividends shall be paid on the outstanding shares of Convertible Preferred Stock on the same basis as if such Convertible Preferred Stock had been converted to Common Stock pursuant to Section VI hereof prior to the date fixed for determination of the holders of Common Stock entitled to such dividend. Holders of Convertible Preferred Stock will not be entitled to any dividends, whether payable in cash, property or stock, in excess of the dividends provided for herein. Such dividends shall be payable to holders of record at the close of business on the date specified by the Board of Directors (or, to the extent permitted by applicable law, a duly authorized committee thereof) at the time such dividend is declared (the "Dividend Payment Date")(with such record date and Dividend Payment Date being the same as the record date and dividend payment date, respectively, of the Common Stock), in preference to dividends on the Junior Stock and any other capital stock of the Corporation which by its terms ranks junior as to dividends to the Convertible Preferred Stock (the Junior Stock and any such other class or series of the Corporation's capital stock being herein referred to as "Junior Dividend Stock"). All dividends paid with respect to shares of Convertible Preferred Stock pursuant to this Section III shall be paid pro rata to the holders entitled thereto.

(b) No dividend or other distribution, other than dividends payable solely in shares of Junior Stock, shall be declared, paid or set apart for payment on shares of Junior Dividend Stock, unless and until all accrued and unpaid dividends on the Convertible Preferred Stock shall have been paid or declared and set apart for payment and, to the extent required by paragraph III(a), the related dividend is declared and paid on the Convertible Preferred Stock.

(c) No dividends shall be declared, paid or set apart for payment on shares of any class or series of the Corporation's capital stock whether now existing or hereafter issued which by its terms ranks, as to dividends, on a parity with the Convertible Preferred Stock (any such class or series of the Corporation's capital stock being herein referred to as "Parity Dividend Stock") for any period unless dividends have been, or contemporaneously are, paid or declared and set apart for payment on the Convertible Preferred Stock. No dividends shall be paid on Parity Dividend Stock except on dates on which dividends are paid on the Convertible Preferred Stock. All dividends paid or declared and set apart for payment on the Convertible Preferred Stock and any Parity Dividend Stock shall be paid or declared and set apart for payment pro rata so that the amount of dividend paid or declared and set apart for payment per share on the Convertible Preferred Stock and the Parity Dividend Stock on any date shall in all cases bear to each other the same ratio that accrued and unpaid dividends on the Convertible Preferred Stock and the Parity Dividend Stock bear to each other.

IV. Liquidation Preference . In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the then outstanding shares of Convertible Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders an amount in cash equal to the Stated Value for each share outstanding, plus an amount equal to the dividends accrued and unpaid, if any, on such shares on the date of final distribution to such holders without interest before any payment shall be made or any assets distributed to the holders of shares of Junior Liquidation Stock. The entire assets of the Corporation available for distribution to holders of Convertible Preferred Stock and any class or series of the Corporation's capital stock which by its terms ranks on a parity with the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (any such class or series of the Corporation's capital stock being herein referred to as "Parity Liquidation Stock") shall be distributed ratably among the holders of the Convertible Preferred Stock and any Parity Liquidation Stock in proportion to the respective preferential amounts (including accrued and unpaid dividends, if any) to which each is entitled (but only to the extent of such preferential amounts). After payment in full of the liquidation preferences of the shares of the Convertible Preferred Stock, the holders of such shares shall not be entitled to any further participation in any distribution of assets by the Corporation.

V. Redemption .

(a) Mandatory Redemption . On the tenth anniversary of the date of issuance of the Convertible Preferred Stock (the "Issue Date"), the Corporation shall redeem for cash, out of any source of funds legally available therefor, all of the outstanding shares of Convertible Preferred Stock, at a redemption price equal to 100% of the Stated Value per share, plus an amount in cash equal to all declared and unpaid dividends, if any, thereon outstanding to the redemption date.

(b) Redemption Upon Change in Control . Upon the occurrence of a Change in Control, the Convertible Preferred Stock shall be redeemable at the option of the holders thereof, in whole or in part, at a redemption price per share equal to 100% of the Stated Value plus declared and unpaid dividends, if any, thereon outstanding to the redemption date. The Corporation shall redeem the number of shares specified in the holders' notices of election to redeem pursuant to Section V(c)(ii) hereof on the date fixed for redemption. A "Change of Control" shall mean (i) the consummation by the Corporation of a merger, consolidation or other business combination in a transaction or series of transactions as a result of which the holders of the Common Stock immediately prior to such transaction or series of transactions will hold less than 50% of the voting power of all outstanding voting securities of the surviving entity, (ii) the consummation of a sale or other disposition in one or more transactions by the Corporation or its subsidiaries of all or substantially all of the Corporation's consolidated assets other than among the Corporation and its subsidiaries, (iii) the acquisition by any person or entity, together with its affiliates (as defined in Rule 12b-2 under the Exchange Act of 1934, as amended (the "Exchange Act")), or any other group (as defined in Section 13(d) of the Exchange Act), including through the formation of any such group or the affiliation of any such persons or entities other than any Restricted Party (as defined in the Shareholder Agreement) or an Affiliate thereof or any 13D Group (as defined in the Shareholder Agreement) of which any of them is a member, of beneficial ownership of a majority of the voting power of all the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors or (iv) Continuing Directors no longer constitute a majority of the Board of Directors of the Corporation. For purposes of this paragraph (b), "Continuing Directors" shall mean (i) each director who is a member of the Board of Directors of the Corporation on the date hereof and (ii) each other director whose initial nomination as a director was approved by a majority of the Continuing Directors as of the time of such nomination (including, without limitation, director designees of the Restricted Parties pursuant to the Shareholder Agreement).

(c) Procedure for Mandatory Redemption. In the event that the Corporation shall redeem shares of Convertible Preferred Stock pursuant to Section V(a) hereof, notice of such redemption shall be mailed by first-class mail, postage prepaid, and mailed not less than 30 days nor more than 90 days prior to the redemption date to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Corporation; provided, however, that failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Corporation has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the redemption date; (B) the number of shares of Convertible Preferred Stock to be redeemed; (C) the redemption price; (D) the place or places where certificates for such shares are to be surrendered for payment of the redemption price (which place shall be the principal place of business of the Corporation); and (E) that the holder's right to convert such shares into shares of Common Stock shall terminate on the close of business on the tenth business day preceding such redemption date.

(d) Procedure for Change in Control Redemption. (i) If a Change in Control should occur, then, in any one or more of such events the Corporation shall give written notice by first-class mail, postage prepaid, to each holder of Convertible Preferred Stock at its address as it appears in the records of the Corporation, which notice shall describe such Change in Control and shall state the date on which the Change in Control is expected to take place, and shall be mailed within 10 business days following the occurrence of the Change in Control. Such notice shall also set forth (in addition to the information required by the next succeeding paragraph): (A) each holder's right to require the Corporation to redeem shares of Convertible Preferred Stock held by such holder as a result of such Change in Control; (B) the redemption price; (C) the optional redemption date (which date shall be no earlier than 30 days and no later than 90 days from the date of such Change in Control); (D) the procedures to be followed by such holder in exercising its right of redemption, including the place or places where certificates for such shares are to be surrendered for payment of the redemption price (which place shall be the principal place of business of the Corporation); and (E) that the holder's right to convert such shares into shares of Common Stock shall terminate on the close of business on the tenth business day preceding such redemption date with respect to any shares of Convertible Preferred Stock with respect to which the holder thereof has exercised its right to require the Corporation to redeem pursuant to Section V(d). In the event a holder of shares of Convertible Preferred Stock shall elect to require the Corporation to redeem any or all of such shares of Convertible Preferred Stock, such holder shall deliver, within 20 days of the mailing to it of the Corporation's notice described in this Section V(c)(ii), a written notice stating such holder's election and specifying the number of shares to be redeemed pursuant to Section V(b) hereof.

(ii) In the case of any redemption pursuant to Section V(b) hereof, the notice by the Corporation shall describe the Change in Control, including a description of the Surviving Person and, if applicable, the effect of the Change in Control on the Common Stock. The notice shall be accompanied by (A) the consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal year of the Corporation for which such information is available and the related consolidated statements of operations and cash flows for such fiscal year, in each case setting forth the comparative figures for the preceding fiscal year, accompanied by an opinion of independent public accountants of nationally recognized standing selected by the Corporation as to the fair presentation in accordance with generally accepted accounting principles of such financial statements, and (B) a consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal quarter of the Corporation for which such information is available and the related consolidated statements of operations and cash flows for such quarter and for the portion of the Corporation's fiscal year ended at the end of such fiscal quarter, in each case setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of the Corporation's preceding fiscal year. For so long as the Corporation is subject to the periodic reporting requirements of the Exchange Act and makes timely filings thereunder, the delivery requirements of the preceding sentence shall be satisfied by the Corporation's most current report, schedule, registration statement, definitive proxy statement or other document on file with the United States Securities and Exchange Commission.

(e) Notice by the Corporation having been mailed as provided in Section V(c) hereof, or notice of election having been mailed by the holders as provided in Section V(d) hereof, and provided that on or before the applicable redemption date funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for or entitled to redemption, so as to be and to continue to be available therefor, then, from and after the redemption date (unless the Corporation defaults in the payment of the redemption price, in which case such rights

shall continue until the redemption price is paid), such shares shall no longer be deemed to be outstanding and shall not have the status of shares of Convertible Preferred Stock, and all rights of the holders thereof as shareholders of the Corporation (except the right to receive the applicable redemption price and any accrued and unpaid dividends, if any, from the Corporation and the right to convert such shares into shares of Common Stock, which shall continue until the close of business on the tenth business day preceding the date of redemption in accordance with Section VI hereof) shall cease. Upon surrender of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and a notice by the Corporation shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price as aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof.

VI. Conversion .

(a) Conversion . Subject to adjustments as provided herein, each full share of Convertible Preferred Stock shall be convertible at the option of the holder thereof, at any time (including upon a Change of Control) from the Issue Date until the close of business on the tenth business day prior to any date fixed for redemption of such share as herein provided, into a number of fully paid and nonassessable shares of Common Stock equal to the Stated Value of each full share of the Convertible Preferred Stock to be converted divided by a conversion price (the "Conversion Price"), which initially shall be \$8.288.

(b) Conversion Procedures . (i) Any holder of shares of Convertible Preferred Stock desiring to convert any or all of such shares into Common Stock shall surrender the certificate or certificates evidencing such shares of Convertible Preferred Stock at the principal office of the Corporation, as transfer agent (in such capacity, the "Transfer Agent") for the Convertible Preferred Stock which certificate or certificates, if the Corporation shall so require, shall be duly endorsed to the Corporation or in blank, or accompanied by proper instruments of transfer to the Corporation or in blank, accompanied by irrevocable written notice to the Corporation that the holder elects, as of the date of surrender of such Convertible Preferred Stock, to convert such shares of Convertible Preferred Stock and specifying the name or names (with address or addresses) in which a certificate or certificates evidencing shares of Common Stock are to be issued. Any transfer taxes shall be paid in accordance with Section XI hereof.

(ii) The Corporation shall, as soon as practicable after such surrender of certificates evidencing shares of Convertible Preferred Stock accompanied by the written notice and compliance with any other conditions herein contained, deliver at such office of the Transfer Agent to the holder for whose account such shares of Convertible Preferred Stock were so surrendered, or to the nominee of such entity, certificates evidencing the number of full shares of Common Stock to which such holder shall be entitled as aforesaid, together with a cash adjustment in respect of any fraction of a share of Common Stock as hereinafter provided. Such conversion shall be deemed to have been made as of the date of the surrender of certificates evidencing shares of Convertible Preferred Stock accompanied by the written notice and compliance with any other conditions herein contained and the entity or entities entitled to receive the Common Stock deliverable upon conversion of such Convertible Preferred Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date (the "Conversion Date"). The holder of record of any share of Convertible Preferred Stock on any record date for the holders entitled to receive any dividend or distribution in respect of the Convertible Preferred Stock will be entitled to receive such dividend or distribution on the date specified for payment thereof notwithstanding that such share of Convertible Preferred Stock may be converted prior to such payment's date but after such record date.

(c) Adjustment of Conversion Price . The Conversion Price at which a share of Convertible Preferred Stock is convertible into Common Stock shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall, after the Issue Date, pay a dividend or make a distribution on its Common Stock or on any other class or series of capital stock of the Corporation which dividend or distribution includes or is convertible (without the payment of any consideration other than surrender of such convertible security) into Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for determination of the holders of Common Stock or capital stock entitled to such payment or distribution (the "Record Date") shall be reduced by multiplying such Conversion Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date and (B) the denominator shall be the sum of such number of shares and the total number of shares

constituting or included in such dividend or other distribution (or in the case of a dividend consisting of securities convertible into Common Stock, the number of shares of Common Stock into which such securities are convertible), such reduction to become effective immediately after the opening of business on the day following the Record Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Conversion Price shall, as of the date when it is determined that such dividend or distribution price will be rescinded, revert back to the Conversion Price in effect prior to the adjustment made pursuant to this paragraph.

(ii) In case the Corporation shall issue or sell (a) Common Stock, (b) rights, warrants or options entitling the holders thereof to subscribe for or purchase shares of Common Stock or (c) any security convertible into Common Stock, in each case at a price, or having an exercise or conversion price, per share less than the then-current Market Price per share of Common Stock on (x) the date of such issuance or sale or (y) in the case of a dividend or distribution of such rights, warrants, options or convertible securities to the holders of Common Stock, the date fixed for determination of the holders of such Common Stock entitled to such dividend or distribution (the date specified in clause (x) or (y) being the "Relevant Date") (excluding any issuance for which an appropriate and full adjustment has been made pursuant to the preceding subparagraph (i)), the Conversion Price shall be reduced by multiplying the then-current Conversion Price by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the open of business on the Relevant Date plus the number of shares of Common Stock which the aggregate consideration received or receivable (I) for the total number of shares of Common Stock, rights, warrants or options or convertible securities so issued or sold, and (II) upon the exercise or conversion of all such rights, warrants, options or securities, would purchase at the then-current Market Price per share of Common Stock and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the Relevant Date plus (without duplication) the number of shares of Common Stock subject to all such rights, warrants, options and convertible securities, such reduction of the Conversion Price to be effective at the opening of business on the day following the Relevant Date; provided, however, that if any such dividend or distribution is rescinded and not paid, then the Conversion Price shall, as of the date when it is determined that such dividend or distribution will be rescinded, revert back to the Conversion Price in effect prior to the adjustment made pursuant to this paragraph. The issuance of any shares of Common Stock or other rights, warrants, options or convertible securities pursuant to (a) any restricted stock or stock option plan or program of the Corporation involving the grant of options or rights solely to officers, directors, employees and/or consultants of the Corporation or its Subsidiaries at below the then-current Market Price per share of Common Stock (provided, that any such options or rights were initially granted with an exercise or conversion price of not less than 85% of the then-current Market Price per share of Common Stock), (b) any option, warrant, right, or convertible security outstanding as of the date hereof, (c) the terms of a firmly committed bona fide underwritten public offering, or (d) any merger, acquisition, consolidation, or similar transaction, shall not be deemed to constitute an issuance or sale to which this clause (ii) applies. Upon the expiration unexercised of any rights, warrants, options or rights to convert any convertible securities for which an adjustment has been made pursuant to this clause (ii), the adjustments shall forthwith be reversed to effect such rate of conversion as would have been in effect at the time of such expiration or termination had such rights, warrants, options or rights to convertible securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(iii) In case the Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the holder of any shares of Convertible Preferred Stock thereafter surrendered for conversion into shares of Common Stock shall be entitled to receive the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of such even ts had such shares of Convertible Preferred Stock been surrendered for conversion immediately prior to such event. Such adjustment shall become effective at the close of business on the day upon which such subdivision or combination becomes effective.

(iv) Subject to the last sentence of this subparagraph (iv), in case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any shares of Common Stock, rights, warrants, options or convertible securities for which an appropriate and full adjustment has been made pursuant to subparagraph (i) or (ii) above), the Conversion Price in effect on the day immediately preceding the date fixed for the payment of such distribution (the date fixed for payment being referred to as the "Reference Date") shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the current Market Price per share of the Common Stock on the Reference Date less the fair

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

(v) No adjustment in the Conversion Price shall be required if (A) the holders of the outstanding Convertible Preferred Stock receive the dividend or distribution otherwise giving rise to such adjustment or (B) such adjustment would require an increase or decrease of less than 1% in the Conversion Price; provided, however, that any adjustments which by reason of this subparagraph (v)(B) are not required to be made shall be carried forward and taken into account in any subsequent adjustment or in any conversion pursuant to this Section VI.

(vi) Whenever the Conversion Price is adjusted as herein provided:

(1) the Corporation shall compute the adjusted Conversion Price and shall prepare a certificate signed by the Chief Financial Officer of the Corporation setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Transfer Agent for the Convertible Preferred Stock; and

(2) as soon as reasonably practicable after the adjustment, the Corporation shall mail to all record holders of Convertible Preferred Stock at their last address as they shall appear upon the stock transfer books of the Corporation a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price.

(vii) The Corporation from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period, subject to any conditions that the Board of Directors may deem relevant, and the Board of Directors of the Corporation shall have made a determination that such reduction would be in the best interest of the Corporation, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the Convertible Preferred Stock a notice of the reduction at least fifteen days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect. If the Corporation shall take a record of the holders of

its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to shareholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of shares of Common Stock issuable upon exercise of the right of conversion granted by this paragraph (c) or in the Conversion Price then in effect shall be required by reason of the taking of such record.

(viii) Anything in this Section VI(c) to the contrary notwithstanding, in the event that a record date is established for a dividend or distribution that gives rise to an adjustment to the Conversion Price pursuant to this Section VI(c), if any share of Convertible Preferred Stock is converted into shares of Common Stock between such record date and the date such dividend or distribution is paid then (x) the number of shares of Common Stock issued at the time of such conversion will be determined by reference to the Conversion Price as in effect without taking into account the adjustment resulting from such dividend or distribution and (y) on the date that such dividend or distribution is actually paid there shall be issued in respect of such conversion such number of additional shares of Common Stock as is necessary to reflect the Conversion Price in effect after taking into account the adjustment resulting from the dividend or distribution.

(d) No Fractional Shares . No fractional shares of Common Stock shall be issued upon conversion of Convertible Preferred Stock. If more than one certificate evidencing shares of Convertible Preferred Stock shall be surrendered for conversion at such time by the holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Convertible Preferred Stock so surrendered. Instead of any fractional share of Common Stock that would otherwise be issuable to a holder upon conversion of any shares of Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the fraction of the then-current Market Price per share of Common Stock on the day of conversion or, if the day of conversion is not a Trading Day, on the next preceding Trading Day.

(e) Reclassification, Consolidation, Merger or Sale of Assets . In the event that the Corporation shall be a party to any transaction pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property (including without limitation any capitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any sale or transfer of all or substantially all of the assets of the Corporation or any share exchange), then lawful provisions shall be made as part of the terms of such transaction whereby the holder of each share of Convertible Preferred Stock then outstanding shall have the right thereafter to convert such share only into the kind and amount of securities, cash and other property receivable upon such transaction by a holder of the number of shares of Common Stock into which such share of Convertible Preferred Stock might have been converted immediately prior to such transaction. The Corporation or the entity formed by such consolidation or resulting from such merger or which acquires such shares or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituting document to establish such right. Adjustments for events subsequent to the effective date of such a consolidation, merger, sale or transfer of assets shall be as nearly equivalent as may be reasonably practicable to the adjustments provided for herein. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, conveyance, lease, transfer or otherwise so that the provisions set forth herein for the protection of the rights of the holder of Convertible Preferred Stock shall thereafter continue to be applicable, and any such resulting or surviving corporation shall expressly assume the obligation to pay dividends and deliver, upon conversion, such shares of common stock, other securities, or cash as set forth herein. The above provisions shall similarly apply to successive transactions of the foregoing type.

(f) Reservation of Shares, Etc . The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized and unissued stock, solely for the purpose of effecting the conversion of the Convertible Preferred Stock, such number of shares of its Common Stock as shall from time to time be sufficient to permit the conversion of all shares of Convertible Preferred Stock from time to time outstanding. Without limitation of the foregoing, the Corporation shall from time to time, in accordance with the laws of the State of Minnesota, in good faith and as expeditiously as practicable endeavor to cause the authorized number of shares of Common Stock to be increased if at any time the number of shares of authorized and unissued Common Stock shall not be sufficient to permit the conversion of all the then outstanding shares of Convertible Preferred Stock.

If any shares of Common Stock required to be reserved for purposes of conversion of the Convertible Preferred Stock hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered or approved as the case may be. If the Common Stock is listed on any national securities exchange, the Corporation will, prior to the issuance of shares of Common Stock upon conversion of the Convertible Preferred Stock, if permitted by the rules of such exchange, list and keep listed on such exchange, upon official notice of issuance, all shares of Common Stock issuable upon conversion of the Convertible Preferred Stock, for so long as the Common Stock continues to be so listed.

(g) Prior Notice of Certain Events. In case:

(i) the Corporation shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash out of its retained earnings other than any special or nonrecurring or other extraordinary dividend or (2) declare or authorize a redemption or repurchase of in excess of 5% of the then outstanding shares of Common Stock;

(ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants;

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation shall be required, or of the sale of all or substantially all of the assets of the Corporation or of any share exchange whereby the Common Stock is converted into other securities, cash or other property;

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

(v) of any other event which would require an adjustment to the Conversion Price under subparagraph VI(c); then the Corporation shall cause to be filed with the Transfer Agent for the Convertible Preferred Stock, and shall cause to be mailed to the holders of record of the Convertible Preferred Stock, at their last addresses as they shall appear upon the stock transfer books of the Corporation, at least ten days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase, or grant of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, repurchase, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

(h) Definitions. The following definitions shall apply to terms used in this Section VI:

(i) "Closing Price" of any security on any day shall mean the last reported sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way of such security in each case as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of such security are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of such security are listed or admitted to trading or, if the shares of such security are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of such security are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of such security. Notwithstanding the

foregoing, if the shares of such security are not publicly held or so listed, quoted or publicly traded, the “Closing Price” means the fair market value of a share of such security, as determined in good faith by the Board of Directors, provided, however, that if the holders of a majority of outstanding Convertible Preferred Stock shall dispute the fair market value as determined by the Board, such majority holders and the Corporation may retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive. All costs and expenses of the Independent Expert shall be borne by the holders of the outstanding Convertible Preferred Stock unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Corporation.

(ii) “Market Price” with respect to a share of Common Stock on any day means, except as set forth below in the case that the shares of Common Stock are not publicly held or listed, the average of the “quoted prices” of the Common Stock for 30 consecutive Trading Days commencing 45 Trading Days before the date in question; provided that if during such 30 consecutive Trading Day period (the “valuation period”), there shall occur a record date for determining holders of Common Stock entitled to receive a dividend or distribution on the Common Stock, the “Market Price” shall be reduced by subtracting the amount obtained by multiplying (a) the value of such dividend or distribution per share of Common Stock by (b) a fraction (i) the numerator of which shall be the number of Trading Days from the beginning of such valuation period to and including the record date for such dividend or distribution and (ii) the denominator of which shall be the number of Trading Days in such valuation period. The term “quoted prices” of the Common Stock shall mean the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices, regular way, on that day, in either case, as reported in the consolidated transaction reporting system with respect to securities quoted on Nasdaq or, if the shares of Common Stock are not quoted on Nasdaq, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted on Nasdaq and not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices on such other nationally recognized quotation system then in use, or, if on any such day the shares of Common Stock are not quoted on any such quotation system, the average of the closing bid and asked prices as furnished by a professional market maker selected by the Board of Directors making a market in the shares of Common Stock. Notwithstanding the foregoing, if the shares of Common Stock are not publicly held or so listed, quoted or publicly traded, the “Market Price” means the fair market value of a share of Common Stock, as determined in good faith by the Board of Directors provided, however, that if the holders of a majority of outstanding Convertible Preferred Stock shall dispute the fair market value as determined by the Board, such majority holders and the Corporation may retain an Independent Expert. The determination of fair market value by the Independent Expert shall final, binding and conclusive. All costs and expenses of the Independent Expert shall be borne by the holders of the then outstanding Convertible Preferred Stock unless the determination of fair market value is more favorable to such holders by 5% or more, in which case, all such costs and expenses shall be borne by the Corporation.

(iii) “Nasdaq” shall mean the National Association of Securities Dealers Automatic Quotation System.

(iv) “Trading Day” shall mean a day on which securities are traded on the national securities exchange or quotation system or in the over-the-counter market used to determine the Closing Price.

VII. Voting Rights . (a) General. Subject to Section XI(d) and except as set forth below or as otherwise from time to time required by law, the holders of shares of Convertible Preferred Stock shall vote as a class together with the holders of the Common Stock on all matters with respect to which the holders of Common Stock have the right to vote. In connection with any right to vote, each share of Convertible Preferred Stock shall be entitled to a number of votes which is equal to the whole number of shares of Common Stock that could be obtained upon conversion of one share of Convertible Preferred Stock at the Conversion Price applicable on the record date set with respect to such vote. Any shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors shall not have voting rights hereunder and shall not be counted in determining the presence of a quorum.

(b) **Voting Rights for Directors .**

(i) On the Issue Date, the number of directors constituting the Board of Directors shall, without further action, be increased to seven. For so long as the Restricted Parties (as defined in the

Shareholders Agreement (as defined below)) own a majority of the outstanding shares of Convertible Preferred Stock and the Investor (as defined in the Shareholder Agreement) is entitled to designate at least one nominee (a "Designee") for election to the Board of Directors of the Corporation pursuant to Section 2.1 of the Shareholder Agreement, subject to Section XI(d), the holders of the outstanding shares of Convertible Preferred Stock shall have the right, voting separately as a class and to the exclusion of the holders of all other classes of stock of the Corporation, to (A) initially elect two directors (who are reasonably acceptable to the Corporation) and (B) thereafter, as long as the Investor is entitled to designate at least one Designee for election to the Board of Directors pursuant to Section 2.1 of the Shareholder Agreement, elect that number of directors equal to the number of Designees that the Investor is entitled to so designate (with each Designee being reasonably acceptable to the Corporation if such Designee has not previously been a member of the Board of Directors). For as long as the holders of Convertible Preferred Stock voting separately as a class are entitled to elect one or more directors pursuant to this Section VII(b)(i), holders of the outstanding Convertible Preferred Stock shall not be entitled to vote in the election of any other directors of the Corporation.

(ii) The right to elect directors as described in Section VII(b)(i) hereof may be exercised initially either at a special meeting of the holders of Convertible Preferred Stock, called as hereinafter provided in Section VII(b)(iii) hereof, at any annual meeting of shareholders held for the purpose of electing directors, or by the written consent of the holders of Convertible Preferred Stock without a meeting pursuant to Section 302A.441 of the Minnesota Business Corporation Act and thereafter at such annual meeting (or by written consent in lieu thereof). For so long as the Restricted Parties own a majority of the outstanding shares of Convertible Preferred Stock and the Investor is entitled to designate at least one Designee for election to the Board of Directors of the Corporation pursuant to Section 2.1 of the Shareholder Agreement and subject to Section XI(d) hereof, such voting right shall continue until such time as all outstanding shares of Convertible Preferred Stock shall have been redeemed or otherwise retired. If the Restricted Parties own less than a majority of the outstanding shares of Convertible Preferred Stock or if the Investor is no longer entitled to designate at least one Designee for election to the Board of Directors pursuant to Section 2.1 of the Shareholder Agreement, the holders of the Convertible Preferred Stock shall, in any election of directors, vote as a single class together with the holders of the Common Stock for the election of directors and each share of Convertible Preferred Stock will be entitled to the number of votes determined pursuant to Section VII(a).

(iii) The Secretary of the Corporation may, and upon the written request of the holders of record of at least 10% of the outstanding shares of Convertible Preferred Stock (addressed to the Secretary of the Corporation at the principal office of the Corporation) shall, call a special meeting of the holders of Convertible Preferred Stock for the election (and, if applicable, removal) of the directors to be elected by them as herein provided. Such call shall be made by notice to each holder by first-class mail, postage prepaid at its address as it appears in the records of the Corporation, and such notice shall be mailed at least 10 days but no more than 20 days before the date of the special meeting, or as required by law. Such meeting shall be held at the earliest practicable date upon the notice required for special meetings of shareholders at the place designated by the Secretary of the Corporation. If such meeting shall not be called by a proper officer of the Corporation within 15 days after receipt of such written request by the Secretary of the Corporation, then the holders of record of at least 10% of the shares of Convertible Preferred Stock then outstanding may call such meeting at the expense of the Corporation, and such meeting may be called by such holders upon the notice required for special meetings of shareholders and shall be held at the place designated in such notice. Any holder of Convertible Preferred Stock that would be entitled to vote at any such meeting shall have access to the stock books of the Corporation for the purpose of causing a meeting of holders of Convertible Preferred Stock to be called pursuant to the provisions of this Section VII(b)(iii).

(iv) At any meeting held for the purpose of electing directors at which the holders of Convertible Preferred Stock shall have the right to elect directors as a class as provided in this Section VII(b), the presence in person or by proxy of the holders of a majority of the then outstanding shares of Convertible Preferred Stock shall be required and be sufficient to constitute a quorum of such class for the election of directors by such class. At any such meeting or adjournment thereof, (x) the absence of a quorum of the holders of Convertible Preferred Stock shall not prevent the election of directors other than the directors to be elected by the holders of Convertible Preferred Stock as a class, and the absence of a quorum or quorums of the holders of capital stock entitled to elect such other directors shall not prevent the election of the directors to be elected by the holders of Convertible Preferred Stock, and (y) in the absence of a quorum of the holders of Convertible Preferred Stock, a majority of the holders of Convertible Preferred Stock present in person or by proxy shall have the power to adjourn

the meeting for the election of directors which such holders are entitled to elect as a class, from time to time, without notice (except as required by law) other than announcement at the meeting, until a quorum shall be present.

(v) Except as provided in Section XI(d) hereof and this paragraph (v), the term of office of any director elected by the holders of Convertible Preferred Stock pursuant to Section VII(b)(i) hereof shall terminate upon the expiration of his term and the election of his successor. Directors elected by the holders of Convertible Preferred Stock pursuant to Section VII(b) may be removed with or without cause by the holders of a majority of the outstanding shares of Convertible Preferred Stock and shall not otherwise be subject to removal other than upon election of their successor or the Convertible Preferred Stock voting separately as a class no longer being entitled to elect directors as provided herein.

(vi) For so long as the holders of Convertible Preferred Stock are entitled, voting separately as a class, to elect at least one member of the Board of Directors and the Restricted Parties own a majority of the outstanding Convertible Preferred Stock, in case of a vacancy occurring in the office of any director so elected pursuant to Section VII(b)(i) hereof, the holders of a majority of the Convertible Preferred Stock then outstanding may, at a special meeting of the holders or by written consent as provided above, elect a successor to hold office for the unexpired term of such director.

(vii) Unless otherwise agreed to by the holders of a majority of the outstanding shares of Convertible Preferred Stock, for so long as the holders of Convertible Preferred Stock are entitled, voting separately as a class, to elect at least one member of the Board of Directors and the Restricted Parties own a majority of the outstanding Convertible Preferred Stock, (A) the number of directors constituting the Board of Directors shall remain at seven, (B) each of the Audit Committee and the Compensation Committee of the Board of Directors shall contain at least one director elected by the holders of Convertible Preferred Stock and (C) with respect to each other committee of the Board of Directors, the percentage of directors on such committee designated by the holders of Convertible Preferred Stock shall, at all times, be at least equal to the percentage of the Board of Directors elected by the holders of Convertible Preferred Stock; provided, that, if under applicable law, such committee can only be comprised of disinterested directors, then the provisions of this clause (C) shall not apply to the holders of the Convertible Preferred Stock unless each director so designated by such holders is a disinterested director for purposes of such committee.

(c) Class Voting. So long as any shares of the Corporation's Convertible Preferred Stock are outstanding the Corporation shall not, without the affirmative vote or consent of the holders of at least a majority of all outstanding shares of the Corporation's Convertible Preferred Stock, voting or consenting separately as a class without regard to series:

(i) create any class of stock that by its terms ranks senior to or on a parity with the Convertible Preferred Stock as to dividends or upon liquidation, dissolution or winding up of the Corporation or increase the authorized number of shares of, or issue any additional shares of or any securities convertible into shares of, or reclassify any Junior Stock into shares of, any such class;

(ii) alter or change any of the provisions of the Corporation's Articles of Incorporation (whether by merger, consolidation or other business combination with another person or by any other means) so as to adversely affect the relative rights and preferences of any outstanding Convertible Preferred Stock of the Corporation; provided, however, that neither (A) the creation, amendment or reclassification of any class of stock that following such creation, amendment or reclassification by its terms ranks junior to shares of Convertible Preferred Stock of the Corporation as to dividends and upon liquidation, dissolution or winding up, nor (B) an increase in the authorized number of shares of any such class, nor (C) any merger, consolidation or other business combination subject to the provisions of paragraph VI(e), shall give rise to any such voting right;

(iii) issue any additional shares of Convertible Preferred Stock.

(d) Additional Class Voting. Unless otherwise agreed to by the holders of a majority of the outstanding shares of Convertible Preferred Stock, for so long as the Restricted Parties own a majority of the outstanding shares of Convertible Preferred Stock, the Corporation shall not, without the express written consent of the holders of a majority of the shares of Preferred Stock, take any action, requiring the approval of the "Investor" pursuant to Sections 3.2, 3.3 or 3.4 of the Shareholder Agreement. The provisions of this paragraph (d) will terminate with respect to such Sections 3.2, 3.3 or 3.4, as applicable, when the obligations of the Corporation under such Sections terminate under the Shareholder Agreement.

VIII. Status of Acquired Shares . For purposes hereof, all shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors shall be deemed not outstanding. Shares of Convertible Preferred Stock redeemed by the Corporation, received upon conversion pursuant to Section VI or otherwise acquired by the Corporation shall be restored to the status of authorized but unissued shares of capital stock, without designation as to series, and, subject to the other provisions hereof, may thereafter be issued, but not as shares of Convertible Preferred Stock.

IX. Modification and Waiver . The Corporation may not, without the consent of each holder affected thereby, (a) change the stated redemption date of the Convertible Preferred Stock, (b) reduce the Stated Value or liquidation preference of, or dividend on, the Convertible Preferred Stock, (c) change the place or currency of payment of the Stated Value or liquidation preference of, or dividend on, the Convertible Preferred Stock or (d) reduce the percentage of outstanding Convertible Preferred Stock necessary to modify or amend the terms thereof or to grant waivers in respect thereto.

X. Severability of Provisions . Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

XI. Miscellaneous . (a) Transfer Taxes . The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance of delivery of shares of Convertible Preferred Stock or shares of Common Stock or other securities issued on account of Convertible Preferred Stock pursuant hereto or certificates or instruments evidencing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Convertible Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Convertible Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any entity with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the entity otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) Failure to Designate Shareholder or Payee . In the event that a holder of shares of Convertible Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Convertible Preferred Stock should be made, or the address to which the certificates or instruments evidencing such shares or such payment should be sent, the Corporation shall be entitled to register such shares and or such payment in the name of the holder of such Convertible Preferred Stock as shown on the records of the Corporation and to send the certificates or instruments evidencing such shares or such payment, to the address of such holder shown on the records of the Corporation.

(c) Registration Rights Agreement . Reference is made to the Registration Rights Agreement, dated on or about April 15, 1999 (as the same may be amended, supplemented or modified from time to time pursuant to the terms thereof, the "Registration Rights Agreement"), among the Corporation, the Investor and National Broadcasting Company, Inc. So long as any shares of Convertible Preferred Stock constitute "Registrable Securities" as defined in the Registration Rights Agreement, each holder shall be entitled to the rights granted by the Corporation thereunder and shall be bound by the restrictions therein.

(d) Shareholder Agreement . Reference is made to the Shareholder Agreement, dated on or about April 15, 1999 (as the same may be amended, supplemented or modified from time to time pursuant to the terms thereof, the "Shareholder Agreement"), among the Corporation, the Investor and National Broadcasting Company, Inc. The Convertible Preferred Stock shall be subject to the terms and conditions set forth in the Shareholder Agreement, including without limitation, the voting, transfer and standstill restrictions set forth therein.

(e) Documents on File. Copies of each of the Registration Rights Agreement and Shareholder Agreement shall be kept on file at the principal place of business of the Corporation at 6740 Shady Oak Road, Eden Prairie, MN 55344-3433.

**CERTIFICATE OF DESIGNATION OF
SERIES B REDEEMABLE PREFERRED STOCK**

Pursuant to Section 302A.401 of the Minnesota Business Corporation Act, ValueVision Media, Inc., a Minnesota corporation (the “**Corporation**”), hereby certifies that the following resolutions were duly adopted by its Board of Directors on February 25, 2009, to set forth the powers, designations, preferences and relative, participating, optional or other rights of its Series B Redeemable Preferred Stock:

RESOLVED, that, pursuant to the authority granted to the Board of Directors in the Articles of Incorporation, there is hereby created, and the Corporation is hereby authorized to issue, a series of preferred stock having the following designations, relative rights and preferences:

I. Designation of Series and Number of Shares . This series of the preferred stock shall be designated the “Series B Redeemable Preferred Stock” (the “**Preferred Stock**”) and shall consist of 4,929,266 shares, par value \$0.01 per share. The stated value of the Preferred Stock shall be \$8.288 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock) (as adjusted, the “**Stated Value**”). The number of shares of Preferred Stock may be decreased from time to time, as such shares are redeemed as provided herein or otherwise reacquired by the Corporation, by a resolution of the Board of Directors filed with the Secretary of State of the State of Minnesota.

II. Rank .

(a) All shares of Preferred Stock shall rank prior, both as to payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, to all of the Corporation’s now or hereafter issued Common Stock, par value \$0.01 per share (“**Common Stock**”), and to all of the Corporation’s now existing or hereafter issued capital stock which by its terms ranks junior to the Preferred Stock both as to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, when and if issued (the Common Stock and any such other capital stock being herein referred to as “**Junior Stock**”).

(b) Except as expressly permitted by Section 3.03(a)(ii)(B)(3) of the Shareholder Agreement (as defined below), no payment on account of the purchase, redemption, retirement or other acquisition of shares of Junior Stock or any class or series of the Corporation’s capital stock which by its terms ranks junior to the Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (the Junior Stock and any such other class or series of the Corporation’s capital stock being herein referred to as “**Junior Liquidation Stock**”), shall be made directly or indirectly by the Corporation unless and until all the Preferred Stock shall have been redeemed as provided for herein or otherwise reacquired by the Corporation.

III. Dividends .

(a) From and after the date of the issuance of any shares of Preferred Stock (the “**Issue Date**”), dividends shall accrue at the rate of 12.0% per annum (compounded quarterly) (the “**Standard Rate**”) (or at the Default Rate (as hereinafter defined), if, and to the extent, applicable) of the Base Amount (as hereinafter defined) on such shares of Preferred Stock (the “**Accruing Dividends**”). Notwithstanding the previous sentence, dividends shall accrue at the rate of 15.0% per annum (compounded quarterly) (the “**Default Rate**”) of the Base Amount from and after the date of any Default (as hereinafter defined) through and including the date on which the Corporation has cured any Default. Accruing Dividends shall accrue and be declared by the Board of the Corporation on February 25, May 25, August 25, and November 25 of each year (commencing with the first such date to occur after the Issue Date) and shall be cumulative (whether or not declared and whether or not the Corporation has funds legally available therefor); provided however, the Accruing Dividends shall only be payable as set forth in this Section III(a) or in Sections IV or V. The Corporation shall not declare, pay or set aside any dividends on shares of any Junior Stock, other than dividends payable solely in shares of Junior Stock, so long as any shares of Preferred Stock are outstanding. Holders of Preferred Stock will not be entitled to any dividends, whether payable in cash, property or stock, in excess of the dividends provided for herein. Such dividends shall be payable to holders of record at the close of business on the date specified by the Board of Directors (or, to the extent permitted by applicable law, a duly authorized committee thereof). All dividends paid with respect to shares of Preferred Stock pursuant to this Section III shall be paid pro rata to the holders entitled thereto. The “**Base Amount**” means the aggregate Stated Value of all outstanding shares of Preferred Stock plus the Accruing Dividends to date on such shares (to the extent not previously paid in cash); “**Default**” means failure by the Corporation to pay in cash

when due any of the redemption payments required under Sections V(a) or V(c) (without regard to the Company's failure to provide a redemption notice as provided in Section V), notwithstanding for this purpose the requirement that funds be legally available therefor; and "cure" of any Default refers to the date on which the Corporation has paid in cash any and all amounts otherwise required to be paid, notwithstanding for this purpose the requirement that funds be legally available therefor, under Sections V(a) or V(c).

(b) No dividends shall be declared, paid or set apart for payment on shares of any class or series of the Corporation's capital stock whether now existing or hereafter issued which by its terms ranks, as to dividends, on a parity with the Preferred Stock (any such class or series of the Corporation's capital stock being herein referred to as "**Parity Dividend Stock**") for any period unless dividends have been, or contemporaneously are, paid or declared and set apart for payment on the Preferred Stock. No dividends shall be paid on Parity Dividend Stock except on dates on which dividends are paid on the Preferred Stock. All dividends paid or declared and set apart for payment on the Preferred Stock and any Parity Dividend Stock shall be paid or declared and set apart for payment pro rata so that the amount of dividend paid or declared and set apart for payment per share on the Preferred Stock and the Parity Dividend Stock on any date shall in all cases bear to each other the same ratio that accrued and unpaid dividends on the Preferred Stock and the Parity Dividend Stock bear to each other.

IV. Liquidation Preference . In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the then outstanding shares of Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders an amount in cash equal to the Stated Value for each share outstanding, plus an amount in cash equal to the Accruing Dividends on such shares on the date of final distribution to such holders (to the extent not previously paid in cash) before any payment shall be made or any assets distributed to the holders of shares of Junior Liquidation Stock. The entire assets of the Corporation available for distribution to holders of Preferred Stock and any class or series of the Corporation's capital stock which by its terms ranks on a parity with the Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (any such class or series of the Corporation's capital stock being herein referred to as "**Parity Liquidation Stock**") shall be distributed ratably among the holders of the Preferred Stock and any Parity Liquidation Stock in proportion to the respective preferential amounts (including accrued and unpaid dividends, if any) to which each is entitled (but only to the extent of such preferential amounts). After payment in full of the liquidation preferences of the shares of the Preferred Stock, the holders of such shares shall not be entitled to any further participation in any distribution of assets by the Corporation.

V. Redemption .

(a) **Mandatory Redemption** . The Corporation shall redeem for cash, out of any source of funds legally available therefor, at a redemption price in each case equal to 100% of the Stated Value per share, plus an amount in cash equal to all Accruing Dividends thereon outstanding to the applicable redemption date (to the extent not previously paid in cash) (the "**Redemption Price**"), shares of Preferred Stock in such amounts and at such dates as set forth below in this Section V(a):

(i) On the fourth anniversary of the Issue Date, the Corporation shall pay an amount equal to (A) \$19,667,495, plus (B) an amount in cash equal to 30% of any additional Accruing Dividends that have accrued since the Issue Date (to the extent not previously paid in cash) as a result of the Default Rate (rather than the Standard Rate) being in effect, less (C) any amounts previously paid by the Corporation under Sections V(a)(iii), V(a)(iv), V(b) and V(c), which amount shall be applied first to all Accruing Dividends not previously paid in cash on outstanding shares of Preferred Stock (pro rata with respect to all shares of Preferred Stock then outstanding), and then to redeem shares of Preferred Stock at the Redemption Price.

(ii) On the fifth anniversary of the Issue Date, the Corporation shall redeem any and all remaining outstanding shares of Preferred Stock as of such date at the Redemption Price;

(iii) Within 90 calendar days following the end of each fiscal year of the Corporation (commencing with the fiscal year ending January 31, 2010), the Corporation shall, in the following priority order, (1) apply any Excess Cash Balance as of the end of such fiscal year to pay any Accruing Dividends on outstanding shares of Preferred Stock not previously paid in cash (pro rata with respect to all shares of Preferred Stock then outstanding), and (2) redeem that number of shares of Preferred Stock obtained by dividing any remaining Excess Cash Balance as of the end of such fiscal year (after the payments required by clause (1) of this Section V(a)(iii)) by the Redemption Price. "**Excess Cash Balance**" as of the end of any fiscal period means an amount equal to (1) the

cash and cash equivalents and marketable securities (the “ **Cash Balance** ”) reported on the Corporation’s audited, if at fiscal year-end, or unaudited, if at fiscal quarter-end, balance sheet as of the end of such fiscal period (the “ **Balance Sheet** ”), less (2) the amount included in such Cash Balance attributable to any securities held by the Corporation that are characterized as “auction rate securities” (or similar term), less (3) the amount obtained (whether positive or negative) from subtracting (i) the accounts payable that would have been reported on the Balance Sheet had all accounts payable been paid on stated terms (and no earlier or later), from (ii) the accounts payable reported on the Balance Sheet, less (4) the bona fide estimated additional cash required to fund operations, as reasonably determined and reflected in an operating budget approved by the Corporation’s Board of Directors for the next four fiscal quarters following the end of such fiscal period (the “ **Additional Cash Amount** ”), less (5) the amount included in the Cash Balance that is attributable to cash pledged to vendors and other similar entities to secure the purchase price of inventory acquired in the ordinary course of business, less (6) \$20,000,000.

(iv) Within 45 calendar days following the end of any fiscal quarter of the Corporation (except the fourth fiscal quarter of the Corporation, in which case Section V(a)(iii) shall be applicable) during which an ARS Event (as defined below), an Asset Sale Event (as defined below) or a Financing Event (as defined below) occurs, the Corporation shall, in the following priority order, (1) apply any Excess Cash Balance as of the end of such fiscal quarter to pay any Accruing Dividends on outstanding shares of Preferred Stock not previously paid in cash (pro rata with respect to all shares of Preferred Stock then outstanding), and (2) redeem that number of shares of Preferred Stock obtained by dividing any remaining Excess Cash Balance as of the end of such fiscal quarter (after the payments required by clause (1) of this Section V(a)(iv)) by the Redemption Price. “ **ARS Event** ” means the receipt of any net cash proceeds from the sale or other disposition of any securities held by the Corporation that are characterized as “auction rate securities” (or similar term). “ **Asset Sale Event** ” means a sale or other disposition for cash by the Corporation of fixed assets outside of the ordinary course of business and “ **Financing Event** ” means the issuance by the Corporation of indebtedness for borrowed money outside of the ordinary course of business; provided that an Asset Sale Event or Financing Event shall not be deemed to occur for purposes of the first sentence of this Section V(a)(iv) unless such Asset Sale Event or Financing Event, together with any prior Asset Sale Events and Financing Events, generates net cash proceeds to the Corporation in excess of (x) \$500,000 in the current fiscal year or (y) \$2,500,000 since the Issue Date; provided, however, that the \$500,000 limit in clause (x) shall be increased to the extent such \$500,000 limit was not entirely utilized in any prior fiscal year since the Issue Date.

(b) **Redemption at Option of the Corporation** . At any time and from time to time, at the option of the Corporation and upon five calendar days prior written notice to the record holders of the Preferred Stock, the Corporation may redeem for cash, out of any source of funds legally available therefor, all or any of the outstanding shares of Preferred Stock, at the Redemption Price; provided, however, that no share of Preferred Stock may be redeemed pursuant to this Section V(b) until all Accruing Dividends on outstanding shares of Preferred Stock not previously paid in cash have been fully paid in cash.

(c) **Redemption Upon Change in Control** . Upon the occurrence of a Change in Control, the Preferred Stock shall be redeemable at the option of the holders thereof, in whole or in part, at the Redemption Price. The Corporation shall redeem the number of shares specified in the holders’ notices of election to redeem pursuant to Section V(e) on the date fixed for redemption. A “ **Change of Control** ” shall mean (i) the consummation by the Corporation of a merger, consolidation or other business combination in a transaction or series of transactions as a result of which the holders of the Common Stock immediately prior to such transaction or series of transactions will hold less than 50% of the voting power of all outstanding voting securities of the surviving entity, (ii) the consummation of a sale or other disposition in one or more transactions by the Corporation or its subsidiaries of all or substantially all of the Corporation’s consolidated assets other than among the Corporation and its subsidiaries, (iii) the acquisition by any person or entity, together with its affiliates (as defined in Rule 12b-2 under the Exchange Act of 1934, as amended (the “ **Exchange Act** ”)), or any other group (as defined in Section 13(d) of the Exchange Act), including through the formation of any such group or the affiliation of any such persons or entities other than any Restricted Party (as defined in the Shareholder Agreement) or an Affiliate thereof or any 13D Group (as defined in the Shareholder Agreement) of which any of them is a member, of beneficial ownership of a majority of the voting power of all the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors or (iv) Continuing Directors no longer constitute a majority of the Board of Directors of the Corporation. For purposes of this paragraph (b), “ **Continuing Directors** ” shall mean (i) each director who is a member of the Board of Directors of the Corporation on the date hereof and (ii) each other director whose initial nomination as a

director was approved by a majority of the Continuing Directors as of the time of such nomination (including, without limitation, director designees of the Restricted Parties pursuant to the Shareholder Agreement).

(d) Procedure for Mandatory or Optional Redemption; Notices .

(i) In the event that the Corporation shall redeem shares of Preferred Stock pursuant to Section V(a) or V(b) hereof, notice of such redemption shall be mailed by first-class mail, postage prepaid, and mailed (1) in the case of a mandatory redemption under Section V(a)(i) or V(a)(ii), not less than 30 days nor more than 90 days prior to the redemption date, (2) in the case of a mandatory redemption under Section V(a)(iii) or V(a)(iv), not less than 10 days nor more than 90 days prior to the redemption date, and (iii) in the case of an optional redemption under Section V(b), not less than 5 days nor more than 90 days prior to the redemption date, in any case to the holders of record of the shares to be redeemed at their respective addresses as they shall appear in the records of the Corporation; provided, however, that failure of the Corporation to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the proceeding for the redemption of any shares so to be redeemed except as to the holder to whom the Corporation has failed to give such notice or except as to the holder to whom notice was defective. Each such notice shall state: (A) the redemption date; (B) the amount of Accruing Dividends to be paid; (C) the number of shares of Preferred Stock to be redeemed; (D) the Redemption Price; and (E) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price (which place shall be the principal place of business of the Corporation). In the event the Corporation does not have sufficient funds legally available to redeem for cash at the Redemption Price on any mandatory redemption date all shares of Preferred Stock required to be redeemed on such redemption date, such failure to redeem all such shares shall constitute a Default (notwithstanding for this purpose the requirement that funds be legally available therefor), the Corporation shall redeem for cash at the Redemption Price the maximum number of shares that can be redeemed by the Corporation out of any source of funds legally available therefor, and shall redeem for cash at the Redemption Price the remaining shares to have been redeemed as soon as the Corporation has sufficient funds legally available therefor.

(ii) The Corporation agrees that in the event that its Board of Directors determines that there are insufficient funds legally available (in accordance with the Minnesota Business Corporation Act) for any redemption (in whole or in part) of the Preferred Stock pursuant to Section V, the Corporation shall provide a notice to each holder of Series B Preferred Stock within 5 calendar days of such determination, signed by the Chief Financial Officer of the Corporation. Such notice shall disclose the most recent financial information (including all underlying assumptions, calculations and other information related thereto), provided to the Board of Directors for purposes of making such determination as well as the amount of funds legally available to the Corporation, as determined by the Board of Directors.

(iii) Within 5 calendar days after the determination by the Corporation's Board of Directors of whether the Corporation has an Excess Cash Balance, the Corporation shall provide a notice, signed by the Chief Financial Officer of the Corporation, to each holder of Series B Preferred Stock setting forth in reasonable detail the calculation of the Excess Cash Balance, if any, as well as the Additional Cash Amount, if any, and shall include the most recent financial information (including all underlying assumptions, calculations and other information related thereto) provided to the Board of Directors for reviewing and approving such determinations, and a confirmation that the Corporation's Board of Directors has approved such determinations.

(e) Procedure for Change in Control Redemption .

(i) If a Change in Control should occur, then, in any one or more of such events the Corporation shall give written notice by first-class mail, postage prepaid, to each holder of Preferred Stock at its address as it appears in the records of the Corporation, which notice shall describe such Change in Control and shall state the date on which the Change in Control is expected to take place, and shall be mailed within 10 business days following the occurrence of the Change in Control. Such notice shall also set forth (in addition to the information required by the next succeeding paragraph): (A) each holder's right to require the Corporation to redeem for cash shares of Preferred Stock held by such holder as a result of such Change in Control; (B) the Redemption Price; (C) the optional redemption date (which date shall be no earlier than 30 days and no later than 90 days from the date of such Change in Control); and (D) the procedures to be followed by such holder in exercising its right of redemption, including the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price (which place shall be the principal place of business of the Corporation). In the event a holder of shares of Preferred Stock shall elect to require the Corporation to redeem any or all of such shares of Preferred Stock, such holder shall deliver, within 20 days of the mailing to it of the Corporation's notice described in this

Section V(e), a written notice stating such holder's election and specifying the number of shares to be redeemed pursuant to Section V(c) hereof.

(ii) In the case of any redemption pursuant to Section V(c) hereof, the notice by the Corporation shall describe the Change in Control, including a description of the Surviving Person and, if applicable, the effect of the Change in Control on the Common Stock. The notice shall be accompanied by (A) the consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal year of the Corporation for which such information is available and the related consolidated statements of operations and cash flows for such fiscal year, in each case setting forth the comparative figures for the preceding fiscal year, accompanied by an opinion of independent public accountants of nationally recognized standing selected by the Corporation as to the fair presentation in accordance with generally accepted accounting principles of such financial statements, and (B) a consolidated balance sheet of the Corporation and its Subsidiaries as of the end of the most recent fiscal quarter of the Corporation for which such information is available and the related consolidated statements of operations and cash flows for such quarter and for the portion of the Corporation's fiscal year ended at the end of such fiscal quarter, in each case setting forth in comparative form the figures for the corresponding quarter and the corresponding portion of the Corporation's preceding fiscal year. For so long as the Corporation is subject to the periodic reporting requirements of the Exchange Act and makes timely filings thereunder, the delivery requirements of the preceding sentence shall be satisfied by the Corporation's most current report, schedule, registration statement, definitive proxy statement or other document on file with the United States Securities and Exchange Commission.

(f) Notice by the Corporation having been mailed as provided in Section V(d) hereof, or notice of election having been mailed by the holders as provided in Section V(e) hereof, and provided that on or before the applicable redemption date funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for or entitled to redemption, so as to be and to continue to be available therefor, then, from and after the redemption date (unless the Corporation defaults in the payment of the Redemption Price, in which case such rights shall continue until the Redemption Price is paid), such shares shall no longer be deemed to be outstanding and shall not have the status of shares of Preferred Stock, and all rights of the holders thereof as shareholders of the Corporation shall cease. Upon surrender of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and a notice by the Corporation shall so state), such shares shall be redeemed by the Corporation for cash at the Redemption Price as aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof.

VI. No Conversion Rights .

(a) **No Conversion** . The Preferred Stock is not convertible into shares of Common Stock or any other securities, and is entitled solely to the designations, relative rights and preferences set forth in this certificate.

(b) **Reclassification, Consolidation, Merger or Sale of Assets** . In the event that the Corporation shall be a party to any transaction pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property (including without limitation any capitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any sale or transfer of all or substantially all of the assets of the Corporation or any share exchange), then effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, conveyance, lease, transfer or otherwise so that the provisions set forth herein for the protection of the rights of the holders of Preferred Stock shall thereafter continue to be applicable, and any such resulting or surviving corporation shall expressly assume the obligation to pay dividends on and redeem the Preferred Stock as set forth herein. The above provisions shall similarly apply to successive transactions of the foregoing type.

(c) **Prior Notice of Certain Events** . In case:

(i) the Corporation shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash out of its retained earnings other than any special or nonrecurring or other extraordinary dividend or (2) declare or authorize a redemption or repurchase of in excess of 5% of the then outstanding shares of Common Stock;

(ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants;

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation shall be required, or of the sale of all or substantially all of the assets of the Corporation or of any share exchange whereby the Common Stock is converted into other securities, cash or other property; or

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

then the Corporation shall cause to be filed with the Transfer Agent for the Preferred Stock, and shall cause to be mailed to the holders of record of the Preferred Stock, at their last addresses as they shall appear upon the stock transfer books of the Corporation, at least ten days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase, or grant of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, repurchase, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation, winding up or other event (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

VII. Voting Rights .

(a) **General** . Subject to Sections VII(b), VII(c) and XI(b) and except as set forth below or as otherwise from time to time required by law, the holders of shares of Preferred Stock shall vote as a class together with the holders of the Common Stock on all matters with respect to which the holders of Common Stock have the right to vote. In connection with any right to vote, each share of Preferred Stock shall be entitled to one vote per share. Any shares of Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors shall not have voting rights hereunder and shall not be counted in determining the presence of a quorum.

(b) **Limitations on Voting Rights** . Notwithstanding Section VII(a), no share of Preferred Stock shall have any right to vote as a class together with the holders of the Common Stock on any matter pursuant to Section VII(a) if (1) such share is transferred to any third party other than a Restricted Party (as defined in the Shareholder Agreement), or (2) to the extent that shares of Common Stock are issued pursuant to the exercise of the Warrant (as hereinafter defined), on a one share of Common Stock so issued per one share of Preferred Stock outstanding basis (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization). “ **Warrant** ” means that certain Warrant to purchase 6,000,000 shares of Common Stock dated February 25, 2009 issued to GE Capital Equity Investments, Inc.

(c) **Voting Rights for Directors** .

(i) For so long as the Restricted Parties own a majority of the outstanding shares of Preferred Stock and the Investor (as defined in the Shareholder Agreement) is entitled to designate at least two nominees (each, a “ **Designee** ”) for election to the Board of Directors of the Corporation pursuant to Section 2.01 of the Shareholder Agreement, subject to Section XI(b), the holders of the outstanding shares of Preferred Stock shall have the right, voting separately as a class and to the exclusion of the holders of all other classes of stock of the Corporation, to (A) initially elect three directors (who are reasonably acceptable to the Corporation) and

(B) thereafter, as long as the Investor is entitled to designate at least two Designees for election to the Board of Directors pursuant to Section 2.01 of the Shareholder Agreement, elect that number of directors equal to the number of Designees that the Investor is entitled to so designate (with each Designee being reasonably acceptable to the Corporation if such Designee has not previously been a member of the Board of Directors). For as long as the holders of Preferred Stock voting separately as a class are entitled to elect two or more directors pursuant to this Section VII(c)(i), holders of the outstanding Preferred Stock shall not be entitled to vote in the election of any other directors of the Corporation.

(ii) The right to elect directors as described in Section VII(c)(i) hereof may be exercised at any annual meeting of shareholders held for the purpose of electing directors or by the written consent of the holders of Preferred Stock without a meeting pursuant to Section 302A.441 of the Minnesota Business Corporation Act. For so long as the Restricted Parties own a majority of the outstanding shares of Preferred Stock and the Investor is entitled to designate at least two Designees for election to the Board of Directors of the Corporation pursuant to Section 2.01 of the Shareholder Agreement and subject to Section XI(b) hereof, such voting right shall continue until such time as all outstanding shares of Preferred Stock shall have been redeemed or otherwise retired. If the Restricted Parties own less than a majority of the outstanding shares of Preferred Stock or if the Investor is no longer entitled to designate at least two Designees for election to the Board of Directors pursuant to Section 2.01 of the Shareholder Agreement, the holders of the Preferred Stock shall, in any election of directors, vote as a single class together with the holders of the Common Stock for the election of directors and each share of Preferred Stock will be entitled to one vote per share, except as provided in Section VII(b).

(iii) The Secretary of the Corporation may, and upon the written request of the holders of record of at least 10% of the outstanding shares of Preferred Stock (addressed to the Secretary of the Corporation at the principal office of the Corporation) shall, call a special meeting of the holders of Preferred Stock for the election (and, if applicable, removal) of the directors to be elected by them as herein provided. Such call shall be made by notice to each holder by first-class mail, postage prepaid at its address as it appears in the records of the Corporation, and such notice shall be mailed at least 10 days but no more than 20 days before the date of the special meeting, or as required by law. Such meeting shall be held at the earliest practicable date upon the notice required for special meetings of shareholders at the place designated by the Secretary of the Corporation. If such meeting shall not be called by a proper officer of the Corporation within 15 days after receipt of such written request by the Secretary of the Corporation, then the holders of record of at least 10% of the shares of Preferred Stock then outstanding may call such meeting at the expense of the Corporation, and such meeting may be called by such holders upon the notice required for special meetings of shareholders and shall be held at the place designated in such notice. Any holder of Preferred Stock that would be entitled to vote at any such meeting shall have access to the stock books of the Corporation for the purpose of causing a meeting of holders of Preferred Stock to be called pursuant to the provisions of this Section VII(c)(iii).

(iv) At any meeting held for the purpose of electing directors at which the holders of Preferred Stock shall have the right to elect directors as a class as provided in this Section VII(c), the presence in person or by proxy of the holders of a majority of the then outstanding shares of Preferred Stock shall be required and be sufficient to constitute a quorum of such class for the election of directors by such class. At any such meeting or adjournment thereof, (x) the absence of a quorum of the holders of Preferred Stock shall not prevent the election of directors other than the directors to be elected by the holders of Preferred Stock as a class, and the absence of a quorum or quorums of the holders of capital stock entitled to elect such other directors shall not prevent the election of the directors to be elected by the holders of Preferred Stock, and (y) in the absence of a quorum of the holders of Preferred Stock, a majority of the holders of Preferred Stock present in person or by proxy shall have the power to adjourn the meeting for the election of directors which such holders are entitled to elect as a class, from time to time, without notice (except as required by law) other than announcement at the meeting, until a quorum shall be present.

(v) Except as provided in Section XI(b) hereof and this paragraph (v), the term of office of any director elected by the holders of Preferred Stock pursuant to Section VII(c)(i) hereof shall terminate upon the expiration of his term and the election of his successor. Directors elected by the holders of Preferred Stock pursuant to Section VII(c) may be removed with or without cause by the holders of a majority of the outstanding shares of Preferred Stock and shall not otherwise be subject to removal other than upon election of their successor or the Preferred Stock voting separately as a class no longer being entitled to elect directors as provided herein.

(vi) For so long as the holders of Preferred Stock are entitled, voting separately as a class, to elect at least two members of the Board of Directors and the Restricted Parties own a majority of the

outstanding Preferred Stock, in case of a vacancy occurring in the office of any director so elected pursuant to Section VII(c)(i) hereof, the holders of a majority of the Preferred Stock then outstanding may, at a special meeting of the holders or by written consent as provided above, elect a successor to hold office for the unexpired term of such director.

(vii) Unless otherwise agreed to by the holders of a majority of the outstanding shares of Preferred Stock, for so long as the holders of Preferred Stock are entitled, voting separately as a class, to elect at least two members of the Board of Directors and the Restricted Parties own a majority of the outstanding Preferred Stock, (A) the number of directors constituting the Board of Directors shall remain at nine, (B) each of the Audit Committee and the Compensation Committee of the Board of Directors shall contain at least one director elected by the holders of Preferred Stock and (C) with respect to each other committee of the Board of Directors, the percentage of directors on such committee designated by the holders of Preferred Stock shall, at all times, be at least equal to the percentage of the Board of Directors elected by the holders of Preferred Stock; provided, that, if under applicable law or the rules and regulations of the securities exchange or automated quotation system upon which the Common Stock is listed, such director elected by the holders of Preferred Stock is not permitted to serve on any such Committee, then the provisions of clauses (B) and (C) shall not apply to the holders of the Preferred Stock.

(d) **Class Voting** . So long as any shares of Preferred Stock are outstanding the Corporation shall not, without the affirmative vote or consent of the holders of at least a majority of all outstanding shares of the Preferred Stock, voting or consenting separately as a class without regard to series:

(i) create any class of stock that by its terms ranks senior to or on a parity with the Preferred Stock as to dividends or upon liquidation, dissolution or winding up of the Corporation or increase the authorized number of shares of, or issue any additional shares of or any securities convertible into shares of, or reclassify any Junior Stock into shares of, any such class;

(ii) alter or change any of the provisions of the Corporation's Articles of Incorporation (whether by merger, consolidation or other business combination with another person or by any other means) so as to adversely affect the relative rights and preferences of any outstanding Preferred Stock of the Corporation; provided, however, that neither (A) the creation, amendment or reclassification of any class of stock that following such creation, amendment or reclassification by its terms ranks junior to shares of Preferred Stock of the Corporation as to dividends and upon liquidation, dissolution or winding up, nor (B) an increase in the authorized number of shares of any such class, nor (C) any merger, consolidation or other business combination subject to the provisions of Section VI(b), shall give rise to any such voting right;

(iii) issue any additional shares of Preferred Stock.

(e) **Additional Class Voting** . Unless otherwise agreed to by the holders of a majority of the outstanding shares of Preferred Stock, for so long as the Restricted Parties own a majority of the outstanding shares of Preferred Stock, the Corporation shall not, without the express written consent of the holders of a majority of the shares of Preferred Stock, take any action, requiring the approval of the "Investor" pursuant to Sections 3.02, 3.03 or 3.04 of the Shareholder Agreement. The provisions of this paragraph (d) will terminate with respect to such Sections 3.02, 3.03 or 3.04, as applicable, when the obligations of the Corporation under such Sections terminate under the Shareholder Agreement.

VIII. Status of Acquired Shares . For purposes hereof, all shares of Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors shall be deemed not outstanding. Subject to the Board of Director's right to reduce the shares of Preferred Stock pursuant to Section I, shares of Preferred Stock redeemed by the Corporation or otherwise acquired by the Corporation shall be restored to the status of authorized but unissued shares of capital stock, without designation as to series, and, subject to the other provisions hereof, may thereafter be issued, but not as shares of Preferred Stock.

IX. Modification and Waiver . The Corporation may not, without the consent of each holder affected thereby, (a) change the stated redemption date of the Preferred Stock, (b) reduce the Stated Value or liquidation preference of, or dividend on, the Preferred Stock, (c) change the place or currency of payment of the Stated Value or liquidation preference of, or dividend on, the Preferred Stock or (d) reduce the percentage of outstanding Preferred Stock necessary to modify or amend the terms thereof or to grant waivers in respect thereto.

X. Severability of Provisions . Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

XI. Miscellaneous .

(a) **Transfer Taxes** . The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Preferred Stock or certificates or instruments evidencing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Preferred Stock in a name other than that in which the shares of Preferred Stock with respect to which such shares are issued or delivered were registered, or in respect of any payment to any entity with respect to any such shares other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the entity otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) **Shareholder Agreement** . Reference is made to the Amended and Restated Shareholder Agreement, dated as of February 25, 2009 (as the same may be amended, supplemented or modified from time to time pursuant to the terms thereof, the “**Shareholder Agreement**”), among the Corporation, the Investor and NBC Universal, Inc. The Preferred Stock shall be subject to the terms and conditions set forth in the Shareholder Agreement, including without limitation, the voting, transfer and standstill restrictions set forth therein.

(c) **Documents on File** . Copies of the Shareholder Agreement shall be kept on file at the principal place of business of the Corporation at 6740 Shady Oak Road, Eden Prairie, MN 55344-3433.

ValueVision Media, Inc.
Compensation of Directors*

1. Compensation for service on the Board:

- \$65,000 per annum cash compensation
- Annual grant of 8,000 shares of restricted stock (vesting on the day immediately prior the next following annual shareholders meeting after the date of grant); grant is made immediately following each annual shareholders meeting
- New directors receive a one-time grant of 30,000 stock options upon joining the Board.

2. Additional Compensation for Chairman of the Board:

- Additional cash compensation of \$65,000 per annum
- Annual grant of 20,000 stock options per annum, with the option grant made immediately following the annual shareholders meeting

3. Additional Cash Compensation for service on Committees of the Board:

- \$12,000 per annum for serving as Chairman of Compensation or Governance Committee
- \$20,000 per annum for serving as Chairman of Audit Committee; and
- \$10,000 for other members of the Audit Committee

4. Per Meeting Fees :

- No per meeting fees

* Directors who are a member of ValueVision Media, Inc. management or who are elected by the holders of the Series B Preferred Stock (currently the sole holder is GE Equity Investments, Inc.) do not receive any compensation for their service on the Board of Directors or the Committees thereof.

**REVOLVING CREDIT
AND
SECURITY AGREEMENT**

**PNC BANK, NATIONAL ASSOCIATION
(AS LENDER AND AS AGENT)**

WITH

**VALUEVISION MEDIA, INC.
VALUEVISION INTERACTIVE, INC.
VVI FULFILLMENT CENTER, INC.
VALUEVISION MEDIA ACQUISITIONS, INC.
VALUEVISION RETAIL, INC.**

(BORROWERS)

November 25, 2009

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Exhibits

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**REVOLVING CREDIT
AND
SECURITY AGREEMENT**

Revolving Credit and Security Agreement dated as of November 25, 2009 among **VALUEVISION MEDIA, INC.**, a Minnesota corporation (“ValueVision”); **VALUEVISION INTERACTIVE, INC.**, a Minnesota corporation; **VVI FULFILLMENT CENTER, INC.**, a Minnesota corporation; **VALUEVISION MEDIA ACQUISITIONS, INC.**, a Delaware corporation; **VALUEVISION RETAIL, INC.**, a Delaware corporation (each a “Borrower”, and collectively “Borrowers”), the financial institutions which are now or which hereafter become a party hereto (collectively, the “Lenders” and each individually a “Lender”) and **PNC BANK, NATIONAL ASSOCIATION** (“PNC”), as agent for Lenders (PNC, in such capacity, the “Agent”).

IN CONSIDERATION of the mutual covenants and undertakings herein contained, Borrowers, Lenders and Agent hereby agree as follows:

I. DEFINITIONS.

1.1. Accounting Terms. As used in this Agreement, the Other Documents or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined in Section 1.2 or elsewhere in this Agreement and accounting terms partly defined in Section 1.2 to the extent not defined, shall have the respective meanings given to them under GAAP; provided, however, whenever such accounting terms are used for the purposes of determining compliance with financial covenants in this Agreement, such accounting terms shall be defined in accordance with GAAP as applied in preparation of the audited financial statements of Borrowers for the fiscal year ended January 31, 2009.

1.2. General Terms. For purposes of this Agreement the following terms shall have the following meanings:

“Accountants” shall have the meaning set forth in Section 9.7 hereof.

“Advance Rates” shall have the meaning set forth in Section 2.1(a)(y)(ii) hereof.

“Advances” shall mean and include the Revolving Advances, Letters of Credit.

“Affiliate” of any Person shall mean (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director, managing member, general partner or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (x) to vote 5% or more of the Equity Interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for any such Person, or (y) to direct or cause the direction of the management and policies of such Person whether by ownership of Equity Interests, contract or otherwise.

“Agent” shall have the meaning set forth in the preamble to this Agreement and shall include its successors and assigns.

“Agreement” shall mean this Revolving Credit and Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Alternate Base Rate” shall mean, for any day, a rate per annum equal to the higher of (i) the Base Rate in effect on such day, (ii) the Federal Funds Open Rate in effect on such day plus one half of one-percent (1/2 of 1%), and (iii) the sum of the Daily LIBOR Rate in effect on such day plus one percent (1.0%), so long as a Daily LIBOR Rate is offered, ascertainable and not unlawful.

“Anti-Terrorism Laws” shall mean any Applicable Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA PATRIOT Act, the Applicable Laws comprising or implementing the Bank Secrecy Act, and the Applicable Laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing Applicable Laws may from time to time be amended, renewed, extended, or replaced).

“Applicable Law” shall mean all laws, rules and regulations applicable to the Person, conduct, transaction, covenant, Other Document or contract in question, including all applicable common law and equitable principles; all provisions of all applicable state, federal and foreign constitutions, statutes, rules, regulations, treaties, directives and orders of any Governmental Body, and all orders, judgments and decrees of all courts and arbitrators.

“Applicable Margin” for Revolving Advances and the Unused Line Fee shall mean, as of the Closing Date through April 30, 2011, the applicable percentage specified below:

<u>APPLICABLE MARGINS FOR DOMESTIC RATE LOANS</u>	<u>APPLICABLE MARGINS FOR EURODOLLAR RATE LOANS</u>	<u>APPLICABLE MARGIN FOR UNUSED LINE FEE</u>
Revolving Advances 3.50%	Revolving Advances 4.50%	.50%

(a) If on April 30, 2011 or the last day of any fiscal quarter thereafter, Borrowers’ Ninety (90) Day Average Undrawn Availability is greater than \$20,000,000 (as evidenced by a Compliance Certificate acceptable to Agent), then effective: (i) with respect to the fiscal quarter ending April 30, 2011, as of the first Business Day following receipt by Agent of the annual financial statements of Borrowers on a Consolidated Basis for the fiscal year ending January 29, 2011 required under Section 9.7; and (ii) with respect to any fiscal quarter thereafter, upon receipt of the quarterly financial statements of Borrowers on a Consolidated Basis required under Section 9.8 for such fiscal quarter (each day of such delivery, an “Adjustment Date”), the Applicable Margin for Revolving Advances and the Unused Line Fee shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Ninety (90) Average Undrawn Availability:

<u>NINETY (90) AVERAGE UNDRAWN AVAILABILITY</u>	<u>APPLICABLE MARGINS FOR BASE RATE RATE LOANS</u> Revolving Advances	<u>APPLICABLE MARGINS FOR EURODOLLAR RATE LOANS</u> Revolving Advances	<u>APPLICABLE MARGINS FOR UNUSED LINE FEE</u>
Greater than \$20,000,000	3.00%	4.00%	.50% to be reduced to .375% if the average outstanding balance of Revolving Advances during such quarter are greater than \$10,000,000

(b) If on April 30, 2011 or the last day of any fiscal quarter thereafter, Borrowers' Ninety (90) Day Average Undrawn Availability is less than \$20,000,000 (as evidenced by a Compliance Certificate acceptable to Agent), then effective on the next Adjustment Date, the Applicable Margin for Revolving Advances and the Unused Line Fee shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Fixed Charge Coverage Ratio for the trailing twelve month period ending on the last day of the most recently completed fiscal quarter prior to the applicable Adjustment Date:

<u>FIXED CHARGE COVERAGERATIO</u>	<u>APPLICABLE MARGINS FOR BASE RATE RATE LOANS</u> Revolving Advances	<u>APPLICABLE MARGINS FOR EURODOLLAR RATE LOANS</u> Revolving Advances	<u>APPLICABLE MARGINS FOR UNUSED LINE FEE</u>
Less than 1.10 to 1.00	4.00%	5.00%	.50% to be reduced to .375% if the average outstanding balance of Revolving Advances during such quarter are greater than

<u>FIXED CHARGE COVERAGERATIO</u>	<u>APPLICABLE MARGINS FOR BASE RATE RATE LOANS</u>	<u>APPLICABLE MARGINS FOR EURODOLLAR RATE LOANS</u>	<u>APPLICABLE MARGINS FOR UNUSED LINE FEE \$10,000,000</u>
Greater than or equal to 1.10 to 1.00 but less than 1.50 to 1.00	3.50%	4.50%	.50% to be reduced to .375% if the average outstanding balance of Revolving Advances during such quarter are greater than \$10,000,000
Greater than or equal to 1.50 to 1.00	3.00%	4.00%	.50% to be reduced to .375% if the average outstanding balance of Revolving Advances during such quarter are greater than \$10,000,000

(c) If the Borrowers shall fail to deliver the financial statements, certificates and/or other information required under Sections 9.7 or 9.8 by the dates required pursuant to such sections or fails to deliver the information required to determine the Ninety (90) Day Average Undrawn Availability, each Applicable Margin shall be conclusively presumed to equal the highest Applicable Margin specified in the pricing tables set forth above until the date of delivery of such financial statements, certificates and/or other information, at which time the rate will be adjusted based upon the Ninety (90) Average Undrawn Availability or Fixed Charge Coverage Ratio, as applicable, reflected in such certificates and/or statements.

(d) If, as a result of any restatement of, or other adjustment to, the certificates or financial statements of Borrowers on a Consolidated Basis or for any other reason, the Agent determines that (a) the Ninety (90) Day Average Undrawn Availability or Fixed Charge Coverage Ratio as previously calculated as of any applicable date was inaccurate, and (b) a proper calculation of the Ninety (90) Day Average Undrawn Availability or Fixed Charge Coverage Ratio would have resulted in different pricing for any period, then (i) if the proper calculation of the Ninety (90) Day Average Undrawn Availability or Fixed Charge Coverage Ratio would have resulted in higher pricing for such period, the Borrowers shall automatically and retroactively be delegated to pay to the Agent, promptly upon demand by the Agent, an amount equal to the excess of the amount of interest and the Unused Line Fee that should have been paid for such period over the amount of interest and the Unused Line Fee actually paid for such period; and (ii) if the proper calculation of the Ninety (90) Day Average Undrawn Availability or Fixed Charge Coverage Ratio would have resulted in lower pricing for such

period, Lenders shall have no obligation to repay interest or the Unused Line Fee to the Borrowers; provided, that, if as a result of any restatement or other event a proper calculation of the Ninety (90) Day Average Undrawn Availability or Fixed Charge Coverage Ratio would have resulted in higher pricing for one or more periods and lower pricing for one or more other periods (due to the shifting of income or expenses from one period to another period or any similar reason), then the amount payable by the Borrowers pursuant to clause (i) above shall be based upon the excess, if any, of the amount of interest and the Unused Line Fee that should have been paid for all applicable periods over the amounts of interest and the Unused Line Fee actually paid for such periods.

“ Authority ” shall have the meaning set forth in Section 4.19(d) hereof.

“ Availability Block ” shall mean Ten Million Dollars (\$10,000,000) or such lesser amounts agreed to by Agent in its sole discretion after delivery of Borrowers’ audited financial statements as required by Section 9.7 hereof; provided that Agent shall not consider any reduction of the Availability Block until such time as Borrowers’ achieve positive net income on an annual basis.

“ Average FICO Score ” shall mean, on any date of determination , the average FICO Score of all Persons participating in the Value Pay Plan for whom a FICO score has been obtained, as determined by Borrowing Agent in accordance with its practices in the Ordinary Course of Business in effect on the Closing Date.

“ Base Rate ” shall mean the base commercial lending rate of PNC as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. This rate of interest is determined from time to time by PNC as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by PNC to any particular class or category of customers of PNC.

“ Benefited Lender ” shall have the meaning set forth in Section 2.20(d) hereof.

“ Blocked Accounts ” shall have the meaning set forth in Section 4.15(h) hereof.

“ Blocked Account Bank ” shall have the meaning set forth in Section 4.15(h) hereof.

“ Blocked Person ” shall have the meaning set forth in Section 5.24(b) hereof.

“ Borrower ” or “ Borrowers ” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Persons.

“ Borrowers on a Consolidated Basis ” shall mean the consolidation in accordance with GAAP of the accounts or other items of the Borrowers and their respective Subsidiaries.

“ Borrowers’ Account ” shall have the meaning set forth in Section 2.8 hereof.

“ Borrowing Agent ” shall mean ValueVision.

“Borrowing Base Certificate” shall mean a certificate in substantially the form of Exhibit 1.2 duly executed by the President, Chief Financial Officer or Controller of the Borrowing Agent and delivered to the Agent, appropriately completed, by which such officer shall certify to Agent the Formula Amount and calculation thereof as of the date of such certificate.

“Business Day” shall mean any day other than Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey and, if the applicable Business Day relates to any Eurodollar Rate Loans, such day must also be a day on which dealings are carried on in the London interbank market.

“Capital Expenditures” shall mean expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the total principal portion of Capitalized Lease Obligations, which, in accordance with GAAP, would be classified as capital expenditures.

“Capitalized Lease Obligation” shall mean any Indebtedness of any Borrower represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§9601 et seq.

“Change of Ownership” shall mean (a) 100% of the Equity Interests of any Borrower (other than ValueVision) is no longer owned or controlled by ValueVision (including for the purposes of the calculation of percentage ownership, any Equity Interests into which any Equity Interests of any Borrower held by ValueVision are convertible or for which any such Equity Interests of any Borrower or of any other Person may be exchanged and any Equity Interests issuable to ValueVision upon exercise of any warrants, options or similar rights which may at the time of calculation be held by ValueVision), (b) (i) any person or group of persons (within the meaning of Section 13(d) or 14(a) of the Exchange Act) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under the Exchange Act) of 20% or more of the voting Equity Interest of ValueVision; or (ii) from and after the date hereof, individuals who on the date hereof constitute the Board of Directors of ValueVision (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of ValueVision was approved by a vote of a majority of the directors then still in office who were either directors on the date hereof or whose election or nomination for election was previously approved) cease for any reason to constitute a majority of the board of directors of ValueVision then in office; or (c) any merger, consolidation or sale of substantially all of the property or assets of any Borrower or any direct or indirect Subsidiary of any Borrower except as permitted by Section 7.1; **provided however** it shall not be deemed to be a Change of Ownership under (a) section (b)(i) of this definition, if (1) any person or group of persons (within the meaning of Section 13(d) or 14(a) of the Exchange Act) acquires beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the SEC under the Exchange Act) 20% or more of the voting Equity Interest of ValueVision and Agent provides prior written consent, which consent shall not be unreasonably withheld or delayed or (2) the entity or entities acquiring the voting Equity Interests are one or more of the “Restricted Parties” as defined in the

Shareholder Agreement, or (b) section (b)(ii) of this definition, if the change in the individuals constituting the Board of Directors of ValueVision results from the designation of directors by the holders of Series B Redeemable Preferred Stock pursuant to the ValueVision Certificate of Designation or by GE Capital Equity Investments, Inc. pursuant to the Shareholder Agreement.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign (including the Pension Benefit Guaranty Corporation or any environmental agency or superfund), upon the Collateral, any Borrower or any of its Affiliates.

“Closing Date” shall mean November 25, 2009 or such other date as may be agreed to by the parties hereto.

“Code” shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

“Collateral” shall mean and include:

- (a) all Receivables (including Credit Card Receivables);
- (b) all Equipment;
- (c) all General Intangibles;
- (d) all Inventory;
- (e) all Investment Property;
- (f) all Subsidiary Stock;

(g) all of each Borrower’s right, title and interest in and to, whether now owned or hereafter acquired and wherever located; (i) its respective goods and other property including, but not limited to, all merchandise returned or rejected by Customers, relating to or securing any of the Receivables; (ii) all of each Borrower’s rights as a consignor, a consignee, an unpaid vendor, mechanic, artisan, or other lienor, including stoppage in transit, setoff, detinue, replevin, reclamation and repurchase; (iii) all additional amounts due to any Borrower from any Customer relating to the Receivables; (iv) other property, including warranty claims, relating to any goods securing the Obligations; (v) all of each Borrower’s contract rights, rights of payment which have been earned under a contract right, instruments (including promissory notes), documents, chattel paper (including electronic chattel paper), warehouse receipts, deposit accounts, letters of credit and money; (vi) all commercial tort claims (whether now existing or hereafter arising); (vii) if and when obtained by any Borrower, all real and personal property of third parties in which such Borrower has been granted a lien or security interest as security for

the payment or enforcement of Receivables; (viii) all letter of credit rights (whether or not the respective letter of credit is evidenced by a writing); (ix) all supporting obligations; and (x) any other goods, personal property or real property now owned or hereafter acquired in which any Borrower has expressly granted a security interest or may in the future grant a security interest to Agent hereunder, or in any amendment or supplement hereto or thereto, or under any other agreement between Agent and any Borrower;

(h) all of each Borrower's ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned by any Borrower or in which it has an interest), computer programs, tapes, disks and documents relating to (a), (b), (c), (d), (e), (f) or (g) of this paragraph; and

(i) all proceeds and products of (a), (b), (c), (d), (e), (f), (g) and (h) in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

Notwithstanding the foregoing, "Collateral" shall expressly exclude, and the Borrowers shall not be deemed to have granted a security interest in, any Excluded Collateral.

"Commitment Percentage" of any Lender shall mean the percentage set forth below such Lender's name on the signature page hereof as same may be adjusted upon any assignment by a Lender pursuant to Section 16.3(c) or (d) hereof.

"Commitment Transfer Supplement" shall mean a document in the form of Exhibit 16.3 hereto, properly completed and otherwise in form and substance satisfactory to Agent by which the Purchasing Lender purchases and assumes a portion of the obligation of Lenders to make Advances under this Agreement.

"Compliance Certificate" shall mean a compliance certificate to be signed by the Chief Financial Officer or Controller of Borrowing Agent, which shall state that, based on an examination sufficient to permit such officer to make an informed statement, no Default or Event of Default exists, or if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Borrowers with respect to such default and, such certificate shall have appended thereto calculations which set forth Borrowers' compliance with the requirements or restrictions imposed by Sections 6.5, 7.4, 7.5, 7.6, 7.7, 7.8, 7.10 and 7.11.

"Consents" shall mean all filings and all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Bodies and other third parties, domestic or foreign, necessary to carry on any Borrower's business or necessary (including to avoid a conflict or breach under any agreement, instrument, other document, license, permit or other authorization) for the execution, delivery or performance of this Agreement, the Other Documents, including any Consents required under all applicable federal, state or other Applicable Law.

“Consigned Inventory” shall mean Inventory of any Borrower that is in the possession of another Person on a consignment, sale or return, or other basis that does not constitute a final sale and acceptance of such Inventory.

“Controlled Group” shall mean, at any time, each Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with any Borrower, are treated as a single employer under Section 414 of the Code.

“Credit Card Notifications” shall have meaning set forth in Section 4.15(d)(ii) hereof.

“Credit Card Receivables” means each “Account” (as defined in the UCC) together with all income, payments and proceeds thereof, owed by a major credit or debit card issuer (including, but not limited to, Visa, Mastercard and American Express and such other issuers approved by the Agent in its sole discretion) to a Borrower resulting from charges by a Customer of a Borrower on credit or debit cards issued by such issuer in connection with the sale of goods by a Borrower in the Ordinary Course of Business.

“Customer” shall mean and include the account debtor with respect to any Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with any Borrower, pursuant to which such Borrower is to deliver any personal property or perform any services.

“Customs” shall have the meaning set forth in Section 2.11(b) hereof.

“Daily LIBOR Rate” shall mean, for any day, the rate per annum determined by the Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the Reserve Percentage.

“Debt Payments” shall mean and include (a) all cash actually expended by any Borrower to make interest payments on any Advances hereunder, plus (b) accrued but unpaid interest on account of Eurodollar Rate Loans, plus (c) all cash actually expended by any Borrower to make payments for all fees, commissions and charges set forth herein and with respect to any Advances, plus (d) all cash actually expended by any Borrower to make payments on Capitalized Lease Obligations, plus (e) all cash actually expended by any Borrower to make payments with respect to any other Indebtedness for borrowed money.

“Default” shall mean an event, circumstance or condition which, with the giving of notice or passage of time or both, would constitute an Event of Default.

“Default Rate” shall have the meaning set forth in Section 3.1 hereof.

“Defaulting Lender” shall have the meaning set forth in Section 2.23(a) hereof.

“Depository Accounts” shall have the meaning set forth in Section 4.15(h) hereof.

“Designated Lender” shall have the meaning set forth in Section 16.2(b) hereof.

“ Direct TV ” shall mean DIRECTV, Inc., a California corporation.

“ Direct TV Agreement ” shall mean that certain letter agreement dated July 1, 1999, among Direct TV, CNBC, Inc., MSNBC Cable, L.L.C., National Broadcasting Company, Inc. and ValueVision, as amended by that certain letter agreement dated April 13, 2001, that certain letter agreement dated September 23, 2004, that certain letter agreement dated November 22, 2005 and that certain letter agreement dated October 22, 2009.

“ Direct TV Reserve ” shall mean (i) commencing on November 1, 2010, \$978,919 plus an additional \$978,919 on the first day of each of December 2010 and January 2011 (for a total reserve as of January 1, 2011 of \$2,936,757) which shall be reduced to Zero Dollars (\$) upon Borrowers delivery of evidence to Agent that the \$5,873,518 due February 2011 to Direct TV under the Direct TV Agreement has been paid by Borrowers and (ii) commencing on October 1, 2011, \$1,564,796 plus an additional \$1,564,796 on the first day of each of November 2011, December 2011, January 2012, February 2012 and March 2012 (for a total reserve of \$9,388,766) which shall be reduced to Zero Dollars (\$) upon Borrowers delivery of evidence to Agent that the \$18,777,552 due March 2012 to Direct TV under the Direct TV Agreement has been paid by Borrowers. For the avoidance of doubt, the reserves identified above shall commence on the first date noted above, shall increase on the first day of each subsequent month noted therein and shall be in effect for every day during such period (as increased) until the applicable payment required under the Agreement has been made.

“ Direct TV Security Documents ” shall mean, collectively, that certain (i) Mortgage and Security Agreement and Fixture Financing Statement executed by ValueVision in favor of Direct TV dated, and as in effect only, as of the Closing Date and (ii) Mortgage and Security Agreement executed by Norwell Television, LLC in favor of Direct TV dated, and as in effect only, as of the Closing Date.

“ Documents ” shall have the meaning set forth in Section 8.1(c) hereof.

“ Dollar ” and the sign “ \$ ” shall mean lawful money of the United States of America.

“ Domestic Rate Loan ” shall mean any Advance that bears interest based upon the Alternate Base Rate.

“ Drawing Date ” shall have the meaning set forth in Section 2.12(b) hereof.

“ Early Termination Date ” shall have the meaning set forth in Section 13.1 hereof.

“ Earnings Before Interest and Taxes ” shall mean for any period the sum of (i) net income (or loss) of Borrowers on a Consolidated Basis for such period (excluding extraordinary gains and losses), plus (ii) all interest expense of Borrowers on a Consolidated Basis for such period, plus (iii) all charges against income of Borrowers on a Consolidated Basis for such period for federal, state and local taxes.

“ EBITDA ” shall mean for any period the sum of (i) Earnings Before Interest and Taxes for such period, plus (ii) depreciation expenses for such period, plus (iii) amortization expenses for such period, plus (iv) non-cash impairment charges and write-downs for such period, plus

(vi) non-cash equity based compensation expenses incurred by Borrowers for such period in an amount not to exceed to \$4,500,000 (only to the extent deducted in calculating net income), plus (vii) non recurring restructuring and chief executive office transition costs incurred by Borrowers within one hundred twenty (120) days of the Closing Date in an amount not to exceed \$3,000,000 (only to the extent deducted in calculating net income), plus (viii) strategic transaction and restructuring costs actually incurred by Borrowers for such period in an amount not to exceed \$2,750,000 in any twelve (12) month period (only to the extent deducted in calculating net income).

“Eligible Consumer Receivables” shall mean and include with respect to each Borrower, each Receivable of such Borrower arising in the Ordinary Course of Business under the Value Pay Plan and which Agent, in its sole credit judgment, shall deem to be an Eligible Consumer Receivable, based on such considerations as Agent may from time to time deem appropriate. A Receivable shall not be deemed eligible unless such Receivable is subject to Agent’s first priority perfected security interest and no other Lien (other than Permitted Encumbrances), and is evidenced by an invoice or other documentary evidence satisfactory to Agent. In addition, no Receivable shall be an Eligible Consumer Receivable if:

- (a) if the Customer fails to make two or more payments due under the Value Pay Plan;
- (b) any covenant, representation or warranty contained in this Agreement with respect to such Receivable has been breached;
- (c) the Customer shall (i) apply for, suffer, or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or call a meeting of its creditors, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case or proceeding under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, any petition which is filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;
- (d) the sale is to a Customer outside the continental United States of America or Canada;
- (e) the Receivables of the Customer exceed a credit limit determined by Agent, in its sole discretion, to the extent such Receivable exceeds such limit;
- (f) the Receivable is subject to any offset, deduction, defense, dispute, or counterclaim (to the extent of such offset, deduction, defense or counterclaim);
- (g) any return, rejection or repossession of the merchandise has occurred;
- (h) such Receivable is not payable to a Borrower; or

(j) such Receivable is not otherwise satisfactory to Agent as determined in good faith by Agent in the exercise of its discretion in a reasonable manner.

“ Eligible Inventory ” shall mean and include Inventory, excluding work in process, with respect to each Borrower, valued at the lower of cost or market value, determined on a first-in-first-out basis, which is not, in Agent’s opinion, obsolete, slow moving or unmerchantable and which Agent, in its sole discretion, shall not deem ineligible Inventory, based on such considerations as Agent may from time to time deem appropriate including whether the Inventory is subject to a perfected, first priority security interest in favor of Agent and no other Lien (other than a Permitted Encumbrance). In addition, Inventory shall not be Eligible Inventory if it (i) does not conform to all standards imposed by any Governmental Body which has regulatory authority over such goods or the use or sale thereof, (ii) is in transit, (iii) is located outside the continental United States or at a location that is not otherwise in compliance with this Agreement, (iv) constitutes Consigned Inventory, (v) is the subject of an Intellectual Property Claim; (vi) is subject to a License Agreement or other agreement that limits, conditions or restricts any Borrower’s or Agent’s right to sell or otherwise dispose of such Inventory, unless Agent is a party to a Licensor/Agent Agreement with the Licensor under such License Agreement; (vii) is situated at a location not owned by a Borrower unless the owner or occupier of such location has executed in favor of Agent a Lien Waiver Agreement; or (viii) or if the sale of such Inventory would result in an ineligible Receivable.

“ Eligible Credit Card Receivables ” shall mean and include with respect to each Borrower, each Credit Card Receivable of such Borrower arising in the Ordinary Course of Business and which Agent, in its sole credit judgment, shall deem to be an Eligible Credit Card Receivable, based on such considerations as Agent may from time to time deem appropriate. A Credit Card Receivable shall not be deemed eligible unless such Credit Card Receivable is subject to Agent’s first priority perfected security interest and no other Lien (other than Permitted Encumbrances), and is evidenced by an invoice or other documentary evidence satisfactory to Agent. In addition, no Credit Card Receivable shall be an Eligible Credit Card Receivable if:

- (a) such Credit Card Receivable is outstanding for more than five (5) Business Days from the date of sale;
- (b) such Borrower does not have good, valid and marketable title, free and clear of any Lien (other than a Permitted Encumbrance) with respect to such Credit Card Receivables;
- (c) such Credit Card Receivable is not subject to a first priority security interest in favor of the Agent (it being the intent that chargebacks in the ordinary course by the credit card processors shall not be deemed violative of this clause);
- (d) such Credit Card Receivable is in dispute, is with recourse to such Borrower, or subject to a claim, counterclaim, offset or chargeback (to the extent of such claim, counterclaim, offset or chargeback);

(e) such Credit Card Receivable is subject a repurchase obligation by any Borrower in favor of the credit card processor;

(f) such Credit Card Receivable is due from an issuer or payment processor of the applicable credit card which is the subject of any bankruptcy or insolvency proceedings;

(g) such Credit Card Receivable is not a valid, legally enforceable obligation of the applicable issuer with respect thereto;

(h) such Credit Card Receivable does not conform to all representations, warranties or other provisions in this Agreement or the Other Documents relating to Credit Card Receivables;

(i) such Credit Card Receivable is evidenced by “chattel paper” or an “instrument” of any kind unless such “chattel paper” or “instrument” is in the possession of the Agent, and to the extent necessary or appropriate, endorsed to the Agent; or

(j) Agent has determined in its sole discretion that such Credit Card Receivable is uncertain of collection.

“Environmental Complaint” shall have the meaning set forth in Section 4.19(d) hereof.

“Environmental Laws” shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

“Equipment” shall mean and include as to each Borrower all of such Borrower’s goods (other than Inventory) whether now owned or hereafter acquired and wherever located including all equipment, machinery, apparatus, motor vehicles, fittings, furniture, furnishings, fixtures, parts, accessories and all replacements and substitutions therefor or accessions thereto.

“Equity Interests” of any Person shall mean any and all shares, rights to purchase, options, warrants, general, limited or limited liability partnership interests, member interests, participation or other equivalents of or interest in (regardless of how designated) equity of such Person, whether voting or nonvoting, including common stock, preferred stock, convertible securities or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and the rules and regulations promulgated thereunder.

“Eurodollar Rate” shall mean for any Eurodollar Rate Loan for the then current Interest Period relating thereto, the interest rate per annum determined by Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page

that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by Agent which has been approved by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market (an "Alternate Source"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for U.S. Dollars for an amount comparable to such Eurodollar Rate Loan and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by Agent at such time (which determination shall be conclusive absent manifest error)), by (ii) a number equal 1.00 minus the Reserve Percentage. The Eurodollar Rate may also be expressed by the following formula:

Average of London interbank offered rates quoted by Bloomberg or appropriate Successor as shown on

$$\text{Eurodollar Rate} = \frac{\text{Bloomberg Page BBAM1}}{1.00 - \text{Reserve Percentage}}$$

The Eurodollar Rate shall be adjusted with respect to any Eurodollar Rate Loan that is outstanding on the effective date of any change in the Reserve Percentage as of such effective date. The Agent shall give prompt notice to the Borrowing Agent of the Eurodollar Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

"Eurodollar Rate Loan" shall mean an Advance at any time that bears interest based on the Eurodollar Rate.

"Event of Default" shall have the meaning set forth in Article X hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Collateral" shall mean

(i) Borrowers' Real Property located at 6740 Shady Oak Road, Eden Prairie, Minnesota and 2 Bert Drive #4, West Bridgewater, Massachusetts and all of Borrowers' fixtures, machinery and Equipment located at each of the foregoing locations, which shall be subject to the Direct TV Security Documents, but in no event shall Excluded Collateral include any of Borrowers' Receivables, Inventory, General Intangibles, Investment Property, Documents, or any of the property identified in subsection (g), (h) or (i) of the definition of Collateral

(ii) any contract in which Borrowers have any right, title or interest if and to the extent such contract includes a provision containing a restriction on assignment such that the creation of a security interest in the right, title or interest of such Borrower therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another person party to such contract to enforce any remedy with respect thereto; provided, however, that

the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other person has otherwise consented to the creation hereunder of a security interest in such contract, instrument or chattel paper, or (ii) such prohibition would be rendered ineffective pursuant to Sections 9-407(a) or 9-408(a) of the UCC, as applicable, or any other applicable provision of the UCC and as then in effect in any relevant jurisdiction, or any other applicable law (including applicable bankruptcy and insolvency law) or principles of equity; provided further that immediately upon the ineffectiveness, lapse or termination of any such provision, the term "Collateral" shall include, and Borrowers shall be deemed to have granted a security interest in, all its rights, title and interests in and to such contract as if such provision had never been in effect; and provided further that the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect the Agent's unconditional continuing security interest in and to all rights, title and interests of Borrowers in or to any payment obligations or other rights to receive monies due or to become due under any such contract and in any such monies and other proceeds of such contract.

"Executive Order No. 13224" shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

"Fanbuzz" shall mean Fanbuzz, Inc. , a Delaware corporation.

"Fanbuzz Retail" shall mean Fanbuzz Retail, Inc., a Delaware corporation.

"Federal Funds Effective Rate" for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

"Federal Funds Open Rate" for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption "OPEN" (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by PNC (an "Alternate Source") (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the PNC at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the "open" rate on the immediately preceding Business Day. If and when the Federal Funds Open Rate changes, the rate of interest with respect to any advance to which

the Federal Funds Open Rate applies will change automatically without notice to the Borrowers, effective on the date of any such change.

“Fixed Charge Coverage Ratio” shall mean and include, with respect to any fiscal period, the ratio of (a) EBITDA, minus Unfunded Capital Expenditures made during such period, minus distributions (including tax distributions made during such period) and dividends made during such period, minus cash taxes paid during such period to (b) all Debt Payments made during such period.

“Foreign Subsidiary” of any Person, shall mean any Subsidiary of such Person that is not organized or incorporated in the United States or any State or territory thereof.

“Formula Amount” shall have the meaning set forth in Section 2.1(a) hereof.

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“General Intangibles” shall mean and include as to each Borrower all of such Borrower’s general intangibles, whether now owned or hereafter acquired, including all payment intangibles, all choses in action, causes of action, corporate or other business records, inventions, designs, patents, patent applications, equipment formulations, manufacturing procedures, quality control procedures, trademarks, trademark applications, service marks, trade secrets, goodwill, copyrights, design rights, software, computer information, source codes, codes, records and updates, registrations, licenses, franchises, customer lists, tax refunds, tax refund claims, computer programs, all claims under guaranties, security interests or other security held by or granted to such Borrower to secure payment of any of the Receivables by a Customer (other than to the extent covered by Receivables) all rights of indemnification and all other intangible property of every kind and nature (other than Receivables).

“Governmental Acts” shall have the meaning set forth in Section 2.17 hereof.

“Governmental Body” shall mean any nation or government, any state or other political subdivision thereof or any entity, authority, agency, division or department exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Guarantor” shall mean any Person who may hereafter guarantee payment or performance of the whole or any part of the Obligations and “Guarantors” means collectively all such Persons.

“Guarantor Security Agreement” shall mean any security agreement executed by any Guarantor in favor of Agent securing the Obligations or the Guaranty of such Guarantor, in form and substance satisfactory to Agent.

“Guaranty” shall mean any guaranty of the Obligations executed by a Guarantor in favor of Agent for its benefit and for the ratable benefit of Lenders, in form and substance satisfactory to Agent.

“Hazardous Discharge” shall have the meaning set forth in Section 4.19(d) hereof.

“Hazardous Substance” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, Hazardous Wastes, hazardous or Toxic Substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101, et seq.), RCRA or any other applicable Environmental Law and in the regulations adopted pursuant thereto.

“Hazardous Wastes” shall mean all waste materials subject to regulation under CERCLA, RCRA or applicable state law, and any other applicable Federal and state laws now in force or hereafter enacted relating to hazardous waste disposal.

“Hedge Liabilities” shall have the meaning provided in the definition of “Lender-Provided Interest Rate Hedge”.

“Indebtedness” of a Person at a particular date shall mean all obligations of such Person which in accordance with GAAP would be classified upon a balance sheet as liabilities (except capital stock and surplus earned or otherwise) and in any event, without limitation by reason of enumeration, shall include all indebtedness, debt and other similar monetary obligations of such Person whether direct or guaranteed, and all premiums, if any, due at the required prepayment dates of such indebtedness, and all indebtedness secured by a Lien on assets owned by such Person, whether or not such indebtedness actually shall have been created, assumed or incurred by such Person. Any indebtedness of such Person resulting from the acquisition by such Person of any assets subject to any Lien shall be deemed, for the purposes hereof, to be the equivalent of the creation, assumption and incurring of the indebtedness secured thereby, whether or not actually so created, assumed or incurred.

“Ineligible Security” shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

“Intellectual Property” shall mean property constituting under any Applicable Law a patent, patent application, copyright, trademark, service mark, trade name, mask work, trade secret or license or other right to use any of the foregoing.

“Intellectual Property Claim” shall mean the assertion by any Person of a claim (whether asserted in writing, by action, suit or proceeding or otherwise) that any Borrower’s ownership, use, marketing, sale or distribution of any Inventory, Equipment, Intellectual Property or other property or asset is violative of any ownership of or right to use any Intellectual Property of such Person.

“Interest Period” shall mean the period provided for any Eurodollar Rate Loan pursuant to Section 2.2(b).

“Interest Rate Hedge” shall mean an interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreements entered into by any Borrower or its Subsidiaries in order to provide protection to, or minimize the impact upon, such Borrower, any Guarantor and/or their respective Subsidiaries of increasing floating rates of interest applicable to Indebtedness.

“Inventory” shall mean and include as to each Borrower all of such Borrower’s now owned or hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any consignment arrangement, contract of service or held for sale or lease, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower’s business or used in selling or furnishing such goods, merchandise and other personal property, and all documents of title or other documents representing them.

“Inventory Advance Rate” shall have the meaning set forth in Section 2.1(a)(y)(ii) hereof.

“Investment Property” shall mean and include as to each Borrower, all of such Borrower’s now owned or hereafter acquired securities (whether certificated or uncertificated), securities entitlements, securities accounts, commodities contracts and commodities accounts.

“Iosota” shall mean Iosota, Inc . , a Minnesota corporation.

“Issuer” shall mean any Person who issues a Letter of Credit and/or accepts a draft pursuant to the terms hereof.

“Lender” and “Lenders” shall have the meaning ascribed to such term in the preamble to this Agreement and shall include each Person which becomes a transferee, successor or assign of any Lender.

“Lender Default” shall have the meaning set forth in Section 2.23(a) hereof.

“Lender-Provided Interest Rate Hedge” shall mean an Interest Rate Hedge which is provided by any Lender and with respect to which the Agent confirms meets the following requirements: such Interest Rate Hedge (i) is documented in a standard International Swap Dealer Association Agreement, (ii) provides for the method of calculating the reimbursable amount of the provider’s credit exposure in a reasonable and customary manner, and (iii) is entered into for hedging (rather than speculative) purposes. The liabilities of any Borrower to the provider of any Lender-Provided Interest Rate Hedge (the “Hedge Liabilities”) shall be “Obligations” hereunder, guaranteed obligations under the Guaranty and secured obligations under the Guarantor Security Agreement and otherwise treated as Obligations for purposes of each of the Other Documents. The Liens securing the Hedge Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the Other Documents.

“Letter of Credit Fees” shall have the meaning set forth in Section 3.2 hereof.

“Letter of Credit Borrowing” shall have the meaning set forth in Section 2.12(d) hereof.

“Letter of Credit Sublimit” shall mean Ten Million Dollars (\$10,000,000).

“Letters of Credit” shall have the meaning set forth in Section 2.9 hereof.

“License Agreement” shall mean any agreement between any Borrower and a Licensor pursuant to which such Borrower is authorized to use any Intellectual Property in connection

with the manufacturing, marketing, sale or other distribution of any Inventory of such Borrower or otherwise in connection with such Borrower's business operations.

“Licensor” shall mean any Person from whom any Borrower obtains the right to use (whether on an exclusive or non-exclusive basis) any Intellectual Property in connection with such Borrower's manufacture, marketing, sale or other distribution of any Inventory or otherwise in connection with such Borrower's business operations.

“Licensor/Agent Agreement” shall mean an agreement between Agent and a Licensor, in form and content satisfactory to Agent, by which Agent is given the unqualified right, vis-a-vis such Licensor, to enforce Agent's Liens with respect to and to dispose of any Borrower's Inventory with the benefit of any Intellectual Property applicable thereto, irrespective of such Borrower's default under any License Agreement with such Licensor.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction.

“Lien Waiver Agreement” shall mean an agreement which is executed in favor of Agent by a Person who owns or occupies premises at which any Collateral may be located from time to time and by which such Person shall waive any Lien that such Person may ever have with respect to any of the Collateral and shall authorize Agent from time to time to enter upon the premises to inspect or remove the Collateral from such premises or to use such premises to store or dispose of such Inventory.

“Material Adverse Effect” shall mean a material adverse effect on (a) the condition (financial or otherwise), results of operations, assets, business, properties or prospects of any Borrower or any Guarantor, (b) any Borrower's ability to duly and punctually pay or perform the Obligations in accordance with the terms thereof, (c) the value of the Collateral, or Agent's Liens on the Collateral or the priority of any such Lien or (d) the practical realization of the benefits of Agent's and each Lender's rights and remedies under this Agreement and the Other Documents.

“Maximum Face Amount” shall mean, with respect to any outstanding Letter of Credit, the face amount of such Letter of Credit including all automatic increases provided for in such Letter of Credit, whether or not any such automatic increase has become effective.

“Maximum Revolving Advance Amount” shall mean Twenty Million Dollars (\$20,000,000).

“Maximum Undrawn Amount” shall mean with respect to any outstanding Letter of Credit, the amount of such Letter of Credit that is or may become available to be drawn, including all automatic increases provided for in such Letter of Credit, whether or not any such automatic increase has become effective.

“ Modified Commitment Transfer Supplement ” shall have the meaning set forth in Section 16.3(d) hereof.

“ Multiemployer Plan ” shall mean a “multiemployer plan” as defined in Sections 3(37) and 4001(a)(3) of ERISA to which contributions are required by any Borrower or any member of the Controlled Group.

“ Multiple Employer Plan ” shall mean a Plan which has two or more contributing sponsors (including any Borrower or any member of the Controlled Group) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“ Ninety (90) Day Average Undrawn Availability ” shall mean, as of any date of determination, the sum of Borrowers’ Undrawn Availability (Modified) for each of the previous ninety (90) days divided by ninety (90).

“ Non-Defaulting Lender ” shall have the meaning set forth in Section 2.23(b) hereof.

“ Obligations ” shall mean and include any and all loans (including without limitation, all Advances), advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to Lenders or Agent or to any other direct or indirect subsidiary or affiliate of Agent or any Lender of any kind or nature, present or future (including any interest or other amounts accruing thereon, and any costs and expenses of any Person payable by Borrower and any indemnification obligations payable by Borrower arising or payable after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Borrower, whether or not a claim for post-filing or post-petition interest or other amounts is allowable or allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including this Agreement and the Other Documents) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Agent’s or any Lenders non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of any Borrower’s Indebtedness and/or liabilities under this Agreement, the Other Documents or under any other agreement between Agent or Lenders and any Borrower and any amendments, extensions, renewals or increases and all costs and expenses of Agent and any Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of any Borrower to Agent or Lenders to perform acts or refrain from taking any action.

“ Ordinary Course of Business ” shall mean with respect to any Borrower, the ordinary course of such Borrower’s business as conducted on the Closing Date.

“ Other Documents ” shall mean the Revolving Credit Note, the Perfection Certificates, any Guaranty, any Guarantor Security Agreement, the Credit Card Notifications, any Pledge Agreement, any Lender-Provided Interest Rate Hedge and any and all other agreements, instruments and documents, including intercreditor agreements, guaranties, pledges, powers of attorney, consents, interest or currency swap agreements or other similar agreements and all other writings heretofore, now or hereafter executed by any Borrower or any Guarantor and/or delivered to Agent or any Lender in respect of the transactions contemplated by this Agreement.

“ Out-of-Formula Loans ” shall have the meaning set forth in Section 16.2(b).

“ Parent ” of any Person shall mean a corporation or other entity owning, directly or indirectly at least 50% of the shares of stock or other ownership interests having ordinary voting power to elect a majority of the directors of the Person, or other Persons performing similar functions for any such Person.

“ Participant ” shall mean each Person who shall be granted the right by any Lender to participate in any of the Advances and who shall have entered into a participation agreement in form and substance satisfactory to such Lender.

“ Participation Advance ” shall have the meaning set forth in Section 2.12(d) hereof.

“ Participation Commitment ” shall mean each Lender’s obligation to buy a participation of the Letters of Credit issued hereunder.

“ Payee ” shall have the meaning set forth in Section 3.10 hereof.

“ Payment Office ” shall mean initially Two Tower Center Boulevard, East Brunswick, New Jersey 08816; thereafter, such other office of Agent, if any, which it may designate by notice to Borrowing Agent and to each Lender to be the Payment Office.

“ PBGC ” shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

“ Pension Benefit Plan ” shall mean at any time any employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained or to which contributions are required by any member of the Controlled Group for employees of any member of the Controlled Group; or (ii) has at any time within the preceding five years been maintained or to which contributions have been required by any entity which was at such time a member of the Controlled Group for employees of any entity which was at such time a member of the Controlled Group.

“ Perfection Certificates ” shall mean collectively, the Perfection Certificates and the responses thereto provided by each Borrower and delivered to Agent.

“ Permitted Acquisitions ” shall mean acquisitions of the assets or Equity Interests of another Person so long as: (a) the total costs and liabilities (including without limitation, all assumed liabilities, all earn-out payments, deferred payments and the value of any other stock or assets transferred, assigned or encumbered with respect to such acquisitions) of all such acquisitions do not exceed \$100,000 for any single acquisition; (b) with respect to the acquisition of Equity Interests, such acquired company shall be added as a Borrower to this Agreement and be jointly and severally liable for all Obligations; (c) the acquired company or property is used or useful in the same or a similar line of business as the Borrowers were engaged in on the Closing Date (or any reasonable extensions or expansions thereof); (d) Agent shall have received a first-priority security interest in all acquired assets and Equity Interests, subject to documentation satisfactory to Agent; (e) if such acquisition includes general partnership interests or any other Equity Interest that does not have a corporate (or similar) limitation on liability of the owners thereof, then such acquisition shall be effected by having such Equity Interests acquired by a corporate holding company directly or indirectly wholly-owned by a Borrower and newly formed for the sole purpose of effecting such acquisition; and (f) no Default or Event of Default shall have occurred or will occur after giving pro forma effect to such acquisition.

“ Permitted Encumbrances ” shall mean: (a) Liens in favor of Agent for the benefit of Agent and Lenders; (b) Liens for taxes, assessments or other governmental charges not delinquent or being Properly Contested; (c) Liens disclosed in the financial statements referred to in Section 5.5, the existence of which Agent has consented to in writing; (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance; (e) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the Ordinary Course of Business; (f) Liens arising by virtue of the rendition, entry or issuance against Borrower or any Subsidiary, or any property of Borrower or any Subsidiary, of any judgment, writ, order, or decree for so long as each such Lien (I) is in existence for less than 20 consecutive days after it first arises or is being Properly Contested and (II) is at all times junior in priority to any Liens in favor of Agent; (g) mechanics’, workers’, materialmen’s or other like Liens arising in the Ordinary Course of Business with respect to obligations which are not due or which are being Properly Contested; (h) Liens placed upon fixed assets hereafter acquired to secure a portion of the purchase price thereof, provided that (I) any such lien shall not encumber any other property of Borrower and (II) the aggregate amount of Indebtedness secured by such Liens incurred as a result of such purchases during any fiscal year shall not exceed the amount provided for in Section 7.6; (i) easements, rights-of-way, zoning restrictions, minor defects or irregularities in title and other charges or encumbrances, in each case, which do not interfere in any material respect with the Ordinary Course of Business of the Borrowers and their Subsidiaries; (j) Liens granted to Direct TV pursuant to the Direct TV Security Documents and (k) Liens disclosed on Schedule 1.2 provided that such Liens shall secure only those obligations which they secure on the Closing Date and shall not subsequently apply to any other property or assets of any Borrower other than the property and assets to which they apply as of the Closing Date.

“ Permitted Redemption Payments ” shall mean any payments made pursuant to Sections V(a)(iii) and (iv) of the ValueVision Certificate of Designation.

“Person” shall mean any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, limited liability partnership, institution, public benefit corporation, joint venture, entity or Governmental Body (whether federal, state, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

“Plan” shall mean any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Benefit Plan and a Multiemployer Plan), maintained for employees of any Borrower or any member of the Controlled Group or any such Plan to which any Borrower or any member of the Controlled Group is required to contribute.

“Pledge Agreement” shall mean that certain Collateral Pledge Agreement executed by ValueVision in favor of Agent dated as of the Closing Date and any other pledge agreements executed subsequent to the Closing Date by any other Person to secure the Obligations.

“PNC” shall have the meaning set forth in the preamble to this Agreement and shall extend to all of its successors and assigns.

“Pro Forma Balance Sheet” shall have the meaning set forth in Section 5.5(a) hereof.

“Pro Forma Financial Statements” shall have the meaning set forth in Section 5.5(b) hereof.

“Properly Contested” shall mean, in the case of any Indebtedness or Lien, as applicable, of any Person (including any taxes) that is not paid as and when due or payable by reason of such Person’s bona fide dispute concerning its liability to pay same or concerning the amount thereof: (i) such Indebtedness or Lien, as applicable, is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (ii) such Person has established appropriate reserves as shall be required in conformity with GAAP; (iii) the non-payment of such Indebtedness will not have a Material Adverse Effect and will not result in the forfeiture of any assets of such Person; (iv) no Lien is imposed upon any of such Person’s assets with respect to such Indebtedness unless such Lien is at all times junior and subordinate in priority to the Liens in favor of the Agent (except only with respect to property taxes that have priority as a matter of applicable state law) and enforcement of such Lien is stayed during the period prior to the final resolution or disposition of such dispute; (v) if such Indebtedness or Lien, as applicable, results from, or is determined by the entry, rendition or issuance against a Person or any of its assets of a judgment, writ, order or decree, enforcement of such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (vi) if such contest is abandoned, settled or determined adversely (in whole or in part) to such Person, such Person forthwith pays such Indebtedness and all penalties, interest and other amounts due in connection therewith.

“Projections” shall have the meaning set forth in Section 5.5(b) hereof.

“Published Rate” shall mean the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate

shall be the Eurodollar Rate for a one month period as published in another publication selected by the Agent).

“Purchasing CLO” shall have the meaning set forth in Section 16.3(d) hereof.

“Purchasing Lender” shall have the meaning set forth in Section 16.3(c) hereof.

“RCRA” shall mean the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., as same may be amended from time to time.

“Real Property” shall mean all of each Borrower’s right, title and interest in and to the owned and leased premises identified on Schedule 4.19 hereto or which is hereafter owned or leased by any Borrower.

“Receivables” shall mean and include, as to each Borrower, all of such Borrower’s accounts, contract rights, instruments (including those evidencing indebtedness owed to such Borrower by its Affiliates), documents, chattel paper (including electronic chattel paper), general intangibles relating to accounts, drafts and acceptances, credit card receivables and all other forms of obligations owing to such Borrower arising out of or in connection with the sale or lease of Inventory or the rendition of services, all supporting obligations, guarantees and other security therefor, whether secured or unsecured, now existing or hereafter created, and whether or not specifically sold or assigned to Agent hereunder.

“Receivables Advance Rate” shall have the meaning set forth in Section 2.1(a)(y)(i) hereof.

“Register” shall have the meaning set forth in Section 16.3(e) hereof.

“Reimbursement Obligation” shall have the meaning set forth in Section 2.12(b) hereof.

“Release” shall have the meaning set forth in Section 5.7(c)(i) hereof.

“Reportable Event” shall mean a reportable event described in Section 4043(c) of ERISA or the regulations promulgated thereunder.

“Required Lenders” shall mean Lenders holding at least fifty one percent (51%) of the Advances and, if no Advances are outstanding, shall mean Lenders holding fifty one percent (51%) of the Commitment Percentages; provided, however, if there are fewer than three (3) Lenders, Required Lenders shall mean all Lenders.

“Reserve Percentage” shall mean as of any day the maximum percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency Liabilities”).

“Revolving Advances” shall mean Advances made other than Letters of Credit.

“Revolving Credit Note” shall mean, collectively, the promissory notes referred to in Section 2.1(a) hereof.

“Revolving Interest Rate” shall mean an interest rate per annum equal to (a) the sum of the Alternate Base Rate plus the Applicable Margin with respect to Domestic Rate Loans and (b) the sum of the Applicable Margin plus the greater of one percent (1.00%) or the Eurodollar Rate with respect to Eurodollar Rate Loans.

“SEC” shall mean the Securities and Exchange Commission or any successor thereto.

“Section 20 Subsidiary” shall mean the Subsidiary of the bank holding company controlling PNC, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Series B Redeemable Preferred Stock” shall have the meaning set forth in the ValueVision Certificate of Designation.

“Settlement Date” shall mean the Closing Date and thereafter Wednesday or Thursday of each week or more frequently if Agent deems appropriate unless such day is not a Business Day in which case it shall be the next succeeding Business Day.

“Shareholder Agreement” shall mean that certain Amended and Restated Shareholder Agreement dated February 25, 2009 among ValueVision, GE Capital Equity Investments, Inc. and NBC Universal, Inc.

“Subsidiary” of any Person shall mean a corporation or other entity of whose Equity Interests having ordinary voting power (other than Equity Interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person.

“Subsidiary Stock” shall mean all of the issued and outstanding Equity Interests of any Subsidiary owned by any Borrower (not to exceed 65% of the Equity Interests of any Foreign Subsidiary).

“Tangible Net Worth” shall mean, at a particular date, (a) the aggregate amount of all assets of Borrowers on a Consolidated Basis as may be properly classified as such in accordance with GAAP consistently applied excluding such other assets as are properly classified as intangible assets under GAAP, less (b) the aggregate amount of all liabilities of Borrowers on a Consolidated Basis.

“Term” shall have the meaning set forth in Section 13.1 hereof.

“Termination Event” shall mean (i) a Reportable Event with respect to any Plan; (ii) the withdrawal of any Borrower or any member of the Controlled Group from a Plan during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of

ERISA; (iii) the providing of notice of intent to terminate a Plan in a distress termination described in Section 4041(c) of ERISA; (iv) the institution by the PBGC of proceedings to terminate a Plan; (v) any event or condition (a) which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (b) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA; or (vi) the partial or complete withdrawal within the meaning of Section 4203 or 4205 of ERISA, of any Borrower or any member of the Controlled Group from a Multiemployer Plan.

“Thirty (30) Day Average Undrawn Availability” shall mean, as of any date of determination, the sum of Borrowers’ Undrawn Availability for each of the previous thirty (30) days divided by thirty (30).

“Toxic Substance” shall mean and include any material present on the Real Property or the Leasehold Interests which has been shown to have significant adverse effect on human health or which is subject to regulation under the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601 et seq., applicable state law, or any other applicable Federal or state laws now in force or hereafter enacted relating to toxic substances. “Toxic Substance” includes but is not limited to asbestos, polychlorinated biphenyls (PCBs) and lead-based paints.

“Trading with the Enemy Act” shall mean the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any enabling legislation or executive order relating thereto.

“Transferee” shall have the meaning set forth in Section 16.3(d) hereof.

“Undrawn Availability” at a particular date shall mean an amount equal to (a) the lesser of (i) the Formula Amount or (ii) the Maximum Revolving Advance Amount less the Maximum Undrawn Amount of all outstanding Letters of Credit, minus (b) the sum of (i) the outstanding amount of Advances, plus (ii) all amounts due and owing to any Borrower’s trade creditors which are sixty (60) days beyond the due date thereof, plus (iii) fees and expenses for which Borrowers are liable but which have not been paid or charged to Borrowers’ Account.

“Undrawn Availability (Modified)” at a particular date shall mean an amount equal to (a) the Formula Amount minus (b) the sum of (i) the outstanding amount of Advances, plus (ii) all amounts due and owing to any Borrower’s trade creditors which are sixty (60) days beyond the due date thereof, plus (iii) fees and expenses for which Borrowers are liable but which have not been paid or charged to Borrowers’ Account.

“Unfunded Capital Expenditures” shall mean Capital Expenditures made through Revolving Advances or out of Borrowers’ own funds other than through equity contributed subsequent to the Closing Date or purchase money or other financing or lease transactions permitted hereunder.

“Uniform Commercial Code” shall have the meaning set forth in Section 1.3 hereof.

“Unused Line Fee” shall have the meaning set forth in Section 3.3(b) hereof.

“ USA PATRIOT Act ” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“ Value Pay Plan ” shall mean that certain purchase plan offered by Borrowers to consumer Customers pursuant to which a consumer Customer may be approved to purchase Inventory through a payment plan of up to six (6) payments over five (5) months.

“ ValueVision ” shall have the meaning set forth in the preamble to this Agreement.

“ ValueVision Certificate of Designation ” shall mean the ValueVision Series B Redeemable Preferred Stock Certificate of Designation, as filed with the State of Minnesota on February 25, 2009 and as attached hereto as Exhibit 1.

“ Week ” shall mean the time period commencing with the opening of business on a Wednesday and ending on the end of business the following Tuesday.

1.3. Uniform Commercial Code Terms . All terms used herein and defined in the Uniform Commercial Code as adopted in the State of Illinois from time to time (the “Uniform Commercial Code”) shall have the meaning given therein unless otherwise defined herein. Without limiting the foregoing, the terms “accounts”, “chattel paper”, “commercial tort claims”, “instruments”, “general intangibles”, “goods”, “payment intangibles”, “proceeds”, “supporting obligations”, “securities”, “investment property”, “documents”, “deposit accounts”, “software”, “letter of credit rights”, “inventory”, “equipment” and “fixtures”, as and when used in the description of Collateral shall have the meanings given to such terms in Articles 8 or 9 of the Uniform Commercial Code. To the extent the definition of any category or type of collateral is expanded by any amendment, modification or revision to the Uniform Commercial Code, such expanded definition will apply automatically as of the date of such amendment, modification or revision.

1.4. Certain Matters of Construction . The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise provided, all references to any instruments or agreements to which Agent is a party, including references to any of the Other Documents, shall include any and all modifications, supplements or amendments thereto, any and all restatements or replacements thereof and any and all extensions or renewals thereof. All references herein to the time of day shall mean the time in New York, New York. Unless otherwise provided, all financial calculations shall be performed with Inventory valued on a first-in, first-out basis. Whenever the words “including” or “include” shall be used, such words shall be understood to mean “including, without limitation” or “include, without limitation”. A Default or Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or

Event of Default is waived in writing pursuant to this Agreement or, in the case of a Default, is cured within any period of cure expressly provided for in this Agreement; and an Event of Default shall “continue” or be “continuing” until such Event of Default has been waived in writing by the Required Lenders or all Lenders, as applicable. Any Lien referred to in this Agreement or any of the Other Documents as having been created in favor of Agent, any agreement entered into by Agent pursuant to this Agreement or any of the Other Documents, any payment made by or to or funds received by Agent pursuant to or as contemplated by this Agreement or any of the Other Documents, or any act taken or omitted to be taken by Agent, shall, unless otherwise expressly provided, be created, entered into, made or received, or taken or omitted, for the benefit or account of Agent and Lenders. Wherever the phrase “to the best of Borrowers’ knowledge” or words of similar import relating to the knowledge or the awareness of any Borrower are used in this Agreement or Other Documents, such phrase shall mean and refer to (i) the actual knowledge of a senior officer of any Borrower or (ii) the knowledge that a senior officer would have obtained if he had engaged in good faith and diligent performance of his duties, including the making of such reasonably specific inquiries as may be necessary of the employees or agents of such Borrower and a good faith attempt to ascertain the existence or accuracy of the matter to which such phrase relates. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or otherwise within the limitations of, another covenant shall not avoid the occurrence of a default if such action is taken or condition exists. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of a breach of a representation or warranty hereunder.

1.5. Fiscal Periods . For purposes hereunder, whenever a provision of this Agreement refers to a quarter ending April 30, July 31, October 31 or January 31 or a fiscal year ending January 31, such references shall mean the actual date which corresponds with the end of Borrower’s fiscal quarter or fiscal year based on Borrower’s accounting cycle.

II. ADVANCES, PAYMENTS.

2.1. Revolving Advances .

(a) Amount of Revolving Advances . Subject to the terms and conditions set forth in this Agreement including Section 2.1(b), each Lender, severally and not jointly, will make Revolving Advances to Borrowers in aggregate amounts outstanding at any time equal to such Lender’s Commitment Percentage of the lesser of (x) the Maximum Revolving Advance Amount less the aggregate Maximum Undrawn Amount of all outstanding Letters of Credit or (y) an amount equal to the sum of:

(i) up to 50%, subject to the provisions of Section 2.1(b) hereof (“Receivables Advance Rate”), of Eligible Consumer Receivables and Eligible Credit Card Receivables, plus

(ii) up to the lesser of (A) 50%, subject to the provisions of Section 2.1(b) and (c) hereof, of the value of the Eligible Inventory (“Inventory Advance Rate” and together with the Receivables Advance Rate, collectively, the “Advance Rates”), (B) 85% of the appraised net orderly liquidation value of Eligible Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its sole discretion exercised in good faith), minus

(iii) the aggregate Maximum Undrawn Amount of all outstanding Letters of Credit, minus

(iv) the Availability Block, minus

(v) the Direct TV Reserve, minus

(vi) such reserves as Agent may reasonably deem proper and necessary from time to time.

The amount derived from the sum of (x) Sections 2.1(a)(y)(i) and (ii) minus (y) Sections 2.1(a)(y)(iii), (iv), (v) and (vi) at any time and from time to time shall be referred to as the “Formula Amount”. The Revolving Advances shall be evidenced by one or more secured promissory notes (collectively, the “Revolving Credit Note”) substantially in the form attached hereto as Exhibit 2.1(a).

(b) Discretionary Rights. The Advance Rates may be increased or decreased by Agent at any time and from time to time in the exercise of its reasonable discretion. Each Borrower consents to any such increases or decreases and acknowledges that decreasing the Advance Rates or increasing or imposing reserves may limit or restrict Advances requested by Borrowing Agent. Agent shall give Borrowing Agent five (5) days prior written notice of its intention to decrease the Advance Rates. The rights of Agent under this subsection are subject to the provisions of Section 16.2(b).

(c) Sublimit for Revolving Advances made against Eligible Inventory. The aggregate amount of Revolving Advances made to Borrowers against Eligible Inventory shall not exceed in the aggregate, at any one time outstanding, the an amount equal to fifty percent (50%) of the outstanding aggregate amount of all Revolving Advances made hereunder.

2.2. Procedure for Revolving Advances Borrowing.

(a) Borrowing Agent on behalf of any Borrower may notify Agent prior to 10:00 a.m. on a Business Day of a Borrower’s request to incur, on that day, a Revolving Advance hereunder. Should any amount required to be paid as interest hereunder, or as fees or other charges under this Agreement or any other agreement with Agent or Lenders, or with respect to any other Obligation, become due, same shall be deemed a request for a Revolving Advance maintained as a Domestic Rate Loan as of the date such payment is due, in the amount required to pay in full such interest, fee, charge or Obligation under this Agreement or any other agreement with Agent or Lenders, and such request shall be irrevocable.

(b) Notwithstanding the provisions of subsection (a) above, in the event any Borrower desires to obtain a Eurodollar Rate Loan, Borrowing Agent shall give Agent written

notice by no later than 10:00 a.m. on the day which is three (3) Business Days prior to the date such Eurodollar Rate Loan is to be borrowed, specifying (i) the date of the proposed borrowing (which shall be a Business Day), (ii) the type of borrowing and the amount on the date of such Advance to be borrowed, which amount shall be in a minimum amount of \$1,000,000 and in integral multiples of \$100,000 thereafter, and (iii) the duration of the first Interest Period therefor. Interest Periods for Eurodollar Rate Loans shall be for one, two or three months; provided, if an Interest Period would end on a day that is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the Interest Period shall end on the next preceding Business Day. No Eurodollar Rate Loan shall be made available to any Borrower during the continuance of a Default or an Event of Default. After giving effect to each requested Eurodollar Rate Loan, including those which are converted from a Domestic Rate Loan under Section 2.2(d), there shall not be outstanding more than four (4) Eurodollar Rate Loans, in the aggregate.

(c) Each Interest Period of a Eurodollar Rate Loan shall commence on the date such Eurodollar Rate Loan is made and shall end on such date as Borrowing Agent may elect as set forth in subsection (b)(iii) above provided that the exact length of each Interest Period shall be determined in accordance with the practice of the interbank market for offshore Dollar deposits and no Interest Period shall end after the last day of the Term.

Borrowing Agent shall elect the initial Interest Period applicable to a Eurodollar Rate Loan by its notice of borrowing given to Agent pursuant to Section 2.2(b) or by its notice of conversion given to Agent pursuant to Section 2.2(d), as the case may be. Borrowing Agent shall elect the duration of each succeeding Interest Period by giving irrevocable written notice to Agent of such duration not later than 10:00 a.m. on the day which is three (3) Business Days prior to the last day of the then current Interest Period applicable to such Eurodollar Rate Loan. If Agent does not receive timely notice of the Interest Period elected by Borrowing Agent, Borrowing Agent shall be deemed to have elected to convert to a Domestic Rate Loan subject to Section 2.2(d) hereinbelow.

(d) Provided that no Event of Default shall have occurred and be continuing, Borrowing Agent may, on the last Business Day of the then current Interest Period applicable to any outstanding Eurodollar Rate Loan, or on any Business Day with respect to Domestic Rate Loans, convert any such loan into a loan of another type in the same aggregate principal amount provided that any conversion of a Eurodollar Rate Loan shall be made only on the last Business Day of the then current Interest Period applicable to such Eurodollar Rate Loan. If Borrowing Agent desires to convert a loan, Borrowing Agent shall give Agent written notice by no later than 10:00 a.m. (i) on the day which is three (3) Business Days' prior to the date on which such conversion is to occur with respect to a conversion from a Domestic Rate Loan to a Eurodollar Rate Loan, or (ii) on the day which is one (1) Business Day prior to the date on which such conversion is to occur with respect to a conversion from a Eurodollar Rate Loan to a Domestic Rate Loan, specifying, in each case, the date of such conversion, the loans to be converted and if the conversion is from a Domestic Rate Loan to any other type of loan, the duration of the first Interest Period therefor.

(e) At its option and upon written notice given prior to 10:00 a.m. (New York time) at least three (3) Business Days' prior to the date of such prepayment, any Borrower may

prepay the Eurodollar Rate Loans in whole at any time or in part from time to time with accrued interest on the principal being prepaid to the date of such repayment. Such Borrower shall specify the date of prepayment of Advances which are Eurodollar Rate Loans and the amount of such prepayment. In the event that any prepayment of a Eurodollar Rate Loan is required or permitted on a date other than the last Business Day of the then current Interest Period with respect thereto, such Borrower shall indemnify Agent and Lenders therefor in accordance with Section 2.2(f) hereof.

(f) Each Borrower shall indemnify Agent and Lenders and hold Agent and Lenders harmless from and against any and all losses or expenses that Agent and Lenders may sustain or incur as a consequence of any prepayment, conversion of or any default by any Borrower in the payment of the principal of or interest on any Eurodollar Rate Loan or failure by any Borrower to complete a borrowing of, a prepayment of or conversion of or to a Eurodollar Rate Loan after notice thereof has been given, including, but not limited to, any interest payable by Agent or Lenders to lenders of funds obtained by it in order to make or maintain its Eurodollar Rate Loans hereunder. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Agent or any Lender to Borrowing Agent shall be conclusive absent manifest error.

(g) Notwithstanding any other provision hereof, if any Applicable Law, treaty, regulation or directive, or any change therein or in the interpretation or application thereof, shall make it unlawful for any Lender (for purposes of this subsection (g), the term "Lender" shall include any Lender and the office or branch where any Lender or any corporation or bank controlling such Lender makes or maintains any Eurodollar Rate Loans) to make or maintain its Eurodollar Rate Loans, the obligation of Lenders to make Eurodollar Rate Loans hereunder shall forthwith be cancelled and Borrowers shall, if any affected Eurodollar Rate Loans are then outstanding, promptly upon request from Agent, either pay all such affected Eurodollar Rate Loans or convert such affected Eurodollar Rate Loans into loans of another type. If any such payment or conversion of any Eurodollar Rate Loan is made on a day that is not the last day of the Interest Period applicable to such Eurodollar Rate Loan, Borrowers shall pay Agent, upon Agent's request, such amount or amounts as may be necessary to compensate Lenders for any loss or expense sustained or incurred by Lenders in respect of such Eurodollar Rate Loan as a result of such payment or conversion, including (but not limited to) any interest or other amounts payable by Lenders to lenders of funds obtained by Lenders in order to make or maintain such Eurodollar Rate Loan. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Lenders to Borrowing Agent shall be conclusive absent manifest error.

2.3. Disbursement of Advance Proceeds. All Advances shall be disbursed from whichever office or other place Agent may designate from time to time and, together with any and all other Obligations of Borrowers to Agent or Lenders, shall be charged to Borrowers' Account on Agent's books. During the Term, Borrowers may use the Revolving Advances by borrowing, prepaying and reborrowing, all in accordance with the terms and conditions hereof. The proceeds of each Revolving Advance requested by Borrowing Agent on behalf of any Borrower or deemed to have been requested by any Borrower under Section 2.2(a) hereof shall, with respect to requested Revolving Advances to the extent Lenders make such Revolving Advances, be made available to the applicable Borrower on the day so requested by way of

credit to such Borrower's operating account at PNC, or such other bank as Borrowing Agent may designate following notification to Agent, in immediately available federal funds or other immediately available funds or, with respect to Revolving Advances deemed to have been requested by any Borrower, be disbursed to Agent to be applied to the outstanding Obligations giving rise to such deemed request.

2.4. Intentionally Omitted.

2.5. Maximum Advances. The aggregate balance of Revolving Advances outstanding at any time shall not exceed the lesser of (a) the Maximum Revolving Advance Amount less the Maximum Undrawn Amount of all issued and outstanding Letters of Credit or (b) the Formula Amount.

2.6. Repayment of Advances.

(a) The Advances shall be due and payable in full on the last day of the Term subject to earlier prepayment as herein provided.

(b) Each Borrower recognizes that the amounts evidenced by checks, notes, drafts or any other items of payment relating to and/or proceeds of Collateral may not be collectible by Agent on the date received. In consideration of Agent's agreement to conditionally credit Borrowers' Account as of the next Business Day following Agent's receipt of those items of payment, each Borrower agrees that, in computing the charges under this Agreement, all items of payment shall be deemed applied by Agent on account of the Obligations one (1) Business Day after (i) the Business Day following Agent's receipt of such payments via wire transfer or electronic depository check or (ii) in the case of payments received by Agent in any other form, the Business Day such payment constitutes good funds in Agent's account. Agent is not, however, required to credit Borrowers' Account for the amount of any item of payment which is unsatisfactory to Agent and Agent may charge Borrowers' Account for the amount of any item of payment which is returned to Agent unpaid.

(c) All payments of principal, interest and other amounts payable hereunder, or under any of the Other Documents shall be made to Agent at the Payment Office not later than 1:00 P.M. (New York time) on the due date therefor in lawful money of the United States of America in federal funds or other funds immediately available to Agent. Agent shall have the right to effectuate payment on any and all Obligations due and owing hereunder by charging Borrowers' Account or by making Advances as provided in Section 2.2 hereof.

(d) Borrowers shall pay principal, interest, and all other amounts payable hereunder, or under any related agreement, without any deduction whatsoever, including, but not limited to, any deduction for any setoff or counterclaim.

2.7. Repayment of Excess Advances. The aggregate balance of Advances outstanding at any time in excess of the maximum amount of Advances permitted hereunder shall be

immediately due and payable without the necessity of any demand, at the Payment Office, whether or not a Default or Event of Default has occurred.

2.8. Statement of Account. Agent shall maintain, in accordance with its customary procedures, a loan account (“Borrowers’ Account”) in the name of Borrowers in which shall be recorded the date and amount of each Advance made by Agent and the date and amount of each payment in respect thereof; provided, however, the failure by Agent to record the date and amount of any Advance shall not adversely affect Agent or any Lender. Each month, Agent shall send to Borrowing Agent a statement showing the accounting for the Advances made, payments made or credited in respect thereof, and other transactions between Agent and Borrowers during such month. The monthly statements shall be deemed correct and binding upon Borrowers in the absence of manifest error and shall constitute an account stated between Lenders and Borrowers unless Agent receives a written statement of Borrowers’ specific exceptions thereto within thirty (30) days after such statement is received by Borrowing Agent. The records of Agent with respect to the loan account shall be conclusive evidence absent manifest error of the amounts of Advances and other charges thereto and of payments applicable thereto.

2.9. Letters of Credit. Subject to the terms and conditions hereof, Agent shall issue or cause the issuance of standby and/or trade letters of credit (“Letters of Credit”) for the account of any Borrower; provided, however, that Agent will not be required to issue or cause to be issued any Letters of Credit to the extent that the issuance thereof would then cause the sum of (i) the outstanding Revolving Advances plus (ii) the Maximum Undrawn Amount of all outstanding Letters of Credit to exceed the lesser of (x) the Maximum Revolving Advance Amount minus the Maximum Undrawn Amount of all outstanding Letters of Credit or (y) the Formula Amount. The Maximum Undrawn Amount of outstanding Letters of Credit shall not exceed in the aggregate at any time the Letter of Credit Sublimit. All disbursements or payments related to Letters of Credit shall be deemed to be Domestic Rate Loans consisting of Revolving Advances and shall bear interest at the Revolving Interest Rate for Domestic Rate Loans; Letters of Credit that have not been drawn upon shall not bear interest.

2.10. Issuance of Letters of Credit.

(a) Borrowing Agent, on behalf of Borrowers, may request Agent to issue or cause the issuance of a Letter of Credit by delivering to Agent at the Payment Office, prior to 10:00 a.m. (New York time), at least five (5) Business Days’ prior to the proposed date of issuance, Agent’s form of Letter of Credit Application (the “Letter of Credit Application”) completed to the satisfaction of Agent; and, such other certificates, documents and other papers and information as Agent may reasonably request. Borrowing Agent, on behalf of Borrowers, also has the right to give instructions and make agreements with respect to any application, any applicable letter of credit and security agreement, any applicable letter of credit reimbursement agreement and/or any other applicable agreement, any letter of credit and the disposition of documents, disposition of any unutilized funds, and to agree with Agent upon any amendment, extension or renewal of any Letter of Credit.

(b) Each Letter of Credit shall, among other things, (i) provide for the payment of sight drafts, other written demands for payment, or acceptances of usance drafts

when presented for honor thereunder in accordance with the terms thereof and when accompanied by the documents described therein and (ii) have an expiry date not later than twelve (12) months after such Letter of Credit's date of issuance and in no event later than the last day of the Term. Each standby Letter of Credit shall be subject either to the Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce at the time a Letter of Credit is issued (the "UCP") or the International Standby Practices (ISP98-International Chamber of Commerce Publication Number 590) (the "ISP98 Rules"), and any subsequent revision thereof at the time a standby Letter of Credit is issued, as determined by Agent, and each trade Letter of Credit shall be subject to the UCP.

(c) Agent shall use its reasonable efforts to notify Lenders of the request by Borrowing Agent for a Letter of Credit hereunder.

(d) Nothing contained in this Agreement shall be construed under any circumstances as an agreement by Agent and/or Lenders to extend the Term or require or obligate in any way Agent, Lenders and/or Issuer to make any Revolving Advances or to issue any new Letters of Credit (or extend or renew any existing Letters of Credit) on or after the last day of the Term.

2.11. Requirements For Issuance of Letters of Credit.

(a) Borrowing Agent shall authorize and direct any Issuer to name the applicable Borrower as the "Applicant" or "Account Party" of each Letter of Credit. If Agent is not the Issuer of any Letter of Credit, Borrowing Agent shall authorize and direct the Issuer to deliver to Agent all instruments, documents, and other writings and property received by the Issuer pursuant to the Letter of Credit and to accept and rely upon Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit, the application therefor or any acceptance therefor.

(b) In connection with all Letters of Credit issued or caused to be issued by Agent under this Agreement, each Borrower hereby appoints Agent, or its designee, as its attorney, with full power and authority if an Event of Default shall have occurred, (i) to sign and/or endorse such Borrower's name upon any warehouse or other receipts, letter of credit applications and acceptances, (ii) to sign such Borrower's name on bills of lading; (iii) to clear Inventory through the United States of America Customs Department ("Customs") in the name of such Borrower or Agent or Agent's designee, and to sign and deliver to Customs officials powers of attorney in the name of such Borrower for such purpose; and (iv) to complete in such Borrower's name or Agent's, or in the name of Agent's designee, any order, sale or transaction, obtain the necessary documents in connection therewith, and collect the proceeds thereof. Neither Agent nor its attorneys will be liable for any acts or omissions nor for any error of judgment or mistakes of fact or law, except for Agent's or its attorney's willful misconduct. This power, being coupled with an interest, is irrevocable as long as any Letters of Credit remain outstanding.

2.12. Disbursements, Reimbursement.

(a) Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Lender's Commitment Percentage of the Maximum Face Amount of such Letter of Credit and the amount of such drawing, respectively.

(b) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, Agent will promptly notify Borrowing Agent. Provided that Borrowing Agent shall have received such notice, the Borrowers shall reimburse (such obligation to reimburse Agent shall sometimes be referred to as a "Reimbursement Obligation") Agent prior to 12:00 Noon, New York time on each date that an amount is paid by Agent under any Letter of Credit (each such date, a "Drawing Date") in an amount equal to the amount so paid by Agent. In the event Borrowers fail to reimburse Agent for the full amount of any drawing under any Letter of Credit by 12:00 Noon, New York time, on the Drawing Date, Agent will promptly notify each Lender thereof, and Borrowers shall be deemed to have requested that a Revolving Advance maintained as a Domestic Rate Loan be made by the Lenders to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the lesser of (i) the Maximum Revolving Advance Amount, less the Maximum Undrawn Amount of all outstanding Letters of Credit, or (ii) the Formula Amount and, in each case, subject to Section 8.2 hereof. Any notice given by Agent pursuant to this Section 2.12(b) may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(c) Each Lender shall upon any notice pursuant to Section 2.12(b) make available to Agent an amount in immediately available funds equal to its Commitment Percentage of the amount of the drawing, whereupon the participating Lenders shall (subject to Section 2.12(d)) each be deemed to have made a Revolving Advance maintained as a Domestic Rate Loan to Borrowers in that amount. If any Lender so notified fails to make available to Agent the amount of such Lender's Commitment Percentage of such amount by no later than 2:00 p.m., New York time on the Drawing Date, then interest shall accrue on such Lender's obligation to make such payment, from the Drawing Date to the date on which such Lender makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Revolving Advances maintained as a Domestic Rate Loans on and after the fourth day following the Drawing Date. Agent will promptly give notice of the occurrence of the Drawing Date, but failure of Agent to give any such notice on the Drawing Date or in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligation under this Section 2.12(c), provided that such Lender shall not be obligated to pay interest as provided in Section 2.12(c) (i) and (ii) until and commencing from the date of receipt of notice from Agent of a drawing.

(d) With respect to any unreimbursed drawing that is not converted into a Revolving Advance maintained as a Domestic Rate Loan to Borrowers in whole or in part as contemplated by Section 2.12(b), because of Borrowers' failure to satisfy the conditions set forth in Section 8.2 (other than any notice requirements) or for any other reason, Borrowers shall be deemed to have incurred from Agent a borrowing (each a "Letter of Credit Borrowing") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand

(together with interest) and shall bear interest at the rate per annum applicable to a Revolving Advance maintained as a Domestic Rate Loan. Each Lender's payment to Agent pursuant to Section 2.12(c) shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Lender in satisfaction of its Participation Commitment under this Section 2.12.

(e) Each Lender's Participation Commitment shall continue until the last to occur of any of the following events: (x) Agent ceases to be obligated to issue or cause to be issued Letters of Credit hereunder; (y) no Letter of Credit issued or created hereunder remains outstanding and uncanceled; and (z) all Persons (other than the Borrowers) have been fully reimbursed for all payments made under or relating to Letters of Credit.

2.13. Repayment of Participation Advances.

(a) Upon (and only upon) receipt by Agent for its account of immediately available funds from Borrowers (i) in reimbursement of any payment made by the Agent under the Letter of Credit with respect to which any Lender has made a Participation Advance to Agent, or (ii) in payment of interest on such a payment made by Agent under such a Letter of Credit, Agent will pay to each Lender, in the same funds as those received by Agent, the amount of such Lender's Commitment Percentage of such funds, except Agent shall retain the amount of the Commitment Percentage of such funds of any Lender that did not make a Participation Advance in respect of such payment by Agent.

(b) If Agent is required at any time to return to any Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any insolvency proceeding, any portion of the payments made by Borrowers to Agent pursuant to Section 2.13(a) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Lender shall, on demand of Agent, forthwith return to Agent the amount of its Commitment Percentage of any amounts so returned by Agent plus interest at the Federal Funds Effective Rate.

2.14. Documentation. Each Borrower agrees to be bound by the terms of the Letter of Credit Application and by Agent's interpretations of any Letter of Credit issued on behalf of such Borrower and by Agent's written regulations and customary practices relating to letters of credit, though Agent's interpretations may be different from such Borrower's own. In the event of a conflict between the Letter of Credit Application and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment), Agent shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following the Borrowing Agent's or any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.15. Determination to Honor Drawing Request. In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, Agent shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the

requirements of such Letter of Credit and that any other drawing condition appearing on the face of such Letter of Credit has been satisfied in the manner so set forth.

2.16. Nature of Participation and Reimbursement Obligations. Each Lender's obligation in accordance with this Agreement to make the Revolving Advances or Participation Advances as a result of a drawing under a Letter of Credit, and the obligations of Borrowers to reimburse Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.16 under all circumstances, including the following circumstances:

- (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Agent, any Borrower or any other Person for any reason whatsoever;
- (ii) the failure of any Borrower or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in this Agreement for the making of a Revolving Advance, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Lenders to make Participation Advances under Section 2.12;
- (iii) any lack of validity or enforceability of any Letter of Credit;
- (iv) any claim of breach of warranty that might be made by Borrower or any Lender against the beneficiary of a Letter of Credit, or the existence of any claim, set-off, recoupment, counterclaim, cross-claim, defense or other right which any Borrower or any Lender may have at any time against a beneficiary, any successor beneficiary or any transferee of any Letter of Credit or the proceeds thereof (or any Persons for whom any such transferee may be acting), Agent or any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Borrower or any Subsidiaries of such Borrower and the beneficiary for which any Letter of Credit was procured);
- (v) the lack of power or authority of any signer of (or any defect in or forgery of any signature or endorsement on) or the form of or lack of validity, sufficiency, accuracy, enforceability or genuineness of any draft, demand, instrument, certificate or other document presented under or in connection with any Letter of Credit, or any fraud or alleged fraud in connection with any Letter of Credit, or the transport of any property or provisions of services relating to a Letter of Credit, in each case even if Agent or any of Agent's Affiliates has been notified thereof;
- (vi) payment by Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;
- (vii) the solvency of, or any acts or omissions by, any beneficiary of any Letter of Credit, or any other Person having a role in any transaction or obligation relating to a Letter of Credit, or the existence, nature, quality, quantity, condition, value or other characteristic of any property or services relating to a Letter of Credit;

(viii) any failure by the Agent or any of Agent's Affiliates to issue any Letter of Credit in the form requested by Borrowing Agent, unless the Agent has received written notice from Borrowing Agent of such failure within three (3) Business Days after the Agent shall have furnished Borrowing Agent a copy of such Letter of Credit and such error is material and no drawing has been made thereon prior to receipt of such notice;

(ix) any Material Adverse Effect;

(x) any breach of this Agreement or any Other Document by any party thereto;

(xi) the occurrence or continuance of an insolvency proceeding with respect to any Borrower or any Guarantor;

(xii) the fact that a Default or Event of Default shall have occurred and be continuing;

(xiii) the fact that the Term shall have expired or this Agreement or the Obligations hereunder shall have been terminated; and

(xiv) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.17. Indemnity. In addition to amounts payable as provided in Section 16.5, each Borrower hereby agrees to protect, indemnify, pay and save harmless Agent and any of Agent's Affiliates that have issued a Letter of Credit from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Agent or any of Agent's Affiliates may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (a) the gross negligence or willful misconduct of the Agent as determined by a final and non-appealable judgment of a court of competent jurisdiction or (b) the wrongful dishonor by the Agent or any of Agent's Affiliates of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Body (all such acts or omissions herein called "Governmental Acts").

2.18. Liability for Acts and Omissions. As between Borrowers and Agent and Lenders, each Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the respective foregoing, Agent shall not be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if Agent shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party

to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Borrower against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Borrower and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, facsimile, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of Agent, including any governmental acts, and none of the above shall affect or impair, or prevent the vesting of, any of Agent's rights or powers hereunder. Nothing in the preceding sentence shall relieve Agent from liability for Agent's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment) in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall Agent or Agent's Affiliates be liable to any Borrower for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, Agent and each of its Affiliates (i) may rely on any oral or other communication believed in good faith by Agent or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by Agent or its Affiliates; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on Agent or its Affiliate in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "Order") and honor any drawing in connection with any Letter of Credit that is the subject of such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by Agent under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith and without gross negligence (as determined by a court of competent jurisdiction in a final non-appealable judgment), shall not put Agent under any resulting liability to any Borrower or any Lender.

2.19. Additional Payments. Any sums expended by Agent or any Lender due to any Borrower's failure to perform or comply with its obligations under this Agreement or any Other Document including any Borrower's obligations under Sections 4.2, 4.4, 4.12, 4.13, 4.14 and 6.1 hereof, may be charged to Borrowers' Account as a Revolving Advance and added to the Obligations.

2.20. Manner of Borrowing and Payment.

(a) Each borrowing of Revolving Advances shall be advanced according to the applicable Commitment Percentages of Lenders.

(b) Each payment (including each prepayment) by any Borrower on account of the principal of and interest on the Revolving Advances, shall be applied to the Revolving Advances pro rata according to the applicable Commitment Percentages of Lenders. Except as expressly provided herein, all payments (including prepayments) to be made by any Borrower on account of principal, interest and fees shall be made without set off or counterclaim and shall be made to Agent on behalf of the Lenders to the Payment Office, in each case on or prior to 1:00 P.M., New York time, in Dollars and in immediately available funds.

(c) (i) Notwithstanding anything to the contrary contained in Sections 2.20(a) and (b) hereof, commencing with the first Business Day following the Closing Date, each borrowing of Revolving Advances shall be advanced by Agent and each payment by any Borrower on account of Revolving Advances shall be applied first to those Revolving Advances advanced by Agent. On or before 1:00 P.M., New York time, on each Settlement Date commencing with the first Settlement Date following the Closing Date, Agent and Lenders shall make certain payments as follows: (I) if the aggregate amount of new Revolving Advances made by Agent during the preceding Week (if any) exceeds the aggregate amount of repayments applied to outstanding Revolving Advances during such preceding Week, then each Lender shall provide Agent with funds in an amount equal to its applicable Commitment Percentage of the difference between (w) such Revolving Advances and (x) such repayments and (II) if the aggregate amount of repayments applied to outstanding Revolving Advances during such Week exceeds the aggregate amount of new Revolving Advances made during such Week, then Agent shall provide each Lender with funds in an amount equal to its applicable Commitment Percentage of the difference between (y) such repayments and (z) such Revolving Advances.

(ii) Each Lender shall be entitled to earn interest at the applicable Revolving Interest Rate on outstanding Advances which it has funded.

(iii) Promptly following each Settlement Date, Agent shall submit to each Lender a certificate with respect to payments received and Advances made during the Week immediately preceding such Settlement Date. Such certificate of Agent shall be conclusive in the absence of manifest error.

(d) If any Lender or Participant (a "Benefited Lender") shall at any time receive any payment of all or part of its Advances, or interest thereon, or receive any Collateral in respect thereof (whether voluntarily or involuntarily or by set-off) in a greater proportion than any such payment to and Collateral received by any other Lender, if any, in respect of such other

Lender's Advances, or interest thereon, and such greater proportionate payment or receipt of Collateral is not expressly permitted hereunder, such Benefited Lender shall purchase for cash from the other Lenders a participation in such portion of each such other Lender's Advances, or shall provide such other Lender with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such Collateral or proceeds ratably with each of the other Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Each Lender so purchasing a portion of another Lender's Advances may exercise all rights of payment (including rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(e) Unless Agent shall have been notified by telephone, confirmed in writing, by any Lender that such Lender will not make the amount which would constitute its applicable Commitment Percentage of the Advances available to Agent, Agent may (but shall not be obligated to) assume that such Lender shall make such amount available to Agent on the next Settlement Date and, in reliance upon such assumption, make available to Borrowers a corresponding amount. Agent will promptly notify Borrowing Agent of its receipt of any such notice from a Lender. If such amount is made available to Agent on a date after such next Settlement Date, such Lender shall pay to Agent on demand an amount equal to the product of (i) the daily average Federal Funds Effective Rate (computed on the basis of a year of 360 days) during such period as quoted by Agent, times (ii) such amount, times (iii) the number of days from and including such Settlement Date to the date on which such amount becomes immediately available to Agent. A certificate of Agent submitted to any Lender with respect to any amounts owing under this paragraph (e) shall be conclusive, in the absence of manifest error. If such amount is not in fact made available to Agent by such Lender within three (3) Business Days after such Settlement Date, Agent shall be entitled to recover such an amount, with interest thereon at the rate per annum then applicable to such Revolving Advances hereunder, on demand from Borrowers; provided, however, that Agent's right to such recovery shall not prejudice or otherwise adversely affect Borrowers' rights (if any) against such Lender.

2.21. Mandatory Prepayments. Subject to Section 4.3 hereof, when any Borrower sells or otherwise disposes of any Collateral other than Inventory in the Ordinary Course of Business, Borrowers shall repay the Advances in an amount equal to the net proceeds of such sale (i.e., gross proceeds less the reasonable costs of such sales or other dispositions), such repayments to be made promptly but in no event more than one (1) Business Day following receipt of such net proceeds, and until the date of payment, such proceeds shall be held in trust for Agent. The foregoing shall not be deemed to be implied consent to any such sale otherwise prohibited by the terms and conditions hereof. Such repayments shall be applied to the Advances in such order as Agent may determine, subject to Borrowers' ability to reborrow Revolving Advances in accordance with the terms hereof.

2.22. Use of Proceeds.

(a) Borrowers shall apply the proceeds of Advances to (i) pay fees and expenses relating to this transaction, and (ii) provide for its working capital needs and reimburse drawings under Letters of Credit.

(b) Without limiting the generality of Section 2.22(a) above, neither the Borrowers, the Guarantors nor any other Person which may in the future become party to this Agreement or the Other Documents as a Borrower or Guarantor, intends to use nor shall they use any portion of the proceeds of the Advances, directly or indirectly, for any purpose in violation of the Trading with the Enemy Act.

2.23. Defaulting Lender.

(a) Notwithstanding anything to the contrary contained herein, in the event any Lender (x) has refused (which refusal constitutes a breach by such Lender of its obligations under this Agreement) to make available its portion of any Advance or (y) notifies either Agent or Borrowing Agent that it does not intend to make available its portion of any Advance (if the actual refusal would constitute a breach by such Lender of its obligations under this Agreement) (each, a "Lender Default"), all rights and obligations hereunder of such Lender (a "Defaulting Lender") as to which a Lender Default is in effect and of the other parties hereto shall be modified to the extent of the express provisions of this Section 2.23 while such Lender Default remains in effect.

(b) Advances shall be incurred pro rata from Lenders (the "Non-Defaulting Lenders") which are not Defaulting Lenders based on their respective Commitment Percentages, and no Commitment Percentage of any Lender or any pro rata share of any Advances required to be advanced by any Lender shall be increased as a result of such Lender Default. Amounts received in respect of principal of any type of Advances shall be applied to reduce the applicable Advances of each Lender (other than any Defaulting Lender) pro rata based on the aggregate of the outstanding Advances of that type of all Lenders at the time of such application; provided, that, Agent shall not be obligated to transfer to a Defaulting Lender any payments received by Agent for the Defaulting Lender's benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, re-lend to a Borrower the amount of such payments received or retained by it for the account of such Defaulting Lender.

(c) A Defaulting Lender shall not be entitled to give instructions to Agent or to approve, disapprove, consent to or vote on any matters relating to this Agreement and the Other Documents. All amendments, waivers and other modifications of this Agreement and the Other Documents may be made without regard to a Defaulting Lender and, for purposes of the definition of "Required Lenders", a Defaulting Lender shall be deemed not to be a Lender and not to have either Advances outstanding or a Commitment Percentage.

(d) Other than as expressly set forth in this Section 2.23, the rights and obligations of a Defaulting Lender (including the obligation to indemnify Agent) and the other parties hereto shall remain unchanged. Nothing in this Section 2.23 shall be deemed to release any Defaulting Lender from its obligations under this Agreement and the Other Documents, shall alter such obligations, shall operate as a waiver of any default by such Defaulting Lender hereunder, or shall prejudice any rights which any Borrower, Agent or any Lender may have against any Defaulting Lender as a result of any default by such Defaulting Lender hereunder.

(e) In the event a Defaulting Lender retroactively cures to the satisfaction of Agent the breach which caused a Lender to become a Defaulting Lender, such Defaulting Lender shall no longer be a Defaulting Lender and shall be treated as a Lender under this Agreement.

III. INTEREST AND FEES.

3.1. Interest. Interest on Advances shall be payable in arrears on the first day of each month with respect to Domestic Rate Loans and, with respect to Eurodollar Rate Loans, at the end of each Interest Period or, for Eurodollar Rate Loans with an Interest Period in excess of three months, at the earlier of (a) each three months from the commencement of such Eurodollar Rate Loan or (b) the end of the Interest Period. Interest charges shall be computed on the actual principal amount of Advances outstanding during the month at a rate per annum equal to with respect to Revolving Advances, the applicable Revolving Interest Rate. Whenever, subsequent to the date of this Agreement, the Alternate Base Rate is increased or decreased, the Revolving Interest Rate for Domestic Rate Loans shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the Alternate Base Rate during the time such change or changes remain in effect. The Eurodollar Rate shall be adjusted with respect to Eurodollar Rate Loans without notice or demand of any kind on the effective date of any change in the Reserve Percentage as of such effective date. Upon and after the occurrence of an Event of Default, and during the continuation thereof, (i) at the option of Agent or at the direction of Required Lenders, the Obligations shall bear interest at the Revolving Interest Rate for Domestic Loans plus two percent (2%) per annum (the "Default Rate").

3.2. Letter of Credit Fees.

(a) Borrowers shall pay (x) to Agent, for the ratable benefit of Lenders, fees for each Letter of Credit for the period from and excluding the date of issuance of same to and including the date of expiration or termination, equal to the average daily face amount of each outstanding Letter of Credit multiplied by the Applicable Margin in effect for Eurodollar Rate Loans less one-quarter of one percent (0.25%) per annum, such fees to be calculated on the basis of a 360-day year for the actual number of days elapsed and to be payable quarterly in arrears on the first day of each quarter and on the last day of the Term, and (y) to the Issuer, a fronting fee of one quarter of one percent (0.25%) per annum, together with any and all administrative, issuance, amendment, payment and negotiation charges with respect to Letters of Credit and all fees and expenses as agreed upon by the Issuer and the Borrowing Agent in connection with any Letter of Credit, including in connection with the opening, amendment or renewal of any such Letter of Credit and any acceptances created thereunder and shall reimburse Agent for any and all fees and expenses, if any, paid by Agent to the Issuer (all of the foregoing fees, the "Letter of Credit Fees"). All such charges shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or pro-ration upon the termination of this Agreement for any reason. Any such charge in effect at the time of a particular transaction shall be the charge for that transaction, notwithstanding any subsequent change in the Issuer's prevailing charges for that type of transaction. All Letter of Credit Fees payable hereunder shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or pro-ration upon the termination of this Agreement for any reason. Upon and after the occurrence of an Event of Default, and during the continuation thereof, at the option of Agent or at the direction of Required Lenders, the Letter of

Credit Fees described in clause (x) of this Section 3.2(a) shall be increased by an additional two percent (2.0%) per annum.

(b) At any time following the occurrence of an Event of Default or the expiration of the Term, Borrowers will cause cash to be deposited and maintained in an account with Agent, as cash collateral, in an amount equal to one hundred and five percent (105%) of the Maximum Undrawn Amount of all outstanding Letters of Credit, and each Borrower hereby irrevocably authorizes Agent, in its discretion, on such Borrower's behalf and in such Borrower's name, to open such an account and to make and maintain deposits therein, or in an account opened by such Borrower, in the amounts required to be made by such Borrower, out of the proceeds of Receivables or other Collateral or out of any other funds of such Borrower coming into any Lender's possession at any time. Agent will invest such cash collateral (less applicable reserves) in such short-term money-market items as to which Agent and such Borrower mutually agree and the net return on such investments shall be credited to such account and constitute additional cash collateral. No Borrower may withdraw amounts credited to any such account except upon the occurrence of all of the following: (x) payment and performance in full of all Obligations; (y) expiration of all Letters of Credit; and (z) termination of this Agreement.

3.3. Closing Fee and Facility Fee .

(a) Upon the execution of this Agreement, Borrowers shall pay to Agent for the ratable benefit of Lenders a closing fee of \$200,000.

(b) If, for any month during the Term, the average daily unpaid balance of the Revolving Advances plus the Maximum Undrawn Amount of all outstanding Letters of Credit for each day of such month does not equal the Maximum Revolving Advance Amount, then Borrowers shall pay to Agent for the ratable benefit of Lenders a fee at a rate equal to the Unused Line Fee set forth in the Applicable Margin on the amount by which the Maximum Revolving Advance Amount exceeds such average daily unpaid balance (the "Unused Line Fee"). Such fee shall be payable to Agent in arrears on the first day of each month with respect to the previous month.

3.4. Collateral Evaluation Fee, Collateral Monitoring Fee and Appraisal Fee .

(a) Borrowers shall pay Agent a collateral monitoring fee equal to \$2,000 per month commencing on the first day of the month following the Closing Date and on the first day of each month thereafter during the Term. The collateral monitoring fee shall be deemed earned in full on the date when same is due and payable hereunder and shall not be subject to rebate or proration upon termination of this Agreement for any reason.

(b) Borrowers shall pay to Agent on the first day of each month following any month in which Agent performs any collateral evaluation — namely any field examination, collateral analysis or other business analysis, the need for which is to be determined by Agent and which evaluation is undertaken by Agent or for Agent's benefit — a collateral evaluation fee in an amount equal to \$850 per day for each person employed to perform such evaluation, plus

all costs and disbursements incurred by Agent in the performance of such examination or analysis.

(c) Agent may, in its sole discretion, exercised in a commercially reasonable manner, at any time after the Closing Date, engage the services of an independent appraisal firm or firms of reputable standing, satisfactory to Agent, for the purpose of appraising the then current values of the Collateral. Absent the occurrence and continuance of an Event of Default at such time, Agent shall consult with Borrowers as to the identity of any such firm. All of the fees and out-of-pocket costs and expense of any such firm (collectively, "appraisal amounts") shall be paid for when due, in full and without off-set, by Borrowers. In the event the value of Borrowers' Inventory, as so determined pursuant to such appraisal, is less than anticipated by Agent or Lenders, such that the Revolving Advances against Eligible Inventory, are in fact in excess of such Advances permitted hereunder, then, promptly upon Agent's demand for same, Borrowers shall make mandatory prepayments of the then outstanding Revolving Advances made against such Eligible Inventory so as to eliminate the excess Advances.

3.5. Computation of Interest and Fees. Interest and fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed. If any payment to be made hereunder becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the Revolving Interest Rate for Domestic Rate Loans during such extension.

3.6. Maximum Charges. In no event whatsoever shall interest and other charges charged hereunder exceed the highest rate permissible under law. In the event interest and other charges as computed hereunder would otherwise exceed the highest rate permitted under law, such excess amount shall be first applied to any unpaid principal balance owed by Borrowers, and if the then remaining excess amount is greater than the previously unpaid principal balance, Lenders shall promptly refund such excess amount to Borrowers and the provisions hereof shall be deemed amended to provide for such permissible rate.

3.7. Increased Costs. In the event that any Applicable Law, treaty or governmental regulation, or any change therein or in the interpretation or application thereof, or compliance by any Lender (for purposes of this Section 3.7, the term "Lender" shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) and the office or branch where Agent or any Lender (as so defined) makes or maintains any Eurodollar Rate Loans with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority, shall:

(a) subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement or any Other Document or change the basis of taxation of payments to Agent or any Lender of principal, fees, interest or any other amount payable hereunder or under any Other Documents (except for changes in the rate of tax on the overall net income of Agent or any Lender by the jurisdiction in which it maintains its principal office);

(b) impose, modify or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or

loans by, or other credit extended by, any office of Agent or any Lender, including pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or

(c) impose on Agent or any Lender or the London interbank Eurodollar market any other condition with respect to this Agreement or any Other Document;

and the result of any of the foregoing is to increase the cost to Agent or any Lender of making, renewing or maintaining its Advances hereunder by an amount that Agent or such Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of any of the Advances by an amount that Agent or such Lender deems to be material, then, in any case Borrowers shall promptly pay Agent or such Lender, upon its demand, such additional amount as will compensate Agent or such Lender for such additional cost or such reduction, as the case may be. Agent or such Lender shall certify the amount of such additional cost or reduced amount to Borrowing Agent, and such certification shall be conclusive absent manifest error.

3.8. Basis For Determining Interest Rate Inadequate or Unfair. In the event that Agent or any Lender shall have determined that:

(a) reasonable means do not exist for ascertaining the Eurodollar Rate applicable pursuant to Section 2.2 hereof for any Interest Period; or

(b) Dollar deposits in the relevant amount and for the relevant maturity are not available in the London interbank Eurodollar market, with respect to an outstanding Eurodollar Rate Loan, a proposed Eurodollar Rate Loan, or a proposed conversion of a Domestic Rate Loan into a Eurodollar Rate Loan,

then Agent shall give Borrowing Agent prompt written or telephonic notice of such determination. If such notice is given, (i) any such requested Eurodollar Rate Loan shall be made as a Domestic Rate Loan, unless Borrowing Agent shall notify Agent no later than 10:00 a.m. (New York City time) two (2) Business Days prior to the date of such proposed borrowing, that its request for such borrowing shall be cancelled or made as an unaffected type of Eurodollar Rate Loan, (ii) any Domestic Rate Loan or Eurodollar Rate Loan which was to have been converted to an affected type of Eurodollar Rate Loan shall be continued as or converted into a Domestic Rate Loan, or, if Borrowing Agent shall notify Agent, no later than 10:00 a.m. (New York City time) two (2) Business Days prior to the proposed conversion, shall be maintained as an unaffected type of Eurodollar Rate Loan, and (iii) any outstanding affected Eurodollar Rate Loans shall be converted into a Domestic Rate Loan, or, if Borrowing Agent shall notify Agent, no later than 10:00 a.m. (New York City time) two (2) Business Days prior to the last Business Day of the then current Interest Period applicable to such affected Eurodollar Rate Loan, shall be converted into an unaffected type of Eurodollar Rate Loan, on the last Business Day of the then current Interest Period for such affected Eurodollar Rate Loans. Until such notice has been withdrawn, Lenders shall have no obligation to make an affected type of Eurodollar Rate Loan or maintain outstanding affected Eurodollar Rate Loans and no Borrower shall have the right to convert a Domestic Rate Loan or an unaffected type of Eurodollar Rate Loan into an affected type of Eurodollar Rate Loan.

3.9. Capital Adequacy.

(a) In the event that Agent or any Lender shall have determined that any Applicable Law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Body, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any Lender (for purposes of this Section 3.9, the term “Lender” shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) and the office or branch where Agent or any Lender (as so defined) makes or maintains any Eurodollar Rate Loans with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on Agent or any Lender’s capital as a consequence of its obligations hereunder to a level below that which Agent or such Lender could have achieved but for such adoption, change or compliance (taking into consideration Agent’s and each Lender’s policies with respect to capital adequacy) by an amount deemed by Agent or any Lender to be material, then, from time to time, Borrowers shall pay upon demand to Agent or such Lender such additional amount or amounts as will compensate Agent or such Lender for such reduction. In determining such amount or amounts, Agent or such Lender may use any reasonable averaging or attribution methods. The protection of this Section 3.9 shall be available to Agent and each Lender regardless of any possible contention of invalidity or inapplicability with respect to the Applicable Law, regulation or condition.

(b) A certificate of Agent or such Lender setting forth such amount or amounts as shall be necessary to compensate Agent or such Lender with respect to Section 3.9(a) hereof when delivered to Borrowing Agent shall be conclusive absent manifest error.

3.10. Gross Up for Taxes. If any Borrower shall be required by Applicable Law to withhold or deduct any taxes from or in respect of any sum payable under this Agreement or any of the Other Documents to Agent, or any Lender, assignee of any Lender, or Participant (each, individually, a “Payee” and collectively, the “Payees”), (a) the sum payable to such Payee or Payees, as the case may be, shall be increased as may be necessary so that, after making all required withholding or deductions, the applicable Payee or Payees receives an amount equal to the sum it would have received had no such withholding or deductions been made (the “Gross-Up Payment”), (b) such Borrower shall make such withholding or deductions, and (c) such Borrower shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with Applicable Law. Notwithstanding the foregoing, no Borrower shall be obligated to make any portion of the Gross-Up Payment that is attributable to any withholding or deductions that would not have been paid or claimed had the applicable Payee or Payees properly claimed a complete exemption with respect thereto pursuant to Section 3.11 hereof.

3.11. Withholding Tax Exemption.

(a) Each Payee that is not incorporated under the Laws of the United States of America or a state thereof (and, upon the written request of Agent, each other Payee) agrees that it will deliver to Borrowing Agent and Agent two (2) duly completed appropriate valid Withholding Certificates (as defined under §1.1441-1(c)(16) of the Income Tax Regulations

("Regulations")) certifying its status (i.e., U.S. or foreign person) and, if appropriate, making a claim of reduced, or exemption from, U.S. withholding tax on the basis of an income tax treaty or an exemption provided by the Code. The term "Withholding Certificate" means a Form W-9; a Form W-8BEN; a Form W-8ECI; a Form W-8IMY and the related statements and certifications as required under §1.1441-1(e)(2) and/or (3) of the Regulations; a statement described in §1.871-14(c)(2)(v) of the Regulations; or any other certificates under the Code or Regulations that certify or establish the status of a payee or beneficial owner as a U.S. or foreign person.

(b) Each Payee required to deliver to Borrowing Agent and Agent a valid Withholding Certificate pursuant to Section 3.11(a) hereof shall deliver such valid Withholding Certificate as follows: (i) each Payee which is a party hereto on the Closing Date shall deliver such valid Withholding Certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by any Borrower hereunder for the account of such Payee; (ii) each Payee shall deliver such valid Withholding Certificate at least five (5) Business Days before the effective date of such assignment or participation (unless Agent in its sole discretion shall permit such Payee to deliver such Withholding Certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by Agent). Each Payee which so delivers a valid Withholding Certificate further undertakes to deliver to Borrowing Agent and Agent two (2) additional copies of such Withholding Certificate (or a successor form) on or before the date that such Withholding Certificate expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent Withholding Certificate so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Borrowing Agent or Agent.

(c) Notwithstanding the submission of a Withholding Certificate claiming a reduced rate of or exemption from U.S. withholding tax required under Section 3.11(b) hereof, Agent shall be entitled to withhold United States federal income taxes at the full 30% withholding rate if in its reasonable judgment it is required to do so under the due diligence requirements imposed upon a withholding agent under §1.1441-7(b) of the Regulations. Further, Agent is indemnified under §1.1461-1(e) of the Regulations against any claims and demands of any Payee for the amount of any tax it deducts and withholds in accordance with regulations under §1441 of the Code.

IV. COLLATERAL: GENERAL TERMS

4.1. Security Interest in the Collateral. To secure the prompt payment and performance to Agent and each Lender of the Obligations, each Borrower hereby assigns, pledges and grants to Agent for its benefit and for the ratable benefit of each Lender a continuing security interest in and to and Lien on all of its Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. Each Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Agent's security interest and shall cause its financial statements to reflect such security interest. Each Borrower shall promptly provide Agent with written notice of all commercial tort claims, such notice to contain the case title together with the applicable court and a brief description of the claim(s). Upon delivery of each such notice, such Borrower shall be deemed to hereby grant to Agent a security interest and lien in and to such commercial tort claims and all proceeds thereof.

4.2. Perfection of Security Interest. Each Borrower shall take all action that may be necessary or desirable, or that Agent may request, so as at all times to maintain the validity, perfection, enforceability and priority of Agent's security interest in and Lien on the Collateral or to enable Agent to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) immediately discharging all Liens other than Permitted Encumbrances, (ii) obtaining Lien Waiver Agreements, (iii) delivering to Agent, endorsed or accompanied by such instruments of assignment as Agent may specify, and stamping or marking, in such manner as Agent may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (iv) entering into warehousing, lockbox and other custodial arrangements satisfactory to Agent, and (v) executing and delivering financing statements, control agreements, instruments of pledge, mortgages, notices and assignments, in each case in form and substance satisfactory to Agent, relating to the creation, validity, perfection, maintenance or continuation of Agent's security interest and Lien under the Uniform Commercial Code or other Applicable Law. By its signature hereto, each Borrower hereby authorizes Agent to file against such Borrower, one or more financing, continuation or amendment statements pursuant to the Uniform Commercial Code in form and substance satisfactory to Agent (which statements may have a description of collateral which is broader than that set forth herein). All charges, expenses and fees Agent may incur in doing any of the foregoing, and any local taxes relating thereto, shall be charged to Borrowers' Account as a Revolving Advance of a Domestic Rate Loan and added to the Obligations, or, at Agent's option, shall be paid to Agent for its benefit and for the ratable benefit of Lenders immediately upon demand.

4.3. Disposition of Collateral. Each Borrower will safeguard and protect all Collateral for Agent's general account and make no disposition thereof whether by sale, lease or otherwise except (a) the sale of Inventory in the Ordinary Course of Business, (b) the disposition or transfer of obsolete and worn-out Equipment in the Ordinary Course of Business during any fiscal year only to the extent that (i) the proceeds of any such disposition are used to acquire replacement Equipment which is subject to Agent's first priority security interest or (ii) the proceeds of which are remitted to Agent to be applied pursuant to Section 2.21 and (c) upon the prior written consent of Agent (such consent not to be unreasonably withheld), the sale of other assets (other than Receivables, Inventory or General Intangibles) for reasonably equivalent value and the proceeds of which shall be maintained by Borrowers for use in the Ordinary Course of Business.

4.4. Preservation of Collateral. Following the occurrence of a Default or Event of Default, in addition to the rights and remedies set forth in Section 11.1 hereof, Agent: (a) may at any time take such steps as Agent deems necessary to protect Agent's interest in and to preserve the Collateral, including the hiring of such security guards or the placing of other security protection measures as Agent may deem appropriate; (b) may employ and maintain at any of any Borrower's premises a custodian who shall have full authority to do all acts necessary to protect Agent's interests in the Collateral; (c) may lease warehouse facilities to which Agent may move all or part of the Collateral; (d) may use any Borrower's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; and (e) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Borrowers' owned or leased property. Each Borrower shall cooperate fully with all of Agent's efforts to preserve the Collateral and will take such actions to preserve the Collateral as Agent may direct. All of Agent's expenses of preserving the

Collateral, including any expenses relating to the bonding of a custodian, shall be charged to Borrowers' Account as a Revolving Advance maintained as a Domestic Rate Loan and added to the Obligations.

4.5. Ownership of Collateral.

(a) With respect to the Collateral, at the time the Collateral becomes subject to Agent's security interest: (i) each Borrower shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the its respective Collateral to Agent; and, except for Permitted Encumbrances the Collateral shall be free and clear of all Liens and encumbrances whatsoever; (ii) each document and agreement executed by each Borrower or delivered to Agent or any Lender in connection with this Agreement shall be true and correct in all respects; (iii) all signatures and endorsements of each Borrower that appear on such documents and agreements shall be genuine and each Borrower shall have full capacity to execute same; and (iv) each Borrower's Equipment and Inventory shall be located as set forth on Schedule 4.5 and shall not be removed from such location(s) without the prior written consent of Agent (it being acknowledged that Borrowers may move equipment with a book value less than \$100,000 in the aggregate (in one or a series of moves) after the Closing Date from a location not subject to the Direct TV Security Documents to a location subject to the Direct TV Security Documents without the prior written consent of Agent) except with respect to the sale of Inventory in the Ordinary Course of Business and Equipment to the extent permitted in Section 4.3 hereof.

(b) (i) There is no location at which any Borrower has any Inventory (except for Inventory in transit) other than those locations listed on Schedule 4.5; (ii) Schedule 4.5 hereto contains a correct and complete list, as of the Closing Date, of the legal names and addresses of each warehouse at which Inventory of any Borrower is stored; none of the receipts received by any Borrower from any warehouse states that the goods covered thereby are to be delivered to bearer or to the order of a named Person or to a named Person and such named Person's assigns; (iii) Schedule 4.5 hereto sets forth a correct and complete list as of the Closing Date of (A) each place of business of each Borrower and (B) the chief executive office of each Borrower; and (iv) Schedule 4.5 hereto sets forth a correct and complete list as of the Closing Date of the location, by state and street address, of all Real Property owned or leased by each Borrower, together with the names and addresses of any landlords.

4.6. Defense of Agent's and Lenders' Interests. Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, Agent's interests in the Collateral shall continue in full force and effect. During such period no Borrower shall, without Agent's prior written consent, pledge, sell (except Inventory in the Ordinary Course of Business and Equipment to the extent permitted in Section 4.3 hereof), assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way except for Permitted Encumbrances, any part of the Collateral. Each Borrower shall defend Agent's interests in the Collateral against any and all Persons whatsoever. At any time following demand by Agent for payment of all Obligations, Agent shall have the right to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including: labels, stationery, documents, instruments and advertising materials. If Agent exercises this right to take possession of the Collateral, Borrowers shall, upon demand, assemble it in the best

manner possible and make it available to Agent at a place reasonably convenient to Agent. In addition, with respect to all Collateral, Agent and Lenders shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code or other Applicable Law. Each Borrower shall, and Agent may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver same to Agent and/or subject to Agent's order and if they shall come into any Borrower's possession, they, and each of them, shall be held by such Borrower in trust as Agent's trustee, and such Borrower will immediately deliver them to Agent in their original form together with any necessary endorsement.

4.7. Books and Records. Each Borrower shall: (a) keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs; (b) set up on its books accruals with respect to all taxes, assessments, charges, levies and claims; and (c) on a reasonably current basis set up on its books, from its earnings, allowances against doubtful Receivables, advances and investments and all other proper accruals (including by reason of enumeration, accruals for premiums, if any, due on required payments and accruals for depreciation, obsolescence, or amortization of properties), which should be set aside from such earnings in connection with its business. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by Borrowers.

4.8. Financial Disclosure. Each Borrower hereby irrevocably authorizes and directs all accountants and auditors employed by such Borrower at any time during the Term to exhibit and deliver to Agent and each Lender copies of any of such Borrower's financial statements, trial balances or other accounting records of any sort in the accountant's or auditor's possession, and to disclose to Agent and each Lender any information such accountants may have concerning such Borrower's financial status and business operations. Each Borrower hereby authorizes all Governmental Bodies to furnish to Agent and each Lender copies of reports or examinations relating to such Borrower, whether made by such Borrower or otherwise; however, Agent and each Lender will attempt to obtain such information or materials directly from such Borrower prior to obtaining such information or materials from such accountants or Governmental Bodies.

4.9. Compliance with Laws. Each Borrower shall comply with all Applicable Laws with respect to the Collateral or any part thereof or to the operation of such Borrower's business the non-compliance with which could reasonably be expected to have a Material Adverse Effect. Each Borrower may, however, contest or dispute any Applicable Laws in any reasonable manner, provided that any related Lien is inchoate or stayed and sufficient reserves are established to the reasonable satisfaction of Agent to protect Agent's Lien on or security interest in the Collateral.

4.10. Inspection of Premises. At all reasonable times Agent and each Lender shall have full access to and the right to audit, check, inspect and make abstracts and copies from each Borrower's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of each Borrower's business. Agent, any Lender and their agents may enter upon any premises of any Borrower at any time during business hours and at any other

reasonable time, and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Borrower's business.

4.11. Insurance. The assets and properties of each Borrower at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets and properties of such Borrower so that such insurance shall remain in full force and effect. Each Borrower shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At each Borrower's own cost and expense in amounts and with carriers acceptable to Agent, each Borrower shall: (a) keep all its insurable properties and properties in which such Borrower has an interest insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Borrower's including business interruption insurance; (b) maintain a bond in such amounts as is customary in the case of companies engaged in businesses similar to such Borrower insuring against larceny, embezzlement or other criminal misappropriation of insured's officers and employees who may either singly or jointly with others at any time have access to the assets or funds of such Borrower either directly or through authority to draw upon such funds or to direct generally the disposition of such assets; (c) maintain public and product liability insurance against claims for personal injury, death or property damage suffered by others; (d) maintain all such worker's compensation or similar insurance as may be required under the laws of any state or jurisdiction in which such Borrower is engaged in business; (e) furnish Agent with (i) copies of all policies and evidence of the maintenance of such policies by the renewal thereof at least thirty (30) days before any expiration date, and (ii) appropriate loss payable endorsements in form and substance satisfactory to Agent, naming Agent as a co-insured and loss payee as its interests may appear with respect to all insurance coverage referred to in clauses (a) and (c) above, and providing (A) that all proceeds thereunder shall be payable to Agent, (B) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy, and (C) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to Agent. In the event of any loss thereunder, the carriers named therein hereby are directed by Agent and the applicable Borrower to make payment for such loss to Agent and not to such Borrower and Agent jointly. If any insurance losses are paid by check, draft or other instrument payable to any Borrower and Agent jointly, Agent may endorse such Borrower's name thereon and do such other things as Agent may deem advisable to reduce the same to cash. So long as no Event of Default has occurred and is continuing, Borrowers shall have the right to adjust and compromise claims in amounts less than \$100,000 under insurance coverage referred to in clauses (a) through (c) above; provided further that in the event that any claim is equal to or exceeds \$100,000, Borrower shall have the right to adjust and compromise such claims subject to the consent of Agent which consent shall not be unreasonably withheld. All loss recoveries received by Agent upon any such insurance may be applied to the Obligations, in such order as Agent in its sole discretion shall determine. Any surplus shall be paid by Agent to Borrowers or applied as may be otherwise required by law. Any deficiency thereon shall be paid by Borrowers to Agent, on demand.

4.12. Failure to Pay Insurance. If any Borrower fails to obtain insurance as hereinabove provided, or to keep the same in force, Agent, if Agent so elects, may obtain such insurance and pay the premium therefor on behalf of such Borrower, and charge Borrowers' Account therefor

as a Revolving Advance of a Domestic Rate Loan and such expenses so paid shall be part of the Obligations.

4.13. Payment of Taxes. Each Borrower will pay, when due, all taxes, assessments and other Charges lawfully levied or assessed upon such Borrower or any of the Collateral including real and personal property taxes, assessments and charges and all franchise, income, employment, social security benefits, withholding, and sales taxes. If any tax by any Governmental Body is or may be imposed on or as a result of any transaction between any Borrower and Agent or any Lender which Agent or any Lender may be required to withhold or pay or if any taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in Agent's or any Lender's opinion, may possibly create a valid Lien on the Collateral, Agent may without notice to Borrowers pay the taxes, assessments or other Charges and each Borrower hereby indemnifies and holds Agent and each Lender harmless in respect thereof. Agent will not pay any taxes, assessments or Charges to the extent that any applicable Borrower has Properly Contested those taxes, assessments or Charges. The amount of any payment by Agent under this Section 4.13 shall be charged to Borrowers' Account as a Revolving Advance maintained as a Domestic Rate Loan and added to the Obligations and, until Borrowers shall furnish Agent with an indemnity therefor (or supply Agent with evidence satisfactory to Agent that due provision for the payment thereof has been made), Agent may hold without interest any balance standing to Borrowers' credit and Agent shall retain its security interest in and Lien on any and all Collateral held by Agent.

4.14. Payment of Leasehold Obligations. Each Borrower shall at all times pay, when and as due, its rental obligations under all leases under which it is a tenant, and shall otherwise comply, in all material respects, with all other terms of such leases and keep them in full force and effect and, at Agent's request will provide evidence of having done so.

4.15. Receivables.

(a) Nature of Receivables. Each of the Receivables shall be a bona fide and valid account representing a bona fide indebtedness incurred by the Customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms of a Borrower, or work, labor or services theretofore rendered by a Borrower as of the date each Receivable is created. Same shall be due and owing in accordance with the applicable Borrower's standard terms of sale without dispute, setoff or counterclaim except as may be stated on the accounts receivable schedules delivered by Borrowers to Agent.

(b) Solvency of Customers. Each Customer, to the best of each Borrower's knowledge, as of the date each Receivable is created, is and will be solvent and able to pay all Receivables on which the Customer is obligated in full when due or with respect to such Customers of any Borrower who are not solvent such Borrower has set up on its books and in its financial records bad debt reserves adequate to cover such Receivables.

(c) Location of Borrowers. Each Borrower's chief executive office is located at 6740 Shady Oak Road, Eden Prairie, Minnesota 55344. Until written notice is given to Agent

by Borrowing Agent of any other office at which any Borrower keeps its records pertaining to Receivables, all such records shall be kept at such executive office.

(d) Collection of Receivables; Credit Card Notifications.

(i) Borrowers shall instruct their Customers to deliver all remittances upon Receivables to such lockbox account or Blocked Account as Agent shall designate from time to time as contemplated by Section 4.15(h) or as otherwise agreed to from time to time by Agent. Notwithstanding the foregoing, to the extent any Borrower directly receives any remittances upon Receivables, such Borrower will, at such Borrower's sole cost and expense, but on Agent's behalf and for Agent's account, collect as Agent's property and in trust for Agent all amounts received on Receivables, and shall not commingle such collections with any Borrower's funds or use the same except to pay Obligations. Each Borrower shall deposit in the Blocked Account or, upon request by Agent, deliver to Agent, in original form and on the date of receipt thereof, all checks, drafts, notes, money orders, acceptances, cash and other evidences of Indebtedness. The Borrowers shall use commercially reasonable efforts to cause the ACH or wire transfer of all payments due from credit card processors (whether or not there are then any outstanding Obligations) to be made to a Blocked Account with such frequency as is consistent with the Borrowers' current business practices as in effect on the Closing Date.

(ii) Borrowers shall deliver to the Agent copies of notifications (each, a "Credit Card Notification") substantially in the form attached hereto as Exhibit 4.15(d)(ii) which have been executed on behalf of such Borrower and which shall, upon satisfaction of the covenant set forth in Section 6.11, be delivered to such Borrower's credit card clearinghouses and processors listed on Schedule 5.28.

(e) Notification of Assignment of Receivables. At any time, Agent shall have the right to send notice of the assignment of, and Agent's security interest in and Lien on, the Receivables to any and all Customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, Agent shall have the sole right to collect the Receivables, take possession of the Collateral, or both. Agent's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection, may be charged to Borrowers' Account and added to the Obligations.

(f) Power of Agent to Act on Borrowers' Behalf. Agent shall have the right to receive, endorse, assign and/or deliver in the name of Agent or any Borrower any and all checks, drafts and other instruments for the payment of money relating to the Receivables, and each Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. Each Borrower hereby constitutes Agent or Agent's designee as such Borrower's attorney with power (i) at any time: (A) to endorse such Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (B) to sign such Borrower's name on any invoice or bill of lading relating to any of the Receivables, drafts against Customers, assignments and verifications of Receivables; (C) to send verifications of Receivables to any Customer; (D) to sign such Borrower's name on all financing statements or any other documents or instruments deemed necessary or appropriate by Agent to preserve, protect, or perfect Agent's interest in the Collateral and to file same; and (ii) at any time

following the occurrence of a Default or Event of Default: (A) to demand payment of the Receivables; (B) to enforce payment of the Receivables by legal proceedings or otherwise; (C) to exercise all of such Borrower's rights and remedies with respect to the collection of the Receivables and any other Collateral; (D) to settle, adjust, compromise, extend or renew the Receivables; (E) to settle, adjust or compromise any legal proceedings brought to collect Receivables; (F) to prepare, file and sign such Borrower's name on a proof of claim in bankruptcy or similar document against any Customer; (G) to prepare, file and sign such Borrower's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables; and (H) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence (as determined by a court of competent jurisdiction in a final non-appealable judgment); this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. Agent shall have the right at any time following the occurrence of an Event of Default or Default, to change the address for delivery of mail addressed to any Borrower to such address as Agent may designate and to receive, open and dispose of all mail addressed to any Borrower.

(g) No Liability. Neither Agent nor any Lender shall, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof, or for any damage resulting therefrom. Following the occurrence of an Event of Default or Default Agent may, without notice or consent from any Borrower, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Receivables or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof. Agent is authorized and empowered to accept following the occurrence of an Event of Default or Default the return of the goods represented by any of the Receivables, without notice to or consent by any Borrower, all without discharging or in any way affecting any Borrower's liability hereunder.

(h) Establishment of a Lockbox Account, Dominion Account. All proceeds of Collateral shall be deposited by Borrowers into either (i) a lockbox account, dominion account or such other "blocked account" ("Blocked Accounts") established at a bank or banks (each such bank, a "Blocked Account Bank") pursuant to an arrangement with such Blocked Account Bank as may be selected by Borrowing Agent and be acceptable to Agent or (ii) depository accounts ("Depository Accounts") established at the Agent for the deposit of such proceeds. Each applicable Borrower, Agent and each Blocked Account Bank shall enter into a deposit account control agreement in form and substance satisfactory to Agent directing such Blocked Account Bank to transfer such funds so deposited to Agent, either to any account maintained by Agent at said Blocked Account Bank or by wire transfer to appropriate account(s) of Agent. All funds deposited in such Blocked Accounts shall immediately become the property of Agent and Borrowing Agent shall obtain the agreement by such Blocked Account Bank to waive any offset rights against the funds so deposited. Neither Agent nor any Lender assumes any responsibility for such blocked account arrangement, including any claim of accord and satisfaction or release with respect to deposits accepted by any Blocked Account Bank thereunder. All deposit

accounts and investment accounts of each Borrower and its Subsidiaries are set forth on Schedule 4.15(h).

(i) Adjustments. No Borrower will, without Agent's consent, compromise or adjust any material amount of the Receivables (or extend the time for payment thereof) or accept any material returns of merchandise or grant any additional discounts, allowances or credits thereon except for those compromises, adjustments, returns, discounts, credits and allowances as have been heretofore customary in the business of such Borrower.

4.16. Inventory. To the extent Inventory held for sale or lease has been produced by any Borrower, it has been and will be produced by such Borrower in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

4.17. Maintenance of Equipment. The Equipment shall be maintained in good operating condition and repair (reasonable wear and tear excepted) and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved. No Borrower shall use or operate the Equipment in violation of any law, statute, ordinance, code, rule or regulation. Each Borrower shall have the right to sell Equipment to the extent set forth in Section 4.3 hereof.

4.18. Exculpation of Liability. Nothing herein contained shall be construed to constitute Agent or any Lender as any Borrower's agent for any purpose whatsoever, nor shall Agent or any Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. Neither Agent nor any Lender, whether by anything herein or in any assignment or otherwise, assume any of any Borrower's obligations under any contract or agreement assigned to Agent or such Lender, and neither Agent nor any Lender shall be responsible in any way for the performance by any Borrower of any of the terms and conditions thereof.

4.19. Environmental Matters.

(a) Borrowers shall ensure that the Real Property and all operations and businesses conducted thereon remains in compliance with all Environmental Laws and they shall not place or permit to be placed any Hazardous Substances on any Real Property except as permitted by Applicable Law or appropriate governmental authorities.

(b) Borrowers shall establish and maintain a system to assure and monitor continued compliance with all applicable Environmental Laws which system shall include periodic reviews of such compliance.

(c) Borrowers shall (i) employ in connection with the use of the Real Property appropriate technology necessary to maintain compliance with any applicable Environmental Laws and (ii) dispose of any and all Hazardous Waste generated at the Real Property only at facilities and with carriers that maintain valid permits under RCRA and any other applicable Environmental Laws. Borrowers shall use their best efforts to obtain certificates of disposal, such as hazardous waste manifest receipts, from all treatment, transport, storage or disposal facilities or operators employed by Borrowers in connection with the transport or disposal of any Hazardous Waste generated at the Real Property.

(d) In the event any Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation, request for information or notification that it is potentially responsible for investigation or cleanup of environmental conditions at the Real Property, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of Environmental Laws affecting the Real Property or any Borrower's interest therein (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person, including any state agency responsible in whole or in part for environmental matters in the state in which the Real Property is located or the United States Environmental Protection Agency (any such person or entity hereinafter the "Authority"), then Borrowing Agent shall, within five (5) Business Days, give written notice of same to Agent detailing facts and circumstances of which any Borrower is aware giving rise to the Hazardous Discharge or Environmental Complaint. Such information is to be provided to allow Agent to protect its security interest in and Lien on the Real Property and the Collateral and is not intended to create nor shall it create any obligation upon Agent or any Lender with respect thereto.

(e) Borrowing Agent shall promptly forward to Agent copies of any request for information, notification of potential liability, demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any other site owned, operated or used by any Borrower to dispose of Hazardous Substances and shall continue to forward copies of correspondence between any Borrower and the Authority regarding such claims to Agent until the claim is settled. Borrowing Agent shall promptly forward to Agent copies of all documents and reports concerning a Hazardous Discharge at the Real Property that any Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow Agent to protect Agent's security interest in and Lien on the Real Property and the Collateral.

(f) Borrowers shall respond promptly to any Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral or Real Property to any Lien. If any Borrower shall fail to respond promptly to any Hazardous Discharge or Environmental Complaint or any Borrower shall fail to comply with any of the requirements of any Environmental Laws, Agent on behalf of Lenders may, but without the obligation to do so, for the sole purpose of protecting Agent's interest in the Collateral: (i) give such notices or (ii) enter onto the Real Property (or authorize third parties to enter onto the Real Property) and take such actions as Agent (or such third parties as directed by Agent) deem reasonably necessary or advisable, to clean up, remove, mitigate or otherwise deal with any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Agent and Lenders (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Default Rate for Domestic Rate Loans constituting Revolving Advances shall be paid upon demand by Borrowers, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Agent, any Lender and any Borrower.

(g) Promptly upon the written request of Agent from time to time, Borrowers shall provide Agent, at Borrowers' expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable in the reasonable opinion of Agent, to assess with a reasonable degree of certainty the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances found on, under, at or within the Real Property. Any report or investigation of such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to Agent. If such estimates, individually or in the aggregate, exceed \$100,000, Agent shall have the right to require Borrowers to post a bond, letter of credit or other security reasonably satisfactory to Agent to secure payment of these costs and expenses.

(h) Borrowers shall defend and indemnify Agent and Lenders and hold Agent, Lenders and their respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Agent or Lenders under or on account of any Environmental Laws, including the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting the Real Property, whether or not the same originates or emerges from the Real Property or any contiguous real estate, including any loss of value of the Real Property as a result of the foregoing except to the extent such loss, liability, damage and expense is attributable to any Hazardous Discharge resulting from actions on the part of Agent or any Lender. Borrowers' obligations under this Section 4.19 shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property, whether or not any federal, state, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrowers' obligation and the indemnifications hereunder shall survive the termination of this Agreement.

(i) For purposes of Section 4.19 and 5.7, all references to Real Property shall be deemed to include all of each Borrower's right, title and interest in and to its owned and leased premises.

4.20. Financing Statements. Except as respects the financing statements filed by Agent and the financing statements described on Schedule 1.2, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office.

V. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants as follows:

5.1. Authority. Each Borrower has full power, authority and legal right to enter into this Agreement and the Other Documents and to perform all its respective Obligations hereunder and thereunder. This Agreement and the Other Documents have been duly executed and delivered by each Borrower, and this Agreement and the Other Documents constitute the legal, valid and binding obligation of such Borrower enforceable in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally. The execution, delivery and performance of this Agreement and of the Other Documents (a) are within such Borrower's corporate powers,

have been duly authorized by all necessary corporate action, are not in contravention of law or the terms of such Borrower's by-laws, certificate of incorporation or other applicable documents relating to such Borrower's formation or to the conduct of such Borrower's business or of any material agreement or undertaking to which such Borrower is a party or by which such Borrower is bound, (b) will not conflict with or violate any law or regulation, or any judgment, order or decree of any Governmental Body, (c) will not require the Consent of any Governmental Body or any other Person, except those Consents set forth on Schedule 5.1 hereto, all of which will have been duly obtained, made or compiled prior to the Closing Date and which are in full force and effect and (d) will not conflict with, nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Encumbrances upon any asset of such Borrower under the provisions of any agreement, charter document, instrument, by-law or other instrument to which such Borrower is a party or by which it or its property is a party or by which it may be bound.

5.2. Formation and Qualification.

(a) Each Borrower is duly incorporated and in good standing under the laws of the state listed on Schedule 5.2(a) and is qualified to do business and is in good standing in the states listed on Schedule 5.2(a) which constitute all states in which qualification and good standing are necessary for such Borrower to conduct its business and own its property and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect on such Borrower. Each Borrower has delivered to Agent true and complete copies of its certificate of incorporation and by-laws and will promptly notify Agent of any amendment or changes thereto.

(b) The only Subsidiaries of each Borrower are listed on Schedule 5.2(b).

5.3. Survival of Representations and Warranties. All representations and warranties of such Borrower contained in this Agreement and the Other Documents shall be true at the time of such Borrower's execution of this Agreement and the Other Documents, and shall survive the execution, delivery and acceptance thereof by the parties thereto and the closing of the transactions described therein or related thereto.

5.4. Tax Returns. Each Borrower's federal tax identification number is set forth on Schedule 5.4. Each Borrower has filed all federal, state and local tax returns and other reports each is required by law to file and has paid all taxes, assessments, fees and other governmental charges that are due and payable. Federal, state and local income tax returns of each Borrower have been examined and reported upon by the appropriate taxing authority or closed by applicable statute and satisfied for all fiscal years prior to and including the fiscal year ending February 4, 2006. The provision for taxes on the books of each Borrower is adequate for all years not closed by applicable statutes, and for its current fiscal year, and no Borrower has any knowledge of any deficiency or additional assessment in connection therewith not provided for on its books.

5.5. Financial Statements.

(a) The pro forma balance sheet of Borrowers on a Consolidated Basis (the "Pro Forma Balance Sheet") dated October 31, 2009 is accurate, complete and correct and fairly

reflects the financial condition of Borrowers on a Consolidated Basis as of October 31, 2009, and has been prepared in accordance with GAAP, consistently applied. The Pro Forma Balance Sheet has been certified as accurate, complete and correct in all material respects by the President and Chief Financial Officer of Borrowing Agent. All financial statements referred to in this subsection 5.5(a), including the related schedules and notes thereto, have been prepared, in accordance with GAAP, except as may be disclosed in such financial statements.

(b) The twelve-month cash flow projections of Borrowers on a Consolidated Basis and their projected balance sheets as of the Closing Date delivered to Agent (the "Projections") were prepared by the Chief Financial Officer of ValueVision, are based on underlying assumptions which provide a reasonable basis for the projections contained therein and reflect Borrowers' judgment based on present circumstances of the most likely set of conditions and course of action for the projected period. The cash flow Projections together with the Pro Forma Balance Sheet, are referred to as the "Pro Forma Financial Statements".

(c) The consolidated and consolidating balance sheets of Borrowers, their Subsidiaries and such other Persons described therein (including the accounts of all Subsidiaries for the respective periods during which a subsidiary relationship existed) as of January 31, 2009, and the related statements of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions without qualification by independent certified public accountants, copies of which have been delivered to Agent, have been prepared in accordance with GAAP, consistently applied (except for changes in application in which such accountants concur and present fairly the financial position of Borrowers and their Subsidiaries at such date and the results of their operations for such period. Since January 31, 2009 there has been no change in the condition, financial or otherwise, of Borrowers or their Subsidiaries as shown on the consolidated balance sheet as of such date and no change in the aggregate value of machinery, equipment and Real Property owned by Borrowers and their respective Subsidiaries, except changes in the Ordinary Course of Business, none of which individually or in the aggregate has been materially adverse.

5.6. Entity Names. No Borrower has been known by any other corporate name in the past five years and does not sell Inventory under any other name except as set forth on Schedule 5.6, nor has any Borrower been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person during the preceding five (5) years.

5.7. OSHA and Environmental Compliance.

(a) Each Borrower has duly complied with, and its facilities, business, assets, property, leaseholds, Real Property and Equipment are in compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act, the Environmental Protection Act, RCRA and all other Environmental Laws; there have been no outstanding citations, notices or orders of non-compliance issued to any Borrower or relating to its business, assets, property, leaseholds or Equipment under any such laws, rules or regulations.

(b) Each Borrower has been issued all required federal, state and local licenses, certificates or permits relating to all applicable Environmental Laws.

(c) (i) There are no visible signs of releases, spills, discharges, leaks or disposal (collectively referred to as “Releases”) of Hazardous Substances at, upon, under or within any Real Property including any premises leased by any Borrower; (ii) there are no underground storage tanks or polychlorinated biphenyls on the Real Property including any premises leased by any Borrower; (iii) the Real Property including any premises leased by any Borrower has never been used as a treatment, storage or disposal facility of Hazardous Waste; and (iv) no Hazardous Substances are present on the Real Property including any premises leased by any Borrower, excepting such quantities as are handled in accordance with all applicable manufacturer’s instructions and governmental regulations and in proper storage containers and as are necessary for the operation of the commercial business of any Borrower or of its tenants.

5.8. Solvency; No Litigation, Violation, Indebtedness or Default; ERISA Compliance.

(a) Each Borrower is solvent, able to pay its debts as they mature, will have capital sufficient to carry on its business and all businesses in which it is about to engage, and (i) as of the Closing Date, the fair present saleable value of its assets, calculated on a going concern basis, is in excess of the amount of its liabilities and (ii) subsequent to the Closing Date, the fair saleable value of its assets (calculated on a going concern basis) will be in excess of the amount of its liabilities.

(b) Except as disclosed in Schedule 5.8(b), no Borrower has (i) any pending or threatened litigation, arbitration, actions or proceedings which involve the possibility of having a Material Adverse Effect, and (ii) any liabilities or indebtedness for borrowed money other than the Obligations.

(c) No Borrower is in violation of any applicable statute, law, rule, regulation or ordinance in any respect which could reasonably be expected to have a Material Adverse Effect, nor is any Borrower in violation of any order of any court, Governmental Body or arbitration board or tribunal.

(d) No Borrower nor any member of the Controlled Group maintains or is required to contribute to any Plan other than those listed on Schedule 5.8(d) hereto. (i) No Plan has incurred any “accumulated funding deficiency,” as defined in Section 302(a)(2) of ERISA and Section 412(a) of the Code, whether or not waived, each Borrower and each member of the Controlled Group has met all applicable minimum funding requirements under Section 302 of ERISA and Section 412 of the Code in respect of each Plan, and each Plan is in compliance with Sections 412, 430 and 436 of the Code and Sections 206(g), 302 and 303 of ERISA, without regard to waivers and variances; (ii) each Plan which is intended to be a qualified plan under Section 401(a) of the Code as currently in effect has been determined by the Internal Revenue Service to be qualified under Section 401(a) of the Code and the trust related thereto is exempt from federal income tax under Section 501(a) of the Code; (iii) neither any Borrower nor any member of the Controlled Group has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due which are unpaid; (iv) no Plan has been terminated by the plan administrator thereof nor by the PBGC, and there is no occurrence which would cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Plan; (v) at this time, the current value of the assets of each Plan exceeds the present value of the accrued benefits and other liabilities of such Plan and neither

any Borrower nor any member of the Controlled Group knows of any facts or circumstances which would materially change the value of such assets and accrued benefits and other liabilities; (vi) neither any Borrower nor any member of the Controlled Group has breached any of the responsibilities, obligations or duties imposed on it by ERISA with respect to any Plan; (vii) neither any Borrower nor any member of a Controlled Group has incurred any liability for any excise tax arising under Section 4971, 4972 or 4980B of the Code, and no fact exists which could give rise to any such liability; (viii) neither any Borrower nor any member of the Controlled Group nor any fiduciary of, nor any trustee to, any Plan, has engaged in a “prohibited transaction” described in Section 406 of the ERISA or Section 4975 of the Code nor taken any action which would constitute or result in a Termination Event with respect to any such Plan which is subject to ERISA; (ix) each Borrower and each member of the Controlled Group has made all contributions due and payable with respect to each Plan; (x) there exists no event described in Section 4043(b) of ERISA, for which the thirty (30) day notice period has not been waived; (xi) neither any Borrower nor any member of the Controlled Group has any fiduciary responsibility for investments with respect to any plan existing for the benefit of persons other than employees or former employees of any Borrower or any member of the Controlled Group; (xii) neither any Borrower nor any member of the Controlled Group maintains or is required to contribute to any Plan which provides health, accident or life insurance benefits to former employees, their spouses or dependents, other than in accordance with Section 4980B of the Code; (xiii) neither any Borrower nor any member of the Controlled Group has withdrawn, completely or partially, within the meaning of Section 4203 or 4205 of ERISA, from any Multiemployer Plan so as to incur liability under the Multiemployer Pension Plan Amendments Act of 1980 and there exists no fact which would reasonably be expected to result in any such liability; and (xiv) no Plan fiduciary (as defined in Section 3(21) of ERISA) has any liability for breach of fiduciary duty or for any failure in connection with the administration or investment of the assets of a Plan.

5.9. Patents, Trademarks, Copyrights and Licenses . All patents, patent applications, trademarks, trademark applications, service marks, service mark applications, copyrights, copyright applications, design rights, tradenames, assumed names, trade secrets and licenses owned or utilized by any Borrower are set forth on Schedule 5.9, are valid and have been duly registered or filed with all appropriate Governmental Bodies and constitute all of the intellectual property rights which are necessary for the operation of its business; there is no objection to or pending challenge to the validity of any such patent, trademark, copyright, design rights, tradename, trade secret or license and no Borrower is aware of any grounds for any challenge, except as set forth in Schedule 5.9 hereto. Each patent, patent application, patent license, trademark, trademark application, trademark license, service mark, service mark application, service mark license, design rights, copyright, copyright application and copyright license owned or held by any Borrower and all trade secrets used by any Borrower consist of original material or property developed by such Borrower or was lawfully acquired by such Borrower from the proper and lawful owner thereof. Each of such items has been maintained so as to preserve the value thereof from the date of creation or acquisition thereof.

5.10. Licenses and Permits . Except as set forth in Schedule 5.10, each Borrower (a) is in compliance with and (b) has procured and is now in possession of, all material licenses or permits required by any applicable federal, state or local law, rule or regulation for the operation

of its business in each jurisdiction wherein it is now conducting or proposes to conduct business and where the failure to procure such licenses or permits could have a Material Adverse Effect.

5.11. Default of Indebtedness. No Borrower is in default in the payment of the principal of or interest on any Indebtedness or under any instrument or agreement under or subject to which any Indebtedness has been issued and no event has occurred under the provisions of any such instrument or agreement which with or without the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder.

5.12. No Default. No Borrower is in default in the payment or performance of any of its contractual obligations and no Default has occurred.

5.13. No Burdensome Restrictions. No Borrower is party to any contract or agreement the performance of which could have a Material Adverse Effect. Each Borrower has heretofore delivered to Agent true and complete copies of all material contracts to which it is a party or to which it or any of its properties is subject. No Borrower has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien which is not a Permitted Encumbrance.

5.14. No Labor Disputes. No Borrower is involved in any labor dispute; there are no strikes or walkouts or union organization of any Borrower's employees threatened or in existence and no labor contract is scheduled to expire during the Term other than as set forth on Schedule 5.14 hereto.

5.15. Margin Regulations. No Borrower is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Advance will be used for "purchasing" or "carrying" "margin stock" as defined in Regulation U of such Board of Governors.

5.16. Investment Company Act. No Borrower is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, nor is it controlled by such a company.

5.17. Disclosure. No representation or warranty made by any Borrower in this Agreement or in any financial statement, report, certificate or any other document furnished in connection herewith or therewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to any Borrower or which reasonably should be known to such Borrower which such Borrower has not disclosed to Agent in writing with respect to the transactions contemplated by this Agreement which could reasonably be expected to have a Material Adverse Effect.

5.18. Intentionally Omitted.

5.19. Swaps. No Borrower is a party to, nor will it be a party to, any swap agreement whereby such Borrower has agreed or will agree to swap interest rates or currencies unless same provides that damages upon termination following an event of default thereunder are payable on an unlimited “two-way basis” without regard to fault on the part of either party.

5.20. Conflicting Agreements. No provision of any mortgage, indenture, contract, agreement, judgment, decree or order binding on any Borrower or affecting the Collateral conflicts with, or requires any Consent which has not already been obtained to, or would in any way prevent the execution, delivery or performance of, the terms of this Agreement or the Other Documents.

5.21. Application of Certain Laws and Regulations. Neither any Borrower nor any Affiliate of any Borrower is subject to any law, statute, rule or regulation which regulates the incurrence of any Indebtedness, including laws, statutes, rules or regulations relative to common or interstate carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

5.22. Business and Property of Borrowers. Upon and after the Closing Date, Borrowers do not propose to engage in any business other than the sales, marketing and distribution of consumer products through television programming and other electronic media and activities necessary to conduct the foregoing. On the Closing Date, each Borrower will own all the property and possess all of the rights and Consents necessary for the conduct of the business of such Borrower.

5.23. Section 20 Subsidiaries. Borrowers do not intend to use and shall not use any portion of the proceeds of the Advances, directly or indirectly, to purchase during the underwriting period, or for 30 days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

5.24. Anti-Terrorism Laws.

(a) Neither any Borrower nor any Affiliate of any Borrower is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) Neither any Borrower nor any Affiliate of any Borrower or their respective agents acting or benefiting in any capacity in connection with the Advances or other transactions hereunder, is any of the following (each a “Blocked Person”):

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;

(iii) a Person or entity with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person or entity that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order No. 13224;

(v) a Person or entity that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or

(vi) a Person or entity who is affiliated or associated with a Person or entity listed above.

Neither any Borrower nor to the knowledge of any Borrower, any of its agents acting in any capacity in connection with the Advances or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

5.25. Trading with the Enemy. No Borrower has engaged, nor does it intend to engage, in any business or activity prohibited by the Trading with the Enemy Act.

5.26. Federal Securities Laws. Neither any Borrower (other than ValueVision) nor any of its Subsidiaries (i) is required to file periodic reports under the Exchange Act, (ii) has any securities registered under the Exchange Act or (iii) has filed a registration statement that has not yet become effective under the Securities Act.

5.27. Equity Interests. The authorized and outstanding Equity Interests of each Borrower is as shown on Schedule 5.27 hereto. All of the Equity Interests of each Borrower (other than ValueVision) has been duly and validly authorized and issued and is fully paid and non-assessable and has been sold and delivered to the holders hereof in compliance with, or under valid exemption from, all federal and state laws and the rules and regulations of each Governmental Body governing the sale and delivery of securities. Except for the rights and obligations shown on Schedule 5.27, there are no subscriptions, warrants, options, calls, commitments, rights or agreement by which any Borrower or any of the shareholders of any Borrower is bound relating to the issuance, transfer, voting or redemption of shares of its Equity Interests or any preemptive rights held by any Person with respect to the Equity Interests of Borrowers. Except as shown on Schedule 5.27, Borrowers have not issued any securities convertible into or exchangeable for shares of its Equity Interests or any options, warrants or other rights to acquire such shares or securities convertible into or exchangeable for such shares.

5.28. Credit Card Arrangements. Attached hereto as Schedule 5.28 is a list describing all arrangements as of the Closing Date to which any Borrower is a party with respect to the processing and/or payment to such Borrower of the proceeds of any Credit Card Receivables (including credit card charges and debit card charges) for sales made by such Borrower.

5.29. Inactive Subsidiaries . Each of Iosota, Fanbuzz and Fanbuzz Retail are inactive Subsidiaries of Borrowers and do not conduct any business or maintain any material assets.

VI. AFFIRMATIVE COVENANTS.

Each Borrower shall, until payment in full of the Obligations and termination of this Agreement:

6.1. Payment of Fees . Pay to Agent on demand all usual and customary fees and expenses which Agent incurs in connection with (a) the forwarding of Advance proceeds and (b) the establishment and maintenance of any Blocked Accounts or Depository Accounts as provided for in Section 4.15(h). Agent may, without making demand, charge Borrowers' Account for all such fees and expenses.

6.2. Conduct of Business and Maintenance of Existence and Assets . (a) Conduct continuously and operate actively its business according to good business practices and maintain all of its properties useful or necessary in its business in good working order and condition (reasonable wear and tear excepted and except as may be disposed of in accordance with the terms of this Agreement), including all licenses, patents, copyrights, design rights, tradenames, trade secrets and trademarks and take all actions necessary to enforce and protect the validity of any intellectual property right or other right included in the Collateral; (b) keep in full force and effect its existence and comply in all material respects with the laws and regulations governing the conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect; and (c) make all such reports and pay all such franchise and other taxes and license fees and do all such other acts and things as may be lawfully required to maintain its rights, licenses, leases, powers and franchises under the laws of the United States or any political subdivision thereof where the failure to do so could reasonably be expected to have a Material Adverse Effect.

6.3. Violations . Promptly notify Agent in writing of any violation of any law, statute, regulation or ordinance of any Governmental Body, or of any agency thereof, applicable to any Borrower which could reasonably be expected to have a Material Adverse Effect.

6.4. Government Receivables . Take all steps necessary to protect Agent's interest in the Collateral under the Federal Assignment of Claims Act, the Uniform Commercial Code and all other applicable state or local statutes or ordinances and deliver to Agent appropriately endorsed, any instrument or chattel paper connected with any Receivable arising out of contracts between any Borrower and the United States, any state or any department, agency or instrumentality of any of them.

6.5. Financial Covenants .

(a) Fixed Charge Coverage Ratio . On or before March 31, 2010, Borrowers and Agent shall enter into an amendment to this Agreement setting Fixed Charge Coverage Ratio covenants reasonably acceptable to Borrowing Agent and Agent, such covenants to commence with the fiscal quarter ending [October 31, 2010] and continuing at the end of each fiscal quarter thereafter, measured on a rolling four (4) quarter basis. In the event that Borrowing Agent and Agent do not have an amendment executed in accordance with this Section 6.5(a) and if at any

time during any fiscal quarter commencing with the quarter ending [October 31, 2010] or any quarter thereafter, Borrowers have more than \$8,000,000 of outstanding Revolving Advances or if Undrawn Availability (Modified) is less than \$10,000,000, Borrowers shall cause to be maintained as of the end of such fiscal quarter, a Fixed Charge Coverage Ratio of not less than 1.0 to 1.0, measured on a trailing four (4) quarter basis.

(b) Minimum EBITDA. If at any time during any fiscal quarter through fiscal quarter ending July 31, 2010, Borrowers have more than \$8,000,000 of outstanding Revolving Advances or if Undrawn Availability (Modified) is less than \$10,000,000, cause to be achieved a minimum EBITDA of not less than the following amounts for the end of such quarter (i) (\$12,000,000) for the nine (9) month period ending January 30, 2010, (ii) (\$12,000,000) for the twelve (12) month period ending May 1, 2010 and (iv) (\$4,000,000) for the twelve (12) month period ending July 31, 2010.

(c) Tangible Net Worth. If at any time during any fiscal quarter through fiscal quarter ending July 31, 2010, Borrowers have more than \$8,000,000 of outstanding Revolving Advances or if Undrawn Availability (Modified) falls below \$10,000,000, cause to be achieved a Tangible Net Worth of \$20,000,000.

(d) Average FICO Score. Cause at all times the Average FICO Score of all Customers participating in the Value Pay Plan to exceed 620 to be tested on a rolling six month basis.

(e) At no time shall Borrowers permit the Average FICO Score to be less than 600 in any two (2) consecutive months.

6.6. Execution of Supplemental Instruments. Execute and deliver to Agent from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Collateral, and such other instruments as Agent may request, in order that the full intent of this Agreement may be carried into effect.

6.7. Payment of Indebtedness. Pay, discharge or otherwise satisfy at or before maturity (subject, where applicable, to specified grace periods and, in the case of the trade payables, to normal payment practices) all its obligations and liabilities of whatever nature, except when the failure to do so could not reasonably be expected to have a Material Adverse Effect or when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and each Borrower shall have provided for such reserves as Agent may reasonably deem proper and necessary, subject at all times to any applicable subordination arrangement in favor of Lenders.

6.8. Standards of Financial Statements. Cause all financial statements referred to in Sections 9.7, 9.8, 9.9, 9.10, 9.11, 9.12, and 9.13 as to which GAAP is applicable to be complete and correct in all material respects (subject, in the case of interim financial statements, to normal year-end audit adjustments) and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as concurred in by such reporting accountants or officer, as the case may be, and disclosed therein).

6.9. Federal Securities Laws. Promptly notify Agent in writing if any Borrower (other than ValueVision) or any of its Subsidiaries (i) is required to file periodic reports under the Exchange Act, (ii) registers any securities under the Exchange Act or (iii) files a registration statement under the Securities Act.

6.10. Post Closing Matters.

(a) On or before December 31, 2009, cause all of Borrowers' collection accounts to be established with Agent and Borrowers hereby agree and acknowledge that until such accounts have been established with Agent, any obligation of Agent to make any Revolving Advance or issue any Letter of Credit hereunder is discretionary.

(b) Within sixty (60) days of the Closing Date, cause to be delivered to Agent a Securities Account Control Agreement among Agent, Borrowers and Wells Fargo relating to Borrowers' investment account #2164267 or at Borrowers' option close such account and open similar investment account(s) with Agent or Agent's Affiliates. Borrowers hereby agree and acknowledge that until the conditions in the foregoing sentence have been satisfied, any obligation of Agent to make any Revolving Advance or issue any Letter of Credit hereunder is discretionary.

(c) Within sixty (60) days of the Closing Date, cause to be delivered to Agent a Deposit Account Control Agreement Agent, Borrowers and Wells Fargo relating to Borrowers' concentration account #1068699 such agreements to be in form and substance satisfactory to Agent in its reasonable discretion unless Agent and Borrowers determine that all collections on account of Borrowers' Receivables are being paid to any collection maintained with Agent and the account at Wells Fargo is closed. Borrowers hereby agree and acknowledge that until the conditions in the foregoing sentence have been satisfied, any obligation of Agent to make any Revolving Advance or issue any Letter of Credit hereunder is discretionary.

(d) Promptly following the Closing Date, deliver to Agent evidence that the Direct TV Mortgages have been delivered to the applicable Governmental Body for recording in the proper real estate records office and upon receipt of recorded copies, deliver to Agent a copy of the recorded Direct TV Mortgages.

VII. NEGATIVE COVENANTS.

No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement:

7.1. Merger, Consolidation, Acquisition and Sale of Assets.

(a) Other than transactions among Borrowers or a Permitted Acquisition, enter into any merger, consolidation or other reorganization with or into any other Person or acquire all or a substantial portion of the assets or Equity Interests of any Person or permit any other Person to consolidate with or merge with it.

(b) Sell, lease, transfer or otherwise dispose of any of its properties or assets, except (i) dispositions of Inventory and Equipment to the extent expressly permitted by Section

4.3, (ii) the sale, lease or transfer from one Borrower to another Borrower, or (iii) any other sales or dispositions expressly permitted by this Agreement.

7.2. Creation of Liens . Create or suffer to exist any Lien or transfer upon or against any of its property or assets now owned or hereafter acquired, except Permitted Encumbrances.

7.3. Guarantees . Become liable upon the obligations or liabilities of any Person by assumption, endorsement or guaranty thereof or otherwise (other than to Lenders) except (a) as disclosed on Schedule 7.3, (b) the endorsement of checks in the Ordinary Course of Business and (c) the guarantee by one Borrower of Indebtedness of another Borrower permitted to be incurred hereunder.

7.4. Investments . Purchase or acquire obligations or Equity Interests of, or any other interest in, any Person, except (a) obligations issued or guaranteed by the United States of America or any agency thereof, (b) commercial paper with maturities of not more than 180 days and a published rating of not less than A-1 or P-1 (or the equivalent rating), (c) certificates of time deposit and bankers' acceptances having maturities of not more than 180 days and repurchase agreements backed by United States government securities of a commercial bank if (i) such bank has a combined capital and surplus of at least \$500,000,000, or (ii) its debt obligations, or those of a holding company of which it is a Subsidiary, are rated not less than A (or the equivalent rating) by a nationally recognized investment rating agency, and (d) U.S. money market funds that invest solely in obligations issued or guaranteed by the United States of America or an agency thereof.

7.5. Loans . Make advances, loans or extensions of credit to any Person, including any Parent, Subsidiary or Affiliate except with respect to (a) the extension of commercial trade credit in connection with the sale of Inventory in the Ordinary Course of Business and (b) advances, loans or extensions of credit from one Borrower to another Borrower.

7.6. Capital Expenditures . Contract for, purchase or make any expenditure or commitments for Capital Expenditures in any fiscal year in an aggregate amount for all Borrowers in excess of \$10,000,000.

7.7. Dividends . Declare, pay or make any dividend or distribution on any Equity Interests of any Borrower (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock) or apply any of its funds, property or assets to the purchase, redemption or other retirement of any Equity Interest, or of any options to purchase or acquire any Equity Interest of any Borrower; provided however, that (a) a Borrower may make dividends or distributions from one Borrower to another Borrower; and (b) so long as either (i) (x) no Event of Default pursuant to Sections 10.1, 10.4, 10.5 (but only to the extent such Event of Default is the result of Borrowers' failure to observe the covenants set forth in Section 6.5 hereof), 10.7, 10.8, 10.11, 10.13 or 10.16 hereof is continuing or would exist after giving effect to such payment and (y) Borrowers demonstrate to Agent pursuant to a certificate reasonably acceptable to Agent that at the time of and after giving effect to the making of such payment, Borrowers have and will have Undrawn Availability and Thirty (30) Day Average Undrawn Availability of not less than Five Million Dollars (\$5,000,000), or (ii) at the time of and after

giving effect to the making of such payment no Default or Event of Default exists or would exist, ValueVision may make Permitted Redemption Payments.

7.8. Indebtedness. Create, incur, assume or suffer to exist any Indebtedness (exclusive of trade debt or trade debt evidenced under the Direct TV Agreement) except in respect of (a) Indebtedness to Lenders; (b) Indebtedness incurred for Capital Expenditures permitted under Section 7.6 hereof; (c) Indebtedness permitted under Section 7.5(b) hereof; (d) Indebtedness disclosed in the financial statements delivered to the Agent pursuant to Section 5.5 hereof; and (e) Indebtedness subject to a Permitted Encumbrance as set forth in Schedule 1.2 attached hereto.

7.9. Nature of Business. Substantially change the nature of the business in which it is presently engaged, nor except as specifically permitted hereby purchase or invest, directly or indirectly, in any assets or property other than in the Ordinary Course of Business for assets or property which are useful in, necessary for and are to be used in its business as presently conducted.

7.10. Transactions with Affiliates. Directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise enter into any transaction or deal with, any Affiliate, except transactions disclosed to the Agent, which are in the Ordinary Course of Business, on an arm's-length basis on terms and conditions no less favorable than terms and conditions which would have been obtainable from a Person other than an Affiliate as determined by a committee of disinterested board of directors.

7.11. Leases. Enter as lessee into any lease arrangement for real or personal property (unless capitalized and permitted under Section 7.6 hereof) if after giving effect thereto, aggregate annual rental payments for all leased property would exceed \$4,700,000 in any one fiscal year in the aggregate for all Borrowers.

7.12. Subsidiaries.

(a) Form any Subsidiary unless (i) such Subsidiary expressly joins in this Agreement as a borrower and becomes jointly and severally liable for the obligations of Borrowers hereunder, under the Notes, and under any other agreement between any Borrower and Lenders and (ii) Agent shall have received all documents, including legal opinions, it may reasonably require to establish compliance with each of the foregoing conditions.

(b) Enter into any partnership, joint venture or similar arrangement.

7.13. Fiscal Year and Accounting Changes. Change its fiscal year from January 31 or make any change (a) in accounting treatment and reporting practices except as required by GAAP or (b) in tax reporting treatment except as required by law.

7.14. Pledge of Credit. Now or hereafter pledge Agent's or any Lender's credit on any purchases or for any purpose whatsoever or use any portion of any Advance in or for any business other than such Borrower's business as conducted on the date of this Agreement.

7.15. Amendment of Articles of Incorporation, By-Laws. Amend, modify or waive any term or material provision of its articles of incorporation or by-laws unless required by law or

upon prior written notice to Agent, in a manner that would not adversely affect the Lenders or any of their rights hereunder.

7.16. Compliance with ERISA. (i) (x) Maintain, or permit any member of the Controlled Group to maintain, or (y) become obligated to contribute, or permit any member of the Controlled Group to become obligated to contribute, to any Plan, other than those Plans disclosed on Schedule 5.8(d), (ii) engage, or permit any member of the Controlled Group to engage, in any non-exempt “prohibited transaction”, as that term is defined in Section 406 of ERISA or Section 4975 of the Code, (iii) incur, or permit any Plan to incur, any “accumulated funding deficiency”, as that term is defined in Section 302 of ERISA or Section 412 of the Code, (iv) terminate, or permit any member of the Controlled Group to terminate, any Plan where such event could result in any liability of any Borrower or any member of the Controlled Group or the imposition of a lien on the property of any Borrower or any member of the Controlled Group pursuant to Section 4068 of ERISA, (v) assume, or permit any member of the Controlled Group to assume, any obligation to contribute to any Multiemployer Plan not disclosed on Schedule 5.8(d), (vi) incur, or permit any member of the Controlled Group to incur, any withdrawal liability to any Multiemployer Plan; (vii) fail promptly to notify Agent of the occurrence of any Termination Event, (viii) fail to comply, or permit a member of the Controlled Group to fail to comply, with the requirements of ERISA or the Code or other Applicable Laws in respect of any Plan, (ix) fail to meet, or permit any member of the Controlled Group to fail to meet, all minimum funding requirements under ERISA and the Code, without regard to any waivers or variances, or postpone or delay or allow any member of the Controlled Group to postpone or delay any funding requirement with respect of any Plan, or (x) cause, or permit any member of the Controlled Group to cause, a representation or warranty in Section 5.8(d) to cease to be true and correct.

7.17. Prepayment of Indebtedness. At any time, directly or indirectly, prepay any Indebtedness (other than to Lenders), or repurchase, redeem, retire or otherwise acquire any Indebtedness of any Borrower.

7.18. Anti-Terrorism Laws. No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement, nor shall it permit any Affiliate or agent to:

(a) Conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person.

(b) Deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

(c) Engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order No. 13224, the USA PATRIOT Act or any other Anti-Terrorism Law. Borrower shall deliver to Lenders any certification or other evidence requested from time to time by any Lender in its sole discretion, confirming Borrower’s compliance with this Section.

7.19. Trading with the Enemy Act. Engage in any business or activity in violation of the Trading with the Enemy Act.

7.20. Credit Card Arrangements. Enter into new agreements with credit card processors other than the ones expressly contemplated herein or in Section 4.15(d)(ii) hereof unless the Borrowing Agent shall have delivered to the Agent appropriate Credit Card Notifications consistent with the provisions of Section 4.15(d)(ii) hereof and otherwise reasonably satisfactory to the Agent.

7.21. Inactive Subsidiaries. Permit Iosota, Fanbuzz or Fanbuzz Retail to acquire any material assets or conduct any business.

7.22. Direct TV Payment. Make any payment on account of the \$18,777,552 due to Direct TV on March 2012 if after giving proforma effect to the making of such payment, Borrowers would not have been in compliance with Section 6.5 hereof (as of the most recent fiscal quarter end and after giving effect to the payment).

VIII. CONDITIONS PRECEDENT.

8.1. Conditions to Initial Advances. The agreement of Lenders to make the initial Advances requested to be made on the Closing Date is subject to the satisfaction, or waiver by Agent, immediately prior to or concurrently with the making of such Advances, of the following conditions precedent:

(a) This Agreement, the Note and the Other Documents. Agent shall have received this Agreement, the Notes and each Other Document duly executed and delivered by an authorized officer of each Borrower;

(b) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by this Agreement, any related agreement or under law or reasonably requested by the Agent to be filed, registered or recorded in order to create, in favor of Agent, a perfected security interest in or lien upon the Collateral shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and Agent shall have received an acknowledgment copy, or other evidence satisfactory to it, of each such filing, registration or recordation and satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto;

(c) Corporate Proceedings of Borrowers. Agent shall have received a copy of the resolutions in form and substance reasonably satisfactory to Agent, of the Board of Directors of each Borrower authorizing (i) the execution, delivery and performance of this Agreement, the Notes and any related agreements (collectively the "Documents") and (ii) the granting by each Borrower of the security interests in and liens upon the Collateral in each case certified by the Secretary, or an Assistant Secretary, of each Borrower as of the Closing Date; and, such certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate;

(d) Incumbency Certificates of Borrowers. Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Borrower, dated the Closing Date, as to the incumbency and signature of the officers of each Borrower executing this Agreement, the Other Documents, any certificate or other documents to be delivered by it pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary;

(e) Certificates. Agent shall have received a copy of the Articles or Certificate of Incorporation of each Borrower, and all amendments thereto, certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation together with copies of the by-laws of each Borrower and all agreements of each Borrower's shareholders certified as accurate and complete by the Secretary of each Borrower;

(f) Good Standing Certificates. Agent shall have received good standing certificates for each Borrower dated not more than 20 days prior to the Closing Date, issued by the Secretary of State or other appropriate official of each Borrower's jurisdiction of incorporation and each jurisdiction where the conduct of each Borrower's business activities or the ownership of its properties necessitates qualification;

(g) Legal Opinion. Agent shall have received the executed legal opinion of Maslon, Edelman, Borman & Brand LLP in form and substance satisfactory to Agent which shall cover such matters incident to the transactions contemplated by this Agreement, the Notes, the Other Documents and related agreements as Agent may reasonably require and each Borrower hereby authorizes and directs such counsel to deliver such opinions to Agent and Lenders;

(h) No Litigation. (i) No litigation, investigation or proceeding before or by any arbitrator or Governmental Body shall be continuing or threatened against any Borrower or against the officers or directors of any Borrower (A) in connection with this Agreement, the Other Documents or any of the transactions contemplated thereby and which, in the reasonable opinion of Agent, is deemed material or (B) which could, in the reasonable opinion of Agent, have a Material Adverse Effect; and (ii) no injunction, writ, restraining order or other order of any nature materially adverse to any Borrower or the conduct of its business or shall have been issued by any Governmental Body;

(i) Financial Condition Certificates. Agent shall have received an executed Financial Condition Certificate in the form of Exhibit 8.1(i).

(j) Collateral Examination. Agent shall have completed Collateral examinations and received appraisals, the results of which shall be satisfactory in form and substance to Lenders, of the Receivables, Inventory, General Intangibles and Equipment of each Borrower and all books and records in connection therewith;

(k) Fees. Agent shall have received all fees payable to Agent and Lenders on or prior to the Closing Date hereunder, including pursuant to Article III hereof;

(l) Pro Forma Financial Statements. Agent shall have received a copy of the Pro Forma Financial Statements which shall be satisfactory in all respects to Lenders;

(m) Insurance . Agent shall have received in form and substance satisfactory to Agent, certified copies of Borrowers' casualty insurance policies, together with loss payable endorsements on Agent's standard form of loss payee endorsement naming Agent as loss payee, and certified copies of Borrowers' liability insurance policies, together with endorsements naming Agent as a co-insured;

(n) Payment Instructions . Agent shall have received written instructions from Borrowing Agent directing the application of proceeds of the initial Advances made pursuant to this Agreement;

(o) Blocked Accounts . Agent shall have received duly executed agreements establishing the Blocked Accounts or Depository Accounts with financial institutions acceptable to Agent for the collection or servicing of the Receivables and proceeds of the Collateral;

(p) Consents . Agent shall have received any and all Consents necessary to permit the effectuation of the transactions contemplated by this Agreement and the Other Documents; and, Agent shall have received such Consents and waivers of such third parties as might assert claims with respect to the Collateral, as Agent and its counsel shall deem necessary;

(q) No Adverse Material Change . (i) since January 31, 2009, there shall not have occurred any event, condition or state of facts which could reasonably be expected to have a Material Adverse Effect and (ii) no representations made or information supplied to Agent or Lenders shall have been proven to be inaccurate or misleading in any material respect;

(r) Leasehold Agreements . Agent shall have received landlord, mortgagee or warehouseman agreements satisfactory to Agent with respect to all premises leased by Borrowers at which Inventory and books and records are located;

(s) Contract Review . Agent shall have reviewed all material contracts of Borrowers including leases, union contracts, labor contracts, vendor supply contracts, license agreements and distributorship agreements and such contracts and agreements shall be satisfactory in all respects to Agent;

(t) Closing Certificate . Agent shall have received a closing certificate signed by the Chief Financial Officer of each Borrower dated as of the date hereof, stating that (i) all representations and warranties set forth in this Agreement and the Other Documents are true and correct on and as of such date, (ii) Borrowers are on such date in compliance with all the terms and provisions set forth in this Agreement and the Other Documents and (iii) on such date no Default or Event of Default has occurred or is continuing;

(u) Borrowing Base . Agent shall have received evidence from Borrowers that the aggregate amount of Eligible Receivables and Eligible Inventory is sufficient in value and amount to support Advances in the amount requested by Borrowers on the Closing Date;

(v) Undrawn Availability . After giving effect to the initial Advances hereunder, Borrowers shall have Undrawn Availability of at least \$13,000,000;

(w) Cash on Hand. Agent shall have received evidence that Borrowers have available cash on hand of not less than \$20,000,000;

(x) Compliance with Laws. Agent shall be reasonably satisfied that each Borrower is in compliance with all pertinent federal, state, local or territorial regulations, including those with respect to the Federal Occupational Safety and Health Act, the Environmental Protection Act, ERISA and the Trading with the Enemy Act;

(y) Direct TV. Agent shall have received the Direct TV Agreement, the Direct TV Security Documents and evidence that Borrowers have made payment under the Direct TV Agreement of at least \$5,885,393.64 on or before the Closing Date as required by the amendment to the Direct TV Agreement dated October 22, 2009; and

(z) Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with this Agreement shall be satisfactory in form and substance to Agent and its counsel.

8.2. Conditions to Each Advance. The agreement of Lenders to make any Advance requested to be made on any date (including the initial Advance), is subject to the satisfaction of the following conditions precedent as of the date such Advance is made:

(a) Representations and Warranties. Each of the representations and warranties made by any Borrower in or pursuant to this Agreement, the Other Documents and any related agreements to which it is a party, and each of the representations and warranties contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement, the Other Documents or any related agreement shall be true and correct in all material respects on and as of such date as if made on and as of such date;

(b) No Default. No Event of Default or Default shall have occurred and be continuing on such date, or would exist after giving effect to the Advances requested to be made, on such date; provided, however that Agent, in its sole discretion, may continue to make Advances notwithstanding the existence of an Event of Default or Default and that any Advances so made shall not be deemed a waiver of any such Event of Default or Default; and

(c) Maximum Advances. In the case of any type of Advance requested to be made, after giving effect thereto, the aggregate amount of such type of Advance shall not exceed the maximum amount of such type of Advance permitted under this Agreement.

Each request for an Advance by any Borrower hereunder shall constitute a representation and warranty by each Borrower as of the date of such Advance that the conditions contained in this subsection shall have been satisfied.

IX. INFORMATION AS TO BORROWERS.

Each Borrower shall, or (except with respect to Section 9.11) shall cause Borrowing Agent on its behalf to, until satisfaction in full of the Obligations and the termination of this Agreement:

9.1. Disclosure of Material Matters . Immediately upon learning thereof, report to Agent all matters materially affecting the value, enforceability or collectibility of any portion of the Collateral, including any Borrower's reclamation or repossession of, or the return to any Borrower of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

9.2. Schedules . Deliver to Agent on or before (a) the fifteenth (15th) day of each month as and for the prior month (i) accounts receivable ageings inclusive of reconciliations to the general ledger, (ii) accounts payable schedules inclusive of reconciliations to the general ledger, (iii) Inventory reports and (iv) if no Advances are outstanding in any month, a Borrowing Base Certificate in form and substance satisfactory to Agent (which shall be calculated as of the last day of the prior month and which shall not be binding upon Agent or restrictive of Agent's rights under this Agreement) and (b) upon the request of any Advance and at least once each week if there are Advances outstanding under this Agreement, Tuesday of each week as and for the prior week, a Borrowing Base Certificate in form and substance satisfactory to Agent (which shall be calculated as of the last day of the prior week and which shall not be binding upon Agent or restrictive of Agent's rights under this Agreement). In addition, each Borrower will deliver to Agent at such intervals as Agent may require: (1) confirmatory assignment schedules, (2) copies of Customer's invoices, (3) evidence of shipment or delivery, and (4) such further schedules, documents and/or information regarding the Collateral as Agent may require including trial balances and test verifications. Agent shall have the right to confirm and verify all Receivables by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder. The items to be provided under this Section are to be in form satisfactory to Agent and executed by each Borrower and delivered to Agent from time to time solely for Agent's convenience in maintaining records of the Collateral, and any Borrower's failure to deliver any of such items to Agent shall not affect, terminate, modify or otherwise limit Agent's Lien with respect to the Collateral.

9.3. Environmental Reports . Furnish Agent, concurrently with the delivery of the financial statements referred to in Sections 9.7 and 9.8, with a certificate signed by the President of Borrowing Agent stating, to the best of his knowledge, that each Borrower is in compliance in all material respects with all federal, state and local Environmental Laws. To the extent any Borrower is not in compliance with the foregoing laws, the certificate shall set forth with specificity all areas of non-compliance and the proposed action such Borrower will implement in order to achieve full compliance.

9.4. Litigation . Promptly notify Agent in writing of any claim, litigation, suit or administrative proceeding affecting any Borrower or any Guarantor, whether or not the claim is covered by insurance, and of any litigation, suit or administrative proceeding, which in any such case affects the Collateral or which could reasonably be expected to have a Material Adverse Effect.

9.5. Material Occurrences . Promptly notify Agent in writing upon the occurrence of: (a) any Event of Default or Default; (b) any event, development or circumstance whereby any financial statements or other reports furnished to Agent fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Borrower as of the date of such statements; (c) any accumulated retirement plan funding

deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the Code, could subject any Borrower to a tax imposed by Section 4971 of the Code; (d) each and every default by any Borrower which might result in the acceleration of the maturity of any Indebtedness, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; and (e) any other development in the business or affairs of any Borrower or any Guarantor, which could reasonably be expected to have a Material Adverse Effect; in each case describing the nature thereof and the action Borrowers propose to take with respect thereto.

9.6. Government Receivables . Notify Agent immediately if any of its Receivables arise out of contracts between any Borrower and the United States, any state, or any department, agency or instrumentality of any of them.

9.7. Annual Financial Statements . Furnish Agent and Lenders within one hundred twenty (120) days after the end of each fiscal year of Borrowers, financial statements of Borrowers on a consolidating and consolidated basis including, but not limited to, statements of income and stockholders' equity and cash flow from the beginning of the current fiscal year to the end of such fiscal year and the balance sheet as at the end of such fiscal year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Borrowers and satisfactory to Agent (the "Accountants"). The report of the Accountants shall be accompanied by a statement of the Accountants certifying that (i) they have caused this Agreement to be reviewed, (ii) in making the examination upon which such report was based either no information came to their attention which to their knowledge constituted an Event of Default or a Default under this Agreement or any related agreement or, if such information came to their attention, specifying any such Default or Event of Default, its nature, when it occurred and whether it is continuing, and such report shall contain or have appended thereto calculations which set forth Borrowers' compliance with the requirements or restrictions imposed by Sections 6.5, 7.4, 7.5, 7.6, 7.7, 7.8 and 7.11 hereof. In addition, the reports shall be accompanied by a Compliance Certificate.

9.8. Quarterly Financial Statements . Furnish Agent and Lenders within 45 days after the end of each fiscal quarter, an unaudited balance sheet of Borrowers on a consolidated and consolidating basis and unaudited statements of income and stockholders' equity and cash flow of Borrowers on a consolidated and consolidating basis reflecting results of operations from the beginning of the fiscal year to the end of such quarter and for such quarter, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to Borrowers' business. The reports shall be accompanied by a Compliance Certificate.

9.9. Monthly Financial Statements . Furnish Agent and Lenders within thirty (30) days after the end of each month an unaudited balance sheet of Borrowers on a consolidated and consolidating basis and unaudited statements of income and stockholders' equity and cash flow of Borrowers on a consolidated and consolidating basis reflecting results of operations from the beginning of the fiscal year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to

normal and recurring year end adjustments that individually and in the aggregate are not material to Borrowers' business.

9.10. Other Reports. Furnish Agent as soon as available, but in any event within ten (10) days after the issuance thereof, with copies of such financial statements, reports and returns as each Borrower shall send to its stockholders.

9.11. Additional Information. Furnish Agent with such additional information as Agent shall reasonably request in order to enable Agent to determine whether the terms, covenants, provisions and conditions of this Agreement and the Notes have been complied with by Borrowers including, without the necessity of any request by Agent, (a) copies of all environmental audits and reviews, (b) at least thirty (30) days prior thereto, notice of any Borrower's opening of any new office or place of business or any Borrower's closing of any existing office or place of business, and (c) promptly upon any Borrower's learning thereof, notice of any labor dispute to which any Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which any Borrower is a party or by which any Borrower is bound.

9.12. Projected Operating Budget. Furnish Agent and Lenders, no later than thirty (30) days after the beginning of each Borrower's fiscal years commencing with fiscal year 2010, a month by month projected operating budget and cash flow of Borrowers on a consolidated and consolidating basis for such fiscal year (including an income statement for each month and a balance sheet as at the end of the last month in each fiscal quarter), such projections to be accompanied by a certificate signed by the President or Chief Financial Officer of each Borrower to the effect that such projections have been prepared on the basis of sound financial planning practice consistent with past budgets and financial statements and that such officer has no reason to question the reasonableness of any material assumptions on which such projections were prepared.

9.13. Variances From Operating Budget. Furnish Agent, concurrently with the delivery of the financial statements referred to in Section 9.7 and each monthly report, a written report summarizing all material variances from budgets submitted by Borrowers pursuant to Section 9.12 and a discussion and analysis by management with respect to such variances.

9.14. Notice of Suits, Adverse Events. Furnish Agent with prompt written notice of (i) any lapse or other termination of any Consent issued to any Borrower by any Governmental Body or any other Person that is material to the operation of any Borrower's business, (ii) any refusal by any Governmental Body or any other Person to renew or extend any such Consent; and (iii) copies of any periodic or special reports filed by any Borrower or any Guarantor with any Governmental Body or Person, if such reports indicate any material change in the business, operations, affairs or condition of any Borrower or any Guarantor, or if copies thereof are requested by Lender, and (iv) copies of any material notices and other communications from any Governmental Body or Person which specifically relate to any Borrower or any Guarantor.

9.15. ERISA Notices and Requests. Furnish Agent with immediate written notice in the event that (i) any Borrower or any member of the Controlled Group knows or has reason to know that a Termination Event has occurred, together with a written statement describing such

Termination Event and the action, if any, which such Borrower or any member of the Controlled Group has taken, is taking, or proposes to take with respect thereto and, when known, any action taken or threatened by the Internal Revenue Service, Department of Labor or PBGC with respect thereto, (ii) any Borrower or any member of the Controlled Group knows or has reason to know that a prohibited transaction (as defined in Sections 406 of ERISA and 4975 of the Code) has occurred together with a written statement describing such transaction and the action which such Borrower or any member of the Controlled Group has taken, is taking or proposes to take with respect thereto, (iii) a funding waiver request has been filed with respect to any Plan together with all communications received by any Borrower or any member of the Controlled Group with respect to such request, (iv) any increase in the benefits of any existing Plan or the establishment of any new Plan or the commencement of contributions to any Plan to which any Borrower or any member of the Controlled Group was not previously contributing shall occur, (v) any Borrower or any member of the Controlled Group shall receive from the PBGC a notice of intention to terminate a Plan or to have a trustee appointed to administer a Plan, together with copies of each such notice, (vi) any Borrower or any member of the Controlled Group shall receive any favorable or unfavorable determination letter from the Internal Revenue Service regarding the qualification of a Plan under Section 401(a) of the Code, together with copies of each such letter; (vii) any Borrower or any member of the Controlled Group shall receive a notice regarding the imposition of withdrawal liability, together with copies of each such notice; (viii) any Borrower or any member of the Controlled Group shall fail to make a required installment or any other required payment under Section 412 of the Code on or before the due date for such installment or payment; or (ix) any Borrower or any member of the Controlled Group knows that (a) a Multiemployer Plan has been terminated, (b) the administrator or plan sponsor of a Multiemployer Plan intends to terminate a Multiemployer Plan, or (c) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate a Multiemployer Plan.

9.16. Additional Documents . Execute and deliver to Agent, upon request, such documents and agreements as Agent may, from time to time, reasonably request to carry out the purposes, terms or conditions of this Agreement.

X. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events shall constitute an “Event of Default”:

10.1. Nonpayment . Failure by any Borrower to pay any principal or interest on the Obligations when due, whether at maturity or by reason of acceleration pursuant to the terms of this Agreement or by notice of intention to prepay, or by required prepayment or failure to pay any other liabilities or make any other payment, fee or charge provided for herein when due or in any Other Document;

10.2. Breach of Representation . Any representation or warranty made or deemed made by any Borrower or any Guarantor in this Agreement, any Other Document or any related agreement or in any certificate, document or financial or other statement furnished at any time in connection herewith or therewith shall prove to have been misleading in any material respect on the date when made or deemed to have been made;

10.3. Financial Information. Failure by any Borrower to (i) furnish financial information when due or when requested, or (ii) permit the inspection of its books or records;

10.4. Judicial Actions. Issuance of a notice of Lien, levy, assessment, injunction or attachment against any Borrower's Inventory or Receivables or against a material portion of any Borrower's other property;

10.5. Noncompliance. Except as otherwise provided for in Sections 10.1, 10.3 and 10.5(ii), (i) failure or neglect of any Borrower or any Guarantor or any Person to perform, keep or observe any term, provision, condition, covenant herein contained, or contained in any Other Document or any other agreement or arrangement, now or hereafter entered into between any Borrower or any Guarantor or such Person, and Agent or any Lender, or (ii) failure or neglect of any Borrower to perform, keep or observe any term, provision, condition or covenant, contained in Sections 4.6, 4.7, 4.9, 6.1, 6.3, 6.4, 9.4 or 9.6 hereof which is not cured within ten (10) days from the occurrence of such failure or neglect;

10.6. Judgments. Any judgment or judgments are rendered against any Borrower or any Guarantor for an aggregate amount in excess of \$75,000 or against all Borrowers or Guarantors for an aggregate amount in excess of \$75,000 and (i) enforcement proceedings shall have been commenced by a creditor upon such judgment, (ii) there shall be any period of forty (40) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, shall not be in effect, or (iii) any such judgment results in the creation of a Lien upon any of the Collateral (other than a Permitted Encumbrance);

10.7. Bankruptcy. Any Borrower or any Guarantor shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

10.8. Inability to Pay. Any Borrower or any Guarantor shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business;

10.9. Affiliate Bankruptcy. Any Affiliate or any Subsidiary of any Borrower, or any Guarantor, shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary

case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;

10.10. Material Adverse Effect. The occurrence of any Material Adverse Effect;

10.11. Lien Priority. Any Lien created hereunder or provided for hereby or under any related agreement for any reason ceases to be or is not a valid and perfected Lien having a first priority interest;

10.12. Intentionally Omitted.

10.13. Cross Default. A default of the obligations of any Borrower under any other agreement to which it is a party shall occur which causes a Material Adverse Effect which default is not cured within any applicable grace period;

10.14. Breach of Guaranty or Pledge Agreement. Termination or breach of any Guaranty, Guaranty Security Agreement, Pledge Agreement or similar agreement executed and delivered to Agent in connection with the Obligations of any Borrower, or if any Guarantor attempts to terminate, challenges the validity of, or its liability under, any such Guaranty, Guaranty Security Agreement, Pledge Agreement or similar agreement;

10.15. Change of Ownership. Any Change of Ownership shall occur;

10.16. Invalidity. Any material provision of this Agreement or any Other Document shall, for any reason, cease to be valid and binding on any Borrower or any Guarantor, or any Borrower or any Guarantor shall so claim in writing to Agent or any Lender;

10.17. Licenses. (i) Any Governmental Body shall (A) revoke, terminate, suspend or adversely modify any license, permit, patent trademark or tradename of any Borrower or any Guarantor, the continuation of which is material to the continuation of any Borrower's or Guarantor's business, or (B) commence proceedings to suspend, revoke, terminate or adversely modify any such license, permit, trademark, tradename or patent and such proceedings shall not be dismissed or discharged within sixty (60) days, or (c) schedule or conduct a hearing on the renewal of any license, permit, trademark, tradename or patent necessary for the continuation of any Borrower's or any Guarantor's business and the staff of such Governmental Body issues a report recommending the termination, revocation, suspension or material, adverse modification of such license, permit, trademark, tradename or patent; (ii) any agreement which is necessary or material to the operation of any Borrower's or any Guarantor's business shall be revoked or terminated and not replaced by a substitute acceptable to Agent within thirty (30) days after the date of such revocation or termination, and such revocation or termination and non-replacement would reasonably be expected to have a Material Adverse Effect;

10.18. Seizures. Any portion of the Collateral shall be seized or taken by a Governmental Body, or any Borrower or any Guarantor or the title and rights of any Borrower, any Guarantor or any Original Owner which is the owner of any material portion of the Collateral shall have become the subject matter of claim, litigation, suit or other proceeding which might, in the opinion of Agent, upon final determination, result in impairment or loss of the security provided by this Agreement or the Other Documents;

10.19. Pension Plans. An event or condition specified in Sections 7.16 or 9.15 hereof shall occur or exist with respect to any Plan and, as a result of such event or condition, together with all other such events or conditions, any Borrower or any member of the Controlled Group shall incur, or in the opinion of Agent be reasonably likely to incur, a liability to a Plan or the PBGC (or both) which, in the reasonable judgment of Agent, would have a Material Adverse Effect; or

10.20. Direct TV. The occurrence of a default or event of default under any Direct TV Security Document or the Direct TV Agreement.

XI. LENDERS' RIGHTS AND REMEDIES AFTER DEFAULT.

11.1. Rights and Remedies.

(a) Upon the occurrence of (i) an Event of Default pursuant to Section 10.7 all Obligations shall be immediately due and payable and this Agreement and the obligation of Lenders to make Advances shall be deemed terminated; and, (ii) any of the other Events of Default and at any time thereafter, at the option of Required Lenders all Obligations shall be immediately due and payable and Lenders shall have the right to terminate this Agreement and to terminate the obligation of Lenders to make Advances and (iii) a filing of a petition against any Borrower in any involuntary case under any state or federal bankruptcy laws, all Obligations shall be immediately due and payable and the obligation of Lenders to make Advances hereunder shall be terminated other than as may be required by an appropriate order of the bankruptcy court having jurisdiction over such Borrower. Upon the occurrence of any Event of Default, Agent shall have the right to exercise any and all rights and remedies provided for herein, under the Other Documents, under the Uniform Commercial Code and at law or equity generally, including the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process. Agent may enter any of any Borrower's premises or other premises without legal process and without incurring liability to any Borrower therefor, and Agent may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as Agent may deem advisable and Agent may require Borrowers to make the Collateral available to Agent at a convenient place. With or without having the Collateral at the time or place of sale, Agent may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Agent may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Agent shall give Borrowers reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to Borrowing Agent at least ten (10) days prior to such sale or sales is reasonable notification. At any public sale Agent or any Lender may bid for and become the purchaser, and Agent, any Lender or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and all such claims, rights and equities are hereby expressly waived and released by each Borrower. In connection with the exercise of the foregoing remedies, including the sale of Inventory, Agent is granted a perpetual nonrevocable, royalty free, nonexclusive license and Agent is granted permission to use all of each Borrower's (a) trademarks, trade styles, trade

names, patents, patent applications, copyrights, service marks, licenses, franchises and other proprietary rights which are used or useful in connection with Inventory for the purpose of marketing, advertising for sale and selling or otherwise disposing of such Inventory and (b) Equipment for the purpose of completing the manufacture of unfinished goods. The cash proceeds realized from the sale of any Collateral shall be applied to the Obligations in the order set forth in Section 11.5 hereof. Noncash proceeds will only be applied to the Obligations as they are converted into cash. If any deficiency shall arise, Borrowers shall remain liable to Agent and Lenders therefor.

(b) To the extent that Applicable Law imposes duties on the Agent to exercise remedies in a commercially reasonable manner, each Borrower acknowledges and agrees that it is not commercially unreasonable for the Agent (i) to fail to incur expenses reasonably deemed significant by the Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Customers or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Customers and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as any Borrower, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure the Agent against risks of loss, collection or disposition of Collateral or to provide to the Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Agent in the collection or disposition of any of the Collateral. Each Borrower acknowledges that the purpose of this Section 11.1(b) is to provide non-exhaustive indications of what actions or omissions by the Agent would not be commercially unreasonable in the Agent's exercise of remedies against the Collateral and that other actions or omissions by the Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 11.1(b). Without limitation upon the foregoing, nothing contained in this Section 11.1(b) shall be construed to grant any rights to any Borrower or to impose any duties on Agent that would not have been granted or imposed by this Agreement or by Applicable Law in the absence of this Section 11.1(b).

11.2. Agent's Discretion. Agent shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies Agent may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of Agent's or Lenders' rights hereunder.

11.3. Setoff. Subject to Section 14.12, in addition to any other rights which Agent or any Lender may have under Applicable Law, upon the occurrence of an Event of Default hereunder, Agent and such Lender shall have a right, immediately and without notice of any kind, to apply any Borrower's property held by Agent and such Lender to reduce the Obligations.

11.4. Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any rights or remedy shall not preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

11.5. Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Agent on account of the Obligations or any other amounts outstanding under any of the Other Documents or in respect of the Collateral may, at Agent's discretion, be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of the Agent in connection with enforcing its rights and the rights of the Lenders under this Agreement and the Other Documents and any protective advances made by the Agent with respect to the Collateral under or pursuant to the terms of this Agreement;

SECOND, to payment of any fees owed to the Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of each of the Lenders to the extent owing to such Lender pursuant to the terms of this Agreement;

FOURTH, to the payment of all of the Obligations consisting of accrued fees and interest;

FIFTH, to the payment of the outstanding principal amount of the Obligations (including the payment or cash collateralization of any outstanding Letters of Credit);

SIXTH, to all other Obligations and other obligations which shall have become due and payable under the Other Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive (so long as it is not a Defaulting Lender) an amount equal to its pro rata share (based on the proportion that the then outstanding Advances held by such Lender bears to the aggregate then outstanding Advances) of amounts available to be applied pursuant to clauses "FOURTH", "FIFTH" and "SIXTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount

of outstanding Letters of Credit, such amounts shall be held by the Agent in a cash collateral account and applied (A) first, to reimburse the Issuer from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 11.5.

XII. WAIVERS AND JUDICIAL PROCEEDINGS.

12.1. Waiver of Notice. Each Borrower hereby waives notice of non-payment of any of the Receivables, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, Collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein.

12.2. Delay. No delay or omission on Agent's or any Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any Default or Event of Default.

12.3. Jury Waiver. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

XIII. EFFECTIVE DATE AND TERMINATION.

13.1. Term. This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of each Borrower, Agent and each Lender, shall become effective on the date hereof and shall continue in full force and effect until November 24 2012 (the "Term") unless sooner terminated as herein provided. Borrowers may terminate this Agreement at any time upon ninety (90) days' prior written notice upon payment in full of the Obligations. In the event the Obligations are prepaid in full prior to the last day of the Term (the date of such prepayment hereinafter referred to as the "Early Termination Date"), Borrowers shall pay to Agent for the benefit of Lenders an early termination fee in an amount equal to (x) 2.00% of the Maximum Revolving Advance Amount if the Early Termination Date occurs on or after the Closing Date to and including the date immediately preceding the first

anniversary of the Closing Date, (y) 1.00% of the Maximum Revolving Advance Amount if the Early Termination Date occurs on or after the first anniversary of the Closing Date to and including the date immediately preceding the second anniversary of the Closing Date, and (z) .5% of the Maximum Revolving Advance Amount if the Early Termination Date occurs on or after the second anniversary of the Closing Date to and including the date immediately preceding the expiration of the Term.

13.2. Termination . The termination of the Agreement shall not affect any Borrower's, Agent's or any Lender's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully and indefeasibly paid, disposed of, concluded or liquidated. The security interests, Liens and rights granted to Agent and Lenders hereunder and the financing statements filed hereunder shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that Borrowers' Account may from time to time be temporarily in a zero or credit position, until all of the Obligations of each Borrower have been indefeasibly paid and performed in full after the termination of this Agreement or each Borrower has furnished Agent and Lenders with an indemnification satisfactory to Agent and Lenders with respect thereto. Accordingly, each Borrower waives any rights which it may have under the Uniform Commercial Code to demand the filing of termination statements with respect to the Collateral, and Agent shall not be required to send such termination statements to each Borrower, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations have been indefeasibly paid in full in immediately available funds. All representations, warranties, covenants, waivers and agreements contained herein shall survive termination hereof until all Obligations are indefeasibly paid and performed in full.

XIV. REGARDING AGENT.

14.1. Appointment . Each Lender hereby designates PNC to act as Agent for such Lender under this Agreement and the Other Documents. Each Lender hereby irrevocably authorizes Agent to take such action on its behalf under the provisions of this Agreement and the Other Documents and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto and Agent shall hold all Collateral, payments of principal and interest, fees (except the fees set forth in Sections 3.3(a) and 3.4), charges and collections (without giving effect to any collection days) received pursuant to this Agreement, for the ratable benefit of Lenders. Agent may perform any of its duties hereunder by or through its agents or employees. As to any matters not expressly provided for by this Agreement (including collection of the Note) Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding; provided, however, that Agent shall not be required to take any action which exposes Agent to liability or which is contrary to this Agreement or the Other Documents or Applicable Law unless Agent is furnished with an indemnification reasonably satisfactory to Agent with respect thereto.

14.2. Nature of Duties. Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Other Documents. Neither Agent nor any of its officers, directors, employees or agents shall be (i) liable for any action taken or omitted by them as such hereunder or in connection herewith, unless caused by their gross (not mere) negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment), or (ii) responsible in any manner for any recitals, statements, representations or warranties made by any Borrower or any officer thereof contained in this Agreement, or in any of the Other Documents or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any of the Other Documents or for the value, validity, effectiveness, genuineness, due execution, enforceability or sufficiency of this Agreement, or any of the Other Documents or for any failure of any Borrower to perform its obligations hereunder. Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any of the Other Documents, or to inspect the properties, books or records of any Borrower. The duties of Agent as respects the Advances to Borrowers shall be mechanical and administrative in nature; Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon Agent any obligations in respect of this Agreement except as expressly set forth herein.

14.3. Lack of Reliance on Agent and Resignation. Independently and without reliance upon Agent or any other Lender, each Lender has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of each Borrower and each Guarantor in connection with the making and the continuance of the Advances hereunder and the taking or not taking of any action in connection herewith, and (ii) its own appraisal of the creditworthiness of each Borrower and each Guarantor. Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before making of the Advances or at any time or times thereafter except as shall be provided by any Borrower pursuant to the terms hereof. Agent shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any agreement, document, certificate or a statement delivered in connection with or for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any Other Document, or of the financial condition of any Borrower or any Guarantor, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Note, the Other Documents or the financial condition of any Borrower, or the existence of any Event of Default or any Default.

Agent may resign on sixty (60) days' written notice to each of Lenders and Borrowing Agent and upon such resignation, the Required Lenders will promptly designate a successor Agent reasonably satisfactory to Borrowers.

Any such successor Agent shall succeed to the rights, powers and duties of Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent. After any Agent's resignation as Agent, the provisions

of this Article XIV shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

14.4. Certain Rights of Agent. If Agent shall request instructions from Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any Other Document, Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from the Required Lenders; and Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, Lenders shall not have any right of action whatsoever against Agent as a result of its acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

14.5. Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, order or other document or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to this Agreement and the Other Documents and its duties hereunder, upon advice of counsel selected by it. Agent may employ agents and attorneys-in-fact and shall not be liable for the default or misconduct of any such agents or attorneys-in-fact selected by Agent with reasonable care.

14.6. Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder or under the Other Documents, unless Agent has received notice from a Lender or Borrowing Agent referring to this Agreement or the Other Documents, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that Agent receives such a notice, Agent shall give notice thereof to Lenders. Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of Lenders.

14.7. Indemnification. To the extent Agent is not reimbursed and indemnified by Borrowers, each Lender will reimburse and indemnify Agent in proportion to its respective portion of the Advances (or, if no Advances are outstanding, according to its Commitment Percentage), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against Agent in performing its duties hereunder, or in any way relating to or arising out of this Agreement or any Other Document; provided that, Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross (not mere) negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment).

14.8. Agent in its Individual Capacity. With respect to the obligation of Agent to lend under this Agreement, the Advances made by it shall have the same rights and powers hereunder as any other Lender and as if it were not performing the duties as Agent specified herein; and the term "Lender" or any similar term shall, unless the context clearly otherwise indicates, include

Agent in its individual capacity as a Lender. Agent may engage in business with any Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

14.9. Delivery of Documents. To the extent Agent receives financial statements required under Sections 9.7, 9.8, 9.9, 9.12 and 9.13 or Borrowing Base Certificates from any Borrower pursuant to the terms of this Agreement which any Borrower is not obligated to deliver to each Lender, Agent will promptly furnish such documents and information to Lenders.

14.10. Borrowers' Undertaking to Agent. Without prejudice to their respective obligations to Lenders under the other provisions of this Agreement, each Borrower hereby undertakes with Agent to pay to Agent from time to time on demand all amounts from time to time due and payable by it for the account of Agent or Lenders or any of them pursuant to this Agreement to the extent not already paid. Any payment made pursuant to any such demand shall pro tanto satisfy the relevant Borrower's obligations to make payments for the account of Lenders or the relevant one or more of them pursuant to this Agreement.

14.11. No Reliance on Agent's Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA PATRIOT Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any Borrower, its Affiliates or its agents, this Agreement, the Other Documents or the transactions hereunder or contemplated hereby: (1) any identity verification procedures, (2) any record-keeping, (3) comparisons with government lists, (4) customer notices or (5) other procedures required under the CIP Regulations or such other laws.

14.12. Other Agreements. Each of the Lenders agrees that it shall not, without the express consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the request of Agent, set off against the Obligations, any amounts owing by such Lender to any Borrower or any deposit accounts of any Borrower now or hereafter maintained with such Lender. Anything in this Agreement to the contrary notwithstanding, each of the Lenders further agrees that it shall not, unless specifically requested to do so by Agent, take any action to protect or enforce its rights arising out of this Agreement or the Other Documents, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Other Documents shall be taken in concert and at the direction or with the consent of Agent or Required Lenders.

XV. BORROWING AGENCY.

15.1. Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and

deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Agent to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

(b) The handling of this credit facility as a co-borrowing facility with a borrowing agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. Neither Agent nor any Lender shall incur liability to Borrowers as a result thereof. To induce Agent and Lenders to do so and in consideration thereof, each Borrower hereby indemnifies Agent and each Lender and holds Agent and each Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Agent or any Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Agent or any Lender on any request or instruction from Borrowing Agent or any other action taken by Agent or any Lender with respect to this Section 15.1 except due to willful misconduct or gross (not mere) negligence by the indemnified party (as determined by a court of competent jurisdiction in a final and non-appealable judgment).

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted to Agent or any Lender to any Borrower, failure of Agent or any Lender to give any Borrower notice of borrowing or any other notice, any failure of Agent or any Lender to pursue or preserve its rights against any Borrower, the release by Agent or any Lender of any Collateral now or thereafter acquired from any Borrower, and such agreement by each Borrower to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Agent or any Lender to the other Borrowers or any Collateral for such Borrower's Obligations or the lack thereof. Each Borrower waives all suretyship defenses.

15.2. Waiver of Subrogation . Each Borrower expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Borrower may now or hereafter have against the other Borrowers or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Borrowers' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

XVI. MISCELLANEOUS.

16.1. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois applied to contracts to be performed wholly within the State of Illinois. Any judicial proceeding brought by or against any Borrower with respect to any of the Obligations, this Agreement, the Other Documents or any related agreement may be brought in any court of competent jurisdiction in the State of Illinois, United States of America, and, by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Borrower hereby waives personal service of any and all

process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to Borrowing Agent at its address set forth in Section 16.6 and service so made shall be deemed completed five (5) days after the same shall have been so deposited in the mails of the United States of America, or, at the Agent's option, by service upon Borrowing Agent which each Borrower irrevocably appoints as such Borrower's Agent for the purpose of accepting service within the State of Illinois. Nothing herein shall affect the right to serve process in any manner permitted by law or shall limit the right of Agent or any Lender to bring proceedings against any Borrower in the courts of any other jurisdiction. Each Borrower waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Each Borrower waives the right to remove any judicial proceeding brought against such Borrower in any state court to any federal court. Any judicial proceeding by any Borrower against Agent or any Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the County of Cook, State of Illinois.

16.2. Entire Understanding.

(a) This Agreement and the documents executed concurrently herewith contain the entire understanding between each Borrower, Agent and each Lender and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing, signed by each Borrower's, Agent's and each Lender's respective officers. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged. Each Borrower acknowledges that it has been advised by counsel in connection with the execution of this Agreement and Other Documents and is not relying upon oral representations or statements inconsistent with the terms and provisions of this Agreement.

(b) The Required Lenders, Agent with the consent in writing of the Required Lenders, and Borrowers may, subject to the provisions of this Section 16.2 (b), from time to time enter into written supplemental agreements to this Agreement or the Other Documents executed by Borrowers, for the purpose of adding or deleting any provisions or otherwise changing, varying or waiving in any manner the rights of Lenders, Agent or Borrowers thereunder or the conditions, provisions or terms thereof or waiving any Event of Default thereunder, but only to the extent specified in such written agreements; provided, however, that no such supplemental agreement shall, without the consent of all Lenders:

(i) increase the Commitment Percentage, the maximum dollar commitment of any Lender or the Maximum Revolving Advance Amount;

(ii) extend the maturity of any Note or the due date for any amount payable hereunder, or decrease the rate of interest or reduce any fee payable by Borrowers to Lenders pursuant to this Agreement;

(iii) alter the definition of the term Required Lenders or alter, amend or modify this Section 16.2(b);

(iv) release any Collateral during any calendar year (other than in accordance with the provisions of this Agreement) having an aggregate value in excess of \$1,000,000;

(v) change the rights and duties of Agent;

(vi) permit any Revolving Advance to be made if after giving effect thereto the total of Revolving Advances outstanding hereunder would exceed the Formula Amount for more than sixty (60) consecutive Business Days or exceed one hundred and ten percent (110%) of the Formula Amount;

(vii) increase the Advance Rates above the Advance Rates in effect on the Closing Date; or

(viii) release any Guarantor.

Any such supplemental agreement shall apply equally to each Lender and shall be binding upon Borrowers, Lenders and Agent and all future holders of the Obligations. In the case of any waiver, Borrowers, Agent and Lenders shall be restored to their former positions and rights, and any Event of Default waived shall be deemed to be cured and not continuing, but no waiver of a specific Event of Default shall extend to any subsequent Event of Default (whether or not the subsequent Event of Default is the same as the Event of Default which was waived), or impair any right consequent thereon.

In the event that Agent requests the consent of a Lender pursuant to this Section 16.2 and such Lender shall not respond or reply to Agent in writing within five (5) days of delivery of such request, such Lender shall be deemed to have consented to the matter that was the subject of the request. In the event that Agent requests the consent of a Lender pursuant to this Section 16.2 and such consent is denied, then PNC may, at its option, require such Lender to assign its interest in the Advances to PNC or to another Lender or to any other Person designated by the Agent (the "Designated Lender"), for a price equal to (i) the then outstanding principal amount thereof plus (ii) accrued and unpaid interest and fees due such Lender, which interest and fees shall be paid when collected from Borrowers. In the event PNC elects to require any Lender to assign its interest to PNC or to the Designated Lender, PNC will so notify such Lender in writing within forty five (45) days following such Lender's denial, and such Lender will assign its interest to PNC or the Designated Lender no later than five (5) days following receipt of such notice pursuant to a Commitment Transfer Supplement executed by such Lender, PNC or the Designated Lender, as appropriate, and Agent.

Notwithstanding (a) the existence of a Default or an Event of Default, (b) that any of the other applicable conditions precedent set forth in Section 8.2 hereof have not been satisfied or (c) any other provision of this Agreement, Agent may at its discretion and without the consent of the Required Lenders, voluntarily permit the outstanding Revolving Advances at any time to exceed the Formula Amount by up to ten percent (10%) of the Formula Amount for up to sixty (60) consecutive Business Days (the "Out-of-Formula Loans"). If Agent is willing in its sole and

absolute discretion to make such Out-of-Formula Loans, such Out-of-Formula Loans shall be payable on demand and shall bear interest at the Default Rate for Revolving Advances consisting of Domestic Rate Loans; provided that, if Lenders do make Out-of-Formula Loans, neither Agent nor Lenders shall be deemed thereby to have changed the limits of Section 2.1(a). For purposes of this paragraph, the discretion granted to Agent hereunder shall not preclude involuntary overadvances that may result from time to time due to the fact that the Formula Amount was unintentionally exceeded for any reason, including, but not limited to, Collateral previously deemed to be either "Eligible Consumer Receivables", "Eligible Credit Card Receivables", or "Eligible Inventory", as applicable, becomes ineligible, collections of Receivables applied to reduce outstanding Revolving Advances are thereafter returned for insufficient funds or overadvances are made to protect or preserve the Collateral. In the event Agent involuntarily permits the outstanding Revolving Advances to exceed the Formula Amount by more than ten percent (10%), Agent shall use its efforts to have Borrowers decrease such excess in as expeditious a manner as is practicable under the circumstances and not inconsistent with the reason for such excess. Revolving Advances made after Agent has determined the existence of involuntary overadvances shall be deemed to be involuntary overadvances and shall be decreased in accordance with the preceding sentence.

In addition to (and not in substitution of) the discretionary Revolving Advances permitted above in this Section 16.2, the Agent is hereby authorized by Borrowers and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence and during the continuation of a Default or an Event of Default, or (B) at any time that any of the other applicable conditions precedent set forth in Section 8.2 hereof have not been satisfied, to make Revolving Advances to Borrowers on behalf of the Lenders which the Agent, in its reasonable business judgment, deems necessary or desirable (a) to preserve or protect the Collateral, or any portion thereof, (b) to enhance the likelihood of, or maximize the amount of, repayment of the Advances and other Obligations, or (c) to pay any other amount chargeable to Borrowers pursuant to the terms of this Agreement; provided, that at any time after giving effect to any such Revolving Advances the outstanding Revolving Advances do not exceed one hundred and ten percent (110%) of the Formula Amount.

16.3. Successors and Assigns; Participations; New Lenders .

(a) This Agreement shall be binding upon and inure to the benefit of Borrowers, Agent, each Lender, all future holders of the Obligations and their respective successors and assigns, except that no Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Agent and each Lender.

(b) Each Borrower acknowledges that in the regular course of commercial banking business one or more Lenders may at any time and from time to time sell participating interests in the Advances to other financial institutions (each such transferee or purchaser of a participating interest, a "Participant"). Each Participant may exercise all rights of payment (including rights of set-off) with respect to the portion of such Advances held by it or other Obligations payable hereunder as fully as if such Participant were the direct holder thereof provided that Borrowers shall not be required to pay to any Participant more than the amount which it would have been required to pay to Lender which granted an interest in its Advances or other Obligations payable hereunder to such Participant had such Lender retained such interest in

the Advances hereunder or other Obligations payable hereunder and in no event shall Borrowers be required to pay any such amount arising from the same circumstances and with respect to the same Advances or other Obligations payable hereunder to both such Lender and such Participant. Each Borrower hereby grants to any Participant a continuing security interest in any deposits, moneys or other property actually or constructively held by such Participant as security for the Participant's interest in the Advances.

(c) Any Lender, with the consent of Agent which shall not be unreasonably withheld or delayed, may sell, assign or transfer all or any part of its rights and obligations under or relating to Revolving Advances under this Agreement and the Other Documents to one or more additional banks or financial institutions and one or more additional banks or financial institutions may commit to make Advances hereunder (each a "Purchasing Lender"), in minimum amounts of not less than \$5,000,000, pursuant to a Commitment Transfer Supplement, executed by a Purchasing Lender, the transferor Lender, and Agent and delivered to Agent for recording. Upon such execution, delivery, acceptance and recording, from and after the transfer effective date determined pursuant to such Commitment Transfer Supplement, (i) Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of a Lender thereunder with a Commitment Percentage as set forth therein, and (ii) the transferor Lender thereunder shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement, the Commitment Transfer Supplement creating a novation for that purpose. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Each Borrower hereby consents to the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Borrowers shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(d) Any Lender, with the consent of Agent which shall not be unreasonably withheld or delayed, may directly or indirectly sell, assign or transfer all or any portion of its rights and obligations under or relating to Revolving Advances under this Agreement and the Other Documents to an entity, whether a corporation, partnership, trust, limited liability company or other entity that (i) is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and (ii) is administered, serviced or managed by the assigning Lender or an Affiliate of such Lender (a "Purchasing CLO" and together with each Participant and Purchasing Lender, each a "Transferee" and collectively the "Transferees"), pursuant to a Commitment Transfer Supplement modified as appropriate to reflect the interest being assigned ("Modified Commitment Transfer Supplement"), executed by any intermediate purchaser, the Purchasing CLO, the transferor Lender, and Agent as appropriate and delivered to Agent for recording. Upon such execution and delivery, from and after the transfer effective date determined pursuant to such Modified Commitment Transfer Supplement, (i) Purchasing CLO thereunder shall be a party hereto and, to the extent provided in such Modified Commitment Transfer Supplement,

have the rights and obligations of a Lender thereunder and (ii) the transferor Lender thereunder shall, to the extent provided in such Modified Commitment Transfer Supplement, be released from its obligations under this Agreement, the Modified Commitment Transfer Supplement creating a novation for that purpose. Such Modified Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing CLO. Each Borrower hereby consents to the addition of such Purchasing CLO. Borrowers shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(e) Agent shall maintain at its address a copy of each Commitment Transfer Supplement and Modified Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of each Lender and the outstanding principal, accrued and unpaid interest and other fees due hereunder. The entries in the Register shall be conclusive, in the absence of manifest error, and each Borrower, Agent and Lenders may treat each Person whose name is recorded in the Register as the owner of the Advance recorded therein for the purposes of this Agreement. The Register shall be available for inspection by Borrowing Agent or any Lender at any reasonable time and from time to time upon reasonable prior notice. Agent shall receive a fee in the amount of \$3,500 payable by the applicable Purchasing Lender and/or Purchasing CLO upon the effective date of each transfer or assignment (other than to an intermediate purchaser) to such Purchasing Lender and/or Purchasing CLO.

(f) Each Borrower authorizes each Lender to disclose to any Transferee and any prospective Transferee any and all financial information in such Lender's possession concerning such Borrower which has been delivered to such Lender by or on behalf of such Borrower pursuant to this Agreement or in connection with such Lender's credit evaluation of such Borrower.

16.4. Application of Payments. Agent shall have the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations. To the extent that any Borrower makes a payment or Agent or any Lender receives any payment or proceeds of the Collateral for any Borrower's benefit, which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Agent or such Lender.

16.5. Indemnity. Each Borrower shall indemnify Agent, each Lender and each of their respective officers, directors, Affiliates, attorneys, employees and agents from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against Agent or any Lender in any claim, litigation, proceeding or investigation instituted or conducted by any Governmental Body or instrumentality or any other Person with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, this Agreement or the Other Documents, whether or not Agent or any Lender is a party thereto, except to the extent that any of the foregoing arises out of the willful misconduct of the party being indemnified (as

determined by a court of competent jurisdiction in a final and non-appealable judgment). Without limiting the generality of the foregoing, this indemnity shall extend to any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including fees and disbursements of counsel) asserted against or incurred by any of the indemnitees described above in this Section 16.5 by any Person under any Environmental Laws or similar laws by reason of any Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials, including Hazardous Substances and Hazardous Waste, or other Toxic Substances. Additionally, if any taxes (excluding taxes imposed upon or measured solely by the net income of Agent and Lenders, but including any intangibles taxes, stamp tax, recording tax or franchise tax) shall be payable by Agent, Lenders or Borrowers on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any of the Other Documents, or the creation or repayment of any of the Obligations hereunder, by reason of any Applicable Law now or hereafter in effect, Borrowers will pay (or will promptly reimburse Agent and Lenders for payment of) all such taxes, including interest and penalties thereon, and will indemnify and hold the indemnitees described above in this Section 16.5 harmless from and against all liability in connection therewith.

16.6. Notice . Any notice or request hereunder may be given to Borrowing Agent or any Borrower or to Agent or any Lender at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section. Any notice, request, demand, direction or other communication (for purposes of this Section 16.6 only, a "Notice") to be given to or made upon any party hereto under any provision of this Loan Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this Section 16.6) in accordance with this Section 16.6. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on Section 16.6 hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 16.6. Any Notice shall be effective:

(a) In the case of hand-delivery, when delivered;

(b) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day);

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(e) In the case of electronic transmission, when actually received;

(f) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such site) by another means set forth in this Section 16.6; and

(g) If given by any other means (including by overnight courier), when actually received.

Any Lender giving a Notice to Borrowing Agent or any Borrower shall concurrently send a copy thereof to the Agent, and the Agent shall promptly notify the other Lenders of its receipt of such Notice.

(A) If to Agent or PNC at:

PNC Bank, National Association
200 South Wacker Drive, Suite 600
Chicago, Illinois 60606
Attention: Portfolio Manager
Telephone: (312) 454-2920
Facsimile: (312) 454-2919

with a copy to:

Blank Rome LLP
One Logan Square
130 N. 18th Street
Philadelphia, Pennsylvania 19103
Attention: Lawrence F. Flick, II, Esquire
Telephone: (215) 569-5556
Facsimile: (215) 832-5556

(B) If to a Lender other than Agent, as specified on the signature pages hereof

(C) If to Borrowing Agent or any Borrower:

ValueVision Media, Inc.
6740 Shady Oak Road
Eden Prairie, Minnesota 55344
Attention: Chief Financial Officer
Telephone: (952) 943-6000
Facsimile: (952) 943-6111

with a copy to:

Maslon, Edelman, Borman & Brand LLP
3300 Wells Fargo Center
90 South Seventh Street

Minneapolis, Minnesota 55402
Attention: William M. Mower, Esquire
Telephone: (612) 672-8358
Facsimile: (612) 642-8358

16.7. Survival. The obligations of Borrowers under Sections 2.2(f), 3.7, 3.8, 3.9, 4.19(h), and 16.5 and the obligations of Lenders under Section 14.7, shall survive termination of this Agreement and the Other Documents and payment in full of the Obligations.

16.8. Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under Applicable Laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

16.9. Expenses. All costs and expenses including reasonable attorneys' fees (including the allocated costs of in house counsel) and disbursements incurred by Agent on its behalf or on behalf of Lenders (a) in all efforts made to enforce payment of any Obligation or effect collection of any Collateral, or (b) in connection with the entering into, modification, amendment, administration and enforcement of this Agreement or any consents or waivers hereunder or thereunder and all related agreements, documents and instruments, or (c) in instituting, maintaining, preserving, enforcing and foreclosing on Agent's security interest in or Lien on any of the Collateral, or maintaining, preserving or enforcing any of Agent's or any Lender's rights hereunder and under all related agreements, documents and instruments, whether through judicial proceedings or otherwise, or (d) in defending or prosecuting any actions or proceedings arising out of or relating to Agent's or any Lender's transactions with any Borrower or any Guarantor, or (e) in connection with any advice given to Agent or any Lender with respect to its rights and obligations under this Agreement and all related agreements, documents and instruments, may be charged to Borrowers' Account and shall be part of the Obligations.

16.10. Injunctive Relief. Each Borrower recognizes that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, or threatens to fail to perform, observe or discharge such obligations or liabilities, any remedy at law may prove to be inadequate relief to Lenders; therefore, Agent, if Agent so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

16.11. Consequential Damages. Neither Agent nor any Lender, nor any agent or attorney for any of them, shall be liable to any Borrower or any Guarantor (or any Affiliate of any such Person) for indirect, punitive, exemplary or consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations or as a result of any transaction contemplated under this Agreement or any Other Document.

16.12. Captions. The captions at various places in this Agreement are intended for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

16.13. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

16.14. Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

16.15. Confidentiality; Sharing Information. Agent, each Lender and each Transferee shall hold all non-public information obtained by Agent, such Lender or such Transferee pursuant to the requirements of this Agreement in accordance with Agent's, such Lender's and such Transferee's customary procedures for handling confidential information of this nature; provided, however, Agent, each Lender and each Transferee may disclose such confidential information (a) to its examiners, Affiliates, outside auditors, counsel and other professional advisors, (b) to Agent, any Lender or to any prospective Transferees, and (c) as required or requested by any Governmental Body or representative thereof or pursuant to legal process; provided, further that (i) unless specifically prohibited by Applicable Law, Agent, each Lender and each Transferee shall use its reasonable best efforts prior to disclosure thereof, to notify the applicable Borrower of the applicable request for disclosure of such non-public information (A) by a Governmental Body or representative thereof (other than any such request in connection with an examination of the financial condition of a Lender or a Transferee by such Governmental Body) or (B) pursuant to legal process and (ii) in no event shall Agent, any Lender or any Transferee be obligated to return any materials furnished by any Borrower other than those documents and instruments in possession of Agent or any Lender in order to perfect its Lien on the Collateral once the Obligations have been paid in full and this Agreement has been terminated. Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to such Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Lender or by one or more Subsidiaries or Affiliates of such Lender and each Borrower hereby authorizes each Lender to share any information delivered to such Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or Affiliate of any Lender receiving such information shall be bound by the provisions of this Section 16.15 as if it were a Lender hereunder. Such authorization shall survive the repayment of the other Obligations and the termination of this Agreement.

16.16. Publicity. Each Borrower and each Lender hereby authorizes Agent to make appropriate announcements of the financial arrangement entered into among Borrowers, Agent and Lenders, including announcements which are commonly known as tombstones, in such publications and to such selected parties as Agent shall in its sole and absolute discretion deem appropriate.

16.17. Certifications From Banks and Participants; USA PATRIOT Act. Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States

of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA PATRIOT Act and the applicable regulations because it is both (i) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Agent the certification, or, if applicable, recertification, certifying that such Lender is not a “shell” and certifying to other matters as required by Section 313 of the USA PATRIOT Act and the applicable regulations: (1) within 10 days after the Closing Date, and (2) as such other times as are required under the USA PATRIOT Act.

Each of the parties has signed this Agreement as of the day and year first above written.

VALUEVISION MEDIA, INC.

By: /s/ FRANK ELSENBAST

Name: Frank Elsenbast

Title: Chief Financial Officer

VALUEVISION INTERACTIVE, INC.

By: /s/ FRANK ELSENBAST

Name: Frank Elsenbast

Title: Chief Financial Officer

VVI FULFILLMENT CENTER, INC.

By: /s/ FRANK ELSENBAST

Name: Frank Elsenbast

Title: Chief Financial Officer

VALUEVISION MEDIA
ACQUISITIONS, INC.

By: /s/ FRANK ELSENBAST

Name: Frank Elsenbast

Title: Chief Financial Officer

VALUEVISION RETAIL, INC.

By: /s/ FRANK ELSENBAST

Name: Frank Elsenbast

Title: Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION,
As Lender and as Agent

By: /s/ BRUCE WEIDNER

Name: Bruce Weidner

Title: Vice President

200 South Wacker Drive, Suite 600
Chicago, Illinois 60606

Commitment Percentage: 100%

SIGNIFICANT SUBSIDIARIES OF THE REGISTRANT

All of the Company's subsidiaries listed below are wholly owned.

<u>Name</u>	<u>State of Incorporation</u>
ValueVision Interactive, Inc.	Minnesota
VVI Fulfillment Center, Inc.	Minnesota
ValueVision Media Acquisitions, Inc.	Delaware
ValueVision Retail, Inc.	Delaware
Iosota, Inc.	Delaware
FanBuzz, Inc.	Delaware
FanBuzz Retail, Inc.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-81438, 333-125183, and 333-139597 on Form S-8 of our reports dated April 12, 2010, relating to the consolidated financial statements and financial statement schedule of ValueVision Media, Inc. and subsidiaries, and the effectiveness of ValueVision Media, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of ValueVision Media Inc. and subsidiaries for the year ended January 30, 2010.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
April 12, 2010

CERTIFICATION

I, Keith R. Stewart, Chief Executive Officer and President of ValueVision Media, Inc, certify that:

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

Date: April 15, 2010

/s/ KEITH R. STEWART

Keith R. Stewart
Chief Executive Officer and President (principal executive officer)

CERTIFICATION

I, William McGrath, Interim Chief Financial Officer of ValueVision Media, Inc., certify that:

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

Date: April 15, 2010

/s/ WILLIAM M C G RATH
William McGrath
Vice President, Interim Chief Financial Officer (principal financial officer)

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

In connection with the Annual Report on Form 10-K of ValueVision Media, Inc., a Minnesota corporation (the “*Company*”), for the year ended January 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), the undersigned officers of the Company certify pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

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

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

Date: April 15, 2010

/s/ K EITH R. S TEWART

Keith R. Stewart
Chief Executive Officer and President (principal executive officer)

Date: April 15, 2010

/s/ W ILLIAM M C G RATH

William McGrath
Vice President, Interim Chief Financial Officer (principal financial officer)