

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, 2021

or

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

For the transition period from to

Commission file number 001-37495



iMedia Brands, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-1673770

(I.R.S. Employer Identification No.)

6740 Shady Oak Road, Eden Prairie, MN 55344-3433

(Address of principal executive offices, including Zip Code)

952-943-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	IMBI	The Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 16, 2021, 16,311,236 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 July 31, 2020, the last business day of the registrant's most recently completed second quarter, based upon the closing sale price for the registrant's common stock as reported by the Nasdaq Capital Market on July 31, 2020 was approximately \$32,284,000. 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 deemed to be affiliates under Rule 12b-2 of the Exchange Act either by holding 10% or more of the outstanding common stock as reported in reports filed with the Commission or by having certain contractual relationships with the registrant related to control. 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, 2021 are incorporated by reference in Part III of this annual report on Form 10-K.

[Table of Contents](#)

**iMEDIA BRANDS, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended**

January 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	4
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	23
Item 2. Properties	24
Item 3. Legal Proceedings	24
Item 4. Mine Safety Disclosures	24
PART II	
Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	25
Item 6. Selected Financial Data	26
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	40
Item 8. Financial Statements and Supplementary Data	41
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	79
Item 9A. Controls and Procedures	79
Item 9B. Other Information	79
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	80
Item 11. Executive Compensation	80
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	81
Item 13. Certain Relationships and Related Transactions, and Director Independence	81
Item 14. Principal Accountant Fees and Services	81
PART IV	
Item 15. Exhibits and Financial Statement Schedule	82
Item 16. Form 10-K Summary	87
Signatures	88

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and other materials we file with the Securities and Exchange Commission (the "SEC") (as well as information included in oral statements or other written statements made or to be made by us) contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position are forward-looking. We often use words such as "anticipates," "believes," "estimates," "expects," "intends," "predicts," "hopes," "should," "plans," "will" and similar expressions to identify forward-looking statements. These statements are based on management's current expectations and accordingly are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to various important factors, many of which are, and will continue to be, amplified by the COVID-19 pandemic, including (but not limited to): the impact of the COVID-19 pandemic on our sales, operations and supply chain, variability in consumer preferences, shopping behaviors, spending and debt levels; the general economic and credit environment; interest rates; seasonal variations in consumer purchasing activities; the ability to achieve the most effective product category mixes to maximize sales and margin objectives; competitive pressures on sales and sales promotions; pricing and gross sales margins; the level of cable and satellite distribution for our programming and the associated fees or estimated cost savings from contract renegotiations; our ability to establish and maintain acceptable commercial terms with third-party vendors and other third parties with whom we have contractual relationships, and to successfully manage key vendor and shipping relationships and develop key partnerships and proprietary and exclusive brands; our ability to manage our operating expenses successfully and our working capital levels; our ability to remain compliant with our credit facility covenants; customer acceptance of our branding strategy and our repositioning as a video commerce company; our ability to respond to changes in consumer shopping patterns and preferences, and changes in technology and consumer viewing patterns; changes to our management and information systems infrastructure; challenges to our data and information security; changes in governmental or regulatory requirements, including without limitation, regulations of the Federal Communications Commission ("FCC") and Federal Trade Commission, and adverse outcomes from regulatory proceedings; litigation or governmental proceedings affecting our operations; significant events (including disasters, weather events or events attracting significant television coverage) that either cause an interruption of television coverage or that divert viewership from our programming; disruptions in our distribution of our network broadcast to our customers; our ability to protect our intellectual property rights; our ability to obtain and retain key executives and employees; our ability to attract new customers and retain existing customers; changes in shipping costs; expenses relating to the actions of activist or hostile shareholders; our ability to offer new or innovative products and customer acceptance of the same; changes in customer viewing habits of television programming; and the risks identified under Item 1A (Risk Factors) in this annual report on Form 10-K. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this filing. We are under no obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

When we refer to "we," "our," "us" or the "Company," we mean iMedia Brands, Inc. and its subsidiaries unless the context indicates otherwise. iMedia Brands, Inc. is a Minnesota corporation with principal and executive offices located at 6740 Shady Oak Road, Eden Prairie, Minnesota 55344-3433.

The Company's fiscal year ends on the Saturday nearest to January 31 and results in either a 52-week or 53-week fiscal year. Our most recently completed fiscal year, fiscal 2020, ended on January 30, 2021, and consisted of 52 weeks. Fiscal 2019 ended on February 1, 2020 and consisted of 52 weeks. Fiscal 2018 ended on February 2, 2019 and consisted of 52 weeks. Fiscal 2021 will end on January 29, 2022 and will consist of 52 weeks.

On July 16, 2019 we changed our corporate name to iMedia Brands, Inc. from EVINE Live Inc.

General

We are a leading interactive media company that owns a growing portfolio of lifestyle television networks, consumer brands and media commerce services. Our television brands are ShopHQ, ShopBulldogTV and ShopHQHealth. ShopHQ is our nationally distributed shopping entertainment network that offers a mix of proprietary, exclusive and name-brand merchandise in the categories of jewelry & watches, home & consumer electronics, beauty & wellness, and fashion & accessories directly to consumers 24 hours a day in an engaging and informative shopping experience. ShopBulldogTV, which launched in the fourth quarter of fiscal 2019, is a niche television shopping entertainment network that is geared toward male consumers. ShopHQHealth, which launched in the third quarter of fiscal 2020, is a health and wellness focused television shopping entertainment network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of its customers and their families. Our television shopping entertainment programming is currently distributed in more than 80 million homes through cable and satellite distribution agreements, agreements with telecommunications companies and arrangements with over-the-air broadcast television stations. It is also streamed live online at shophq.com, shopbulldogtv.com and shophqhealth.com, which are comprehensive digital commerce platforms that sell products which appear on our television shopping entertainment networks as well as an extended assortment of online-only merchandise. Our programming is also available on mobile channels and over-the-top ("OTT") platforms. Both our programming and products are also marketed via mobile devices, including smartphones and tablets, and through the leading social media channels.

Our consumer brands include Christopher & Banks, J.W. Hulme Company ("J.W. Hulme"), Learning to Cook with Shaquille O'Neal, Kate & Mallory, Live Fit MD, and Indigo Thread Co. The Christopher & Banks brand was acquired subsequent to the end of fiscal 2020 on March 1, 2021 through a licensing agreement with ReStore Capital, a Hilco Global company, whereby we will operate the Christopher & Banks business, a specialty retailer of privately branded women's apparel and accessories, throughout all sales channels, including digital, television, catalog, and brick and mortar retail. We plan to launch a new weekly Christopher & Banks television program on our ShopHQ network, which will also promote the brand's website, cristopherandbanks.com, its only two retail stores in Coon Rapids, Minnesota, and Branson, Missouri, and planned launch of Christopher & Banks Stylists, an online interactive video platform that customizes wardrobe outfitting by a Christopher & Banks stylist.

Our Media Commerce Services brands are Float Left Interactive, Inc. ("Float Left") and third-party logistics business, i3PL. Media Commerce Services offers creative and interactive advertising, OTT app services and third-party logistics.

Our online marketplaces include OurGalleria.com and TheCloseout.com. OurGalleria.com is a higher-end online marketplace for discounted merchandise, offering an exciting shopping experience with a selection of curated flash sales and events. TheCloseout.com is an online retail store offering quality products at deeply discounted prices. We obtained a controlling interest in TheCloseout.com subsequent to the end of fiscal 2020 on February 5, 2021.

Interactive Video and Digital Commerce Retailing

The primary distribution platform of our interactive video and digital commerce retail business is our 24-hour television shopping network, ShopHQ, which is the third largest television shopping network in the United States. Our comprehensive online ShopHQ website complements our network with a combination of products featured on TV as well

as a strong collection of online-only products. Consolidated net sales, including shipping and handling revenues, totaled \$454.2 million, \$501.8 million and \$596.6 million for fiscal 2020, fiscal 2019 and fiscal 2018. We offer several convenient methods for a customer to purchase items, including our toll-free telephone number, directly online, or using mobile devices. Our television programming is primarily produced at our Eden Prairie, Minnesota headquarters facility. We also produce programming remotely on-location during special events. The programming is transmitted nationally via satellite to cable system operators, direct-to-home satellite providers, broadcast television station operators and OTT platforms.

ShopHQ Products and Product Mix

We have two reporting segments: ShopHQ and Emerging. Our ShopHQ segment includes products sold on our digital commerce platforms, including jewelry & watches, home & consumer electronics, beauty & wellness, and fashion & accessories. Historically jewelry & watches has been our largest merchandise category. While changes in our product mix have occurred as a result of customer demand and other factors including our efforts to diversify our offerings within our major merchandise categories, jewelry & watches remained our largest merchandise category during fiscal 2020. We are focused on diversifying our merchandise assortment within our existing product categories as well as by offering potential new product categories, including proprietary, exclusive and name-brands, in an effort to increase revenues, gross profits and to grow our new and active customer base. The following table shows our ShopHQ segment merchandise mix as a percentage of total digital commerce net merchandise sales for the periods indicated by product category group.

Net Merchandise Sales by Category	Fiscal 2020	Fiscal 2019	Fiscal 2018
Jewelry & Watches	41 %	44 %	38 %
Home & Consumer Electronics	16 %	23 %	25 %
Beauty & Wellness	32 %	18 %	19 %
Fashion & Accessories	11 %	15 %	18 %

Jewelry & Watches. We feature a broad assortment of jewelry from fine to fashion, silver to gold, genuine gemstones to simulated diamonds. In addition, we offer an extensive collection of men's and women's watches from classic to modern designs.

Home & Consumer Electronics. We feature home décor, cookware, kitchen electrics, tabletop accessories and home furnishings. Our consumer electronics category offers current technology trends and solutions from some of the world's most recognized brands.

Beauty & Wellness. Our assortment features a variety of skincare, cosmetics, hair care and bath & body products in addition to supplements and light fitness equipment.

Fashion & Accessories. We offer fashionable looks that strike a balance between current trends and essentials with an assortment of apparel, outerwear, intimates, handbags, accessories and footwear.

Emerging

Our Emerging reportable segment consists of our developing business models. This segment includes the Company's Media Commerce Services, which includes creative and interactive advertising, OTT app services (Float Left) and third-party logistics services (i3PL). Float Left is a business comprised of connected TVs, video-based content, application development and distribution, including technical consulting services, software development and maintenance related to video distribution. The Emerging segment also encompasses ShopHQHealth, ShopBulldogTV, J.W. Hulme, and OurGalleria.com. ShopHQHealth is a health and wellness focused network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of its customers. ShopBulldogTV is a niche television shopping network geared towards male consumers. J.W. Hulme is a business specializing in artisan-crafted leather products, including handbags and luggage. J.W. Hulme products are distributed primarily through jwhulme.com, retail stores, and programming on ShopHQ.

Company Strategy

As a leading interactive media company that owns a growing portfolio of lifestyle television networks, consumer brands and media commerce services, our core strategy involves developing and growing multiple monetization models,

through TV retailing, e-commerce, advertising and service fees, to drive overall growth in our business. We expect these models to build upon our core strengths and provide us with an advantage in the marketplace.

Our strategy includes offering our curated assortment of proprietary, exclusive (i.e., products that are not readily available elsewhere), emerging and name-brand products. Our programming is distributed through our video commerce infrastructure, which currently includes television access to more than 80 million homes in the United States, primarily on cable and satellite systems as well as over-the-air broadcast and OTT platforms. Our merchandising plan is focused on delivering a balanced assortment of profitable products presented in an engaging, entertaining, shopping-centric format using our unique expertise in storytelling and “live on location” broadcasting. We are also focused on growing our high lifetime value customer file and growing our revenues, through social, mobile, online, and OTT platforms, as well as leveraging our capacity, system capability and expertise in distribution and product development to generate new business relationships. We believe these initiatives will position us to deliver a more engaging and enjoyable customer experience with product offerings and service that exceed customer expectations. On August 21, 2019, we changed the name of the Evine network back to ShopHQ, which was the name of the network in 2014. We believe ShopHQ is easier to recognize for existing television retailing customers.

Our growth strategy also includes building profitable niche interactive media networks and services, such as ShopBulldogTV, ShopHQHealth and LaVenta. ShopBulldogTV, which launched in the fourth quarter of fiscal 2019, is an omni-channel, television shopping brand that sells and advertises men's merchandise and services, and the aspirational lifestyles associated with its brands and personalities. ShopHQHealth, a new health and wellness television retailing network, launched on September 1, 2020 in approximately 15 million homes. In addition, in 2021, we expect to launch LaVenta, a new omni-channel, Spanish language, television shopping brand centered on the Latin culture to sell and advertise merchandise, services and personalities, celebrating aspirational lifestyles. To grow our service revenue, we launched Media Commerce Services, which includes creative and interactive services and third-party logistics services (i3PL). We plan to expand our service offerings to provide a “one-stop commerce services offering” targeting brands interested in propelling their growth using our unique combination of assets in television, web and third-party logistics services. Media Commerce Services includes, Float Left, which we acquired in fiscal 2019. Float Left is a business comprised of connected TVs, video-based content, application development and distribution, including technical consulting services, software development and maintenance related to video distribution. Our strategy is to utilize Float Left's team and technology platform to further grow our content delivery capabilities in OTT platforms while providing new revenue opportunities.

Our growth strategy also includes the development of exclusive and innovative brands, such as our Shaquille O'Neal branded products; J.W. Hulme; and Christopher & Banks. Our Shaquille O'Neal branded products, which include kitchenware, cookware, and grill products, are promoted through our live broadcast program, “Learning to Cook with Shaq,” on our ShopHQ and ShopBulldogTV networks and are also distributed in select Target and Sam's Club stores. The J.W. Hulme brand is artisan-crafted leather products, including handbags and luggage. We plan to accelerate J.W. Hulme's revenue growth through its own programming on ShopHQ and utilizing J.W. Hulme to craft private-label accessories for the Company's existing owned and operated fashion brands. The Christopher & Banks brand is a specialty retailer of privately branded women's apparel and accessories and our strategy is to leverage our interactive media and ecommerce assets to drive growth of the Christopher & Banks products in all sales channels.

Television Program Distribution and Online Operations

Our television programming has continued to be the most significant medium through which we reach our customers, and we believe that our television shopping programs have been a key driver of traffic to our website and mobile platforms. Our online business represents an important component of our future growth opportunities, and we plan to continue to invest in and enhance our online-based capabilities and mobile presence. Our digital sales penetration, or, the percentage of net sales that are generated from our ShopHQ website and mobile platforms, which are primarily ordered directly online, was 50.8%, 52.7% and 53.1% in fiscal 2020, fiscal 2019 and fiscal 2018. Our mobile penetration was 55.5%, 57.3% and 54.0% of total online sales during fiscal 2020, fiscal 2019 and fiscal 2018.

Television Shopping Network

Satellite Delivery of Programming. Our television programming is presently distributed via a communications satellite transponder to cable systems and direct-to-home satellite providers. We have a satellite lease agreement with our

[Table of Contents](#)

present provider of satellite services. Pursuant to the terms of this agreement, we distribute our television programming via a satellite that was launched in August 2005 and is set to expire in October 2025. The agreement provides us, under certain circumstances, with preemptible back-up services if satellite transmission is interrupted.

Television Distribution. We generally operate under distribution agreements with cable operators, direct-to-home satellite providers and telecommunications companies to distribute our television programming over their systems. The terms of the distribution agreements typically range from one to five years. During any fiscal year, certain agreements with cable, satellite or other distributors may or have expired. Under certain circumstances, we or our distributors may cancel the agreements prior to their expiration. Additionally, we may elect not to renew distribution agreements whose terms result in sub-standard or negative contribution margins. The distribution agreements generally provide that we will pay each operator a monthly access fee, based on the number of homes receiving our programming, and in some cases marketing support payments. We frequently review distribution opportunities with cable system operators and broadcast stations providing for full- or part-time carriage of our programming.

During fiscal 2020, there were approximately 127 million homes in the United States with at least one television set. Of those homes, there were approximately 46 million cable television subscribers, approximately 22 million direct-to-home satellite subscribers and approximately 8 million homes which receive programming through telecommunications companies, such as AT&T and Verizon.

Our 24-hour television shopping network, ShopHQ, which is distributed primarily on cable and satellite systems, currently reaches more than 80 million homes, or full time equivalent subscribers.

Television Distribution Rights. During fiscal 2020, we entered into certain affiliation agreements with television providers for carriage of our television programming over their systems, including channel placement rights. As a result, we recorded a television distribution rights asset of \$43.6 million. The liability relating to the television distribution right was \$36.5 million as of January 30, 2021, of which \$29.2 million was classified as current. We believe having favorable channel positioning within the general entertainment area on the distributor's channel line-up positively impacts our sales. We believe that a portion of our sales is attributable to purchases resulting from channel "surfing" and that a channel position near popular cable networks increases the likelihood of such purchases.

Online Presence

Our websites as well as our mobile platforms, provide customers with a shop anytime, anywhere experience and offer a broad array of consumer merchandise, including all products featured on our television programming as well as merchandise found only on our websites. The websites include additional resources, including a live stream of our television programming, an archive of segments of recent past programming, videos of many individual products that the customer can view on demand, an online program guide, customer-generated product reviews as well as information about our show hosts and guest personalities. See "Regulation" below for a discussion of the regulatory environment in which our online presence operates.

Marketing and Merchandising

Television and Online Retailing

Our revenues are primarily generated from sales of merchandise offered through our interactive digital platforms, which includes cable and satellite television, our websites, mobile devices, social media channels and OTT platforms. Our television shopping businesses utilize live and selected taped television programming 24 hours a day, seven days a week, to create an interactive, entertaining, and engaging experience that brings our merchandise to life through demonstration. Our product strategy is to continue to develop and expand new product offerings across multiple merchandise categories based on customer demand, as well as to offer competitive pricing and special values in order to drive new customers and maximize margin dollars per minute. Our core digital commerce customers – those who interact with our ShopHQ network and transact through television, online and mobile devices – are primarily women between the ages of 45 and 70. We also have a strong presence of male customers of a similar age range. We believe our customers make purchases based on our unique products, quality merchandise and value. We develop our programming schedule with product categories that appeal to specific viewer and customer profiles targeting days of week and times of day they are most likely to be viewing our network. We feature announced and unannounced promotions to drive interest and incremental sales, including

"Today's Top Value," a sales promotion that features a special offer every day. In addition, we also feature major and special promotional events and inventory-clearance sales during different times of the year.

We continually introduce new products that are easily accessible to customers via our television, online and mobile platforms. Inventory sources include manufacturers, wholesalers, distributors and importers. We intend to continue to develop and promote proprietary brands and exclusive products, which generally have higher margins than widely sold merchandise, across multiple product categories.

ShopHQ Private Label Consumer Credit Card Program

We have a private label consumer credit card program (the "Program"). The Program is made available to all qualified consumers to finance ShopHQ purchases and provides benefits including instant purchase credits, free or reduced shipping promotions throughout the year and promotional low-interest financing on qualifying purchases. We believe use of the ShopHQ credit card furthers customer loyalty. We also believe that the card reduces total credit card expense and reduces the Company's overall bad debt exposure since Synchrony Financial ("Synchrony"), the issuing bank for the program, bears the risk of non-payment on ShopHQ credit card transactions except those in our ValuePay installment payment program. In July 2020, we extended the Program through August 2021 by entering into a Private Label Consumer Credit Card Program Agreement Amendment with Synchrony. Approximately 19%, 21% and 21% of our customer purchases were paid for using our private label consumer credit card during fiscal 2020, 2019 and 2018.

Purchasing Terms

We obtain products for our interactive digital commerce businesses from domestic and foreign manufacturers and/or their suppliers and are often able to make purchases on more favorable terms due to 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. In January 2020, we extended our standard payment terms with our merchandise vendors to improve our working capital and align with other large national retailers. 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 2020, 2019 and 2018, products purchased from one vendor accounted for approximately 20%, 19% and 14% of our consolidated net sales. During fiscal 2020, products purchased from a second vendor accounted for approximately 14% of our consolidated net sales. Both vendors are related parties and additional information is contained in Note 19 – "Related Party Transactions" in the notes to our consolidated financial statements. We believe that we could find alternative products for these vendors' merchandise assortment if they ceased supplying merchandise; however, the unanticipated loss of any large supplier could negatively impact our sales and earnings.

Order Entry, Fulfillment and Customer Service

Our products are available for purchase via toll-free telephone numbers, on our websites and through mobile platforms. We maintain agreements with third party service providers to support us with volume peaks in demand for telephone order-entry operators and automated order-processing services to take customer orders. We receive orders with our own home-based phone agents, agents at our Bowling Green, Kentucky distribution center, and at our Eden Prairie, Minnesota corporate headquarters.

We own an approximately 600,000 square foot distribution facility in Bowling Green, Kentucky, used primarily for the fulfillment of customer orders for merchandise purchased and sold by us and for certain call center operations.

The majority of customer purchases are paid for by credit or debit cards, including our private label credit card discussed above. Purchases and installment charges made with the ShopHQ private label credit card are non-recourse to us, however, we still maintain credit collection risk from the potential inability to collect future ValuePay installments. Our ValuePay program is an interest-free installment payment program which allows customers to pay by credit card for certain merchandise in two or more equal monthly installments. The percentage of our net sales in which our customers utilized our ValuePay payment program over the past three fiscal years ranged from 55% to 67%. We intend to continue to sell merchandise using the ValuePay program due to its significant promotional value.

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 net realizable value. As of January 30, 2021 and February 1, 2020, we had inventory balances of \$68.7 million and \$78.9 million.

[Table of Contents](#)

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

We perform our customer service functions primarily at our Eden Prairie, Minnesota and Bowling Green, Kentucky facilities, as well as with our own home-based phone agents.

Our standard return policy allows a 30-day refund period from the date of customer receipt for all customer purchases. Our return rate averaged approximately 15%, 19% and 19% in fiscal 2020, fiscal 2019 and fiscal 2018. We continue to monitor our return rates in an effort to keep our overall return rates in line and commensurate with our current product sales mix and our average selling price levels.

Competition

The interactive digital commerce retail business is highly competitive, and we are in direct competition with numerous retailers, including online retailers, many of whom are larger, better financed and have a broader customer base than we do. In our television shopping and digital commerce operations, we compete for customers with other television shopping and e-commerce retailers, infomercial companies, other types of consumer retail businesses, including traditional "brick and mortar" department stores, discount stores, warehouse stores and specialty stores, catalog and mail order retailers and other direct sellers.

Our direct competitors within the television shopping industry include QVC, Inc. and HSN, Inc., which are owned by Qurate Retail Inc. Both QVC, Inc. and HSN, Inc. are substantially larger than we are in terms of annual revenues and customers, and the programming of each is carried more broadly to U.S. households, including high-definition bands and multi-channel carriage, than our programming. Multimedia Commerce Group, Inc., which operates Jewelry Television, also competes with us for customers in the jewelry category. In addition, there are a number of smaller niche retailers and startups in the television shopping arena who compete with us. We believe that our major competitors leverage their economies of scale to incur cable and satellite distribution fees representing a significantly lower percentage of their sales attributable to their television programming than we do, and that their fee arrangements are substantially on a commission basis (in some cases with minimum guarantees) rather than on the predominantly fixed-cost basis that we currently have. At our current sales level, our distribution costs as a percentage of total consolidated net sales are higher than those of our competition. However, we have the ability to leverage this fixed expense with sales growth to accelerate improvement in our profitability.

We anticipate continued competition for viewers and customers, for experienced television commerce and e-commerce personnel, for distribution agreements with cable and satellite systems and for vendors and suppliers - not only from television shopping companies, but also from other companies that seek to enter the television shopping and online retail industries, including telecommunications and cable companies, television networks, and other established retailers. We believe that our ability to be successful in the interactive digital commerce industry will be dependent on a number of key factors, including continuing to expand our digital footprint to meet our customers' needs and increasing the lifetime value of our customer base by a combination of growing the number of customers who purchase products from us and maximizing the dollar value of sales and profitability per customer.

Regulation

Our businesses are subject to extensive regulation by federal and state authorities.

Regulation of Cable Television

The cable television industry is 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 ("Communications Act"), the Cable Television Consumer Protection Act of 1992, the Telecommunications Act of 1996 ("Telecommunications Act"), or other laws and FCC rules or policies that may affect our operations. Proposals for additional or revised regulations and requirements are pending before, are being considered by, and may in the future be considered by, Congress and federal regulatory agencies from time to time. We cannot predict the effect of any existing or proposed federal legislation, regulations or policies on our business.

The cable television industry is also regulated by state and local governments with respect to certain franchising matters. The FCC regulates the terms of cable programming networks that are distributed by satellite, as ours is. Those regulations require, among other things, that programming channels be provided to all competing multichannel video programming distributors (“MVPDs”). FCC rules also require that all video programming distributed over MVPDs include captioning for the hearing-impaired, and that all programs that were originally produced to be viewed over MVPD facilities include captions if they are subsequently distributed over the internet.

Regulation of our Online Presence

The FCC has required that all full-length television programming redistributed over the internet is captioned, and also requires captioning of programming segments distributed over the internet that were shown on television with closed captions. We currently provide closed captioning on full-length programming redistributed over the internet and other programming segments as required by FCC rules.

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. A number of states impose data security requirements on companies that collect certain types of information concerning their residents and 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.

We have historically collected sales tax from customers in states where we have physical presence under the principles laid out under the 1992 United States Supreme Court decision in *Quill Corp. v. North Dakota* and subsequent related state statutes and regulations. We have continually monitored our physical presence activities, and have historically registered to collect sales tax in multiple states and localities as physical activities have expanded. On June 21, 2018, the United States Supreme Court issued its decision in the *South Dakota v. Wayfair, Inc. et al*, which overturned the *Quill Corp. v. North Dakota* physical presence standard and allows state and local taxing jurisdictions to impose sales tax collection responsibilities on remote sellers like us based solely on making a minimum level of sales into the state. We are monitoring state legislation activities in the wake of *South Dakota v. Wayfair, Inc. et al* that would require us to register to collect sales tax in additional state and local taxing jurisdictions and believe we have complied with new state sales tax legislation as enacted to date.

There are a number of federal laws that limit our ability to pursue certain direct marketing activities, including the Telephone Consumer Protection Act, and the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act. The statutes govern when and how we may contact consumers through various communication methods, including email, phone calls, faxes and texts, in some cases requiring consent and in others allowing a consumer to opt out of certain communications. These types of regulation may limit our ability to pursue certain direct marketing activities, thus potentially limiting our sales and number of 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 ShopHQ 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 comply. 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.

Regulation of our Product Marketing

We offer our customers a broad range of merchandise through television, online and mobile. The manner in which we promote and sell our merchandise, including claims and representations made in connection with these efforts, is regulated by a wide variety of federal, state and local laws, regulations, rules, policies and procedures. Some examples of

[Table of Contents](#)

these that affect the manner in which we sell and promote merchandise or otherwise operate our businesses include, but are not limited to, the following:

- The Food and Drug Administration’s regulations regarding marketing claims that can be made about cosmetic beauty products and over-the-counter drugs, which include products for treating acne or medical products, and claims that can be made about food products and dietary supplements;
- The Federal Trade Commission’s regulations requiring that marketing claims across all product and service categories are truthful, not misleading, and substantiated, as well as its related regulations requiring disclosures concerning the seller’s material connections with or compensation to endorsers and influencers;
- Regulations related to product safety issues and product recalls including, but not limited to, the Consumer Product Safety Act, the Consumer Product Safety Improvement Act of 2008, the Federal Hazardous Substance Act, the Flammable Fabrics Act and regulations promulgated pursuant to these acts; and
- Laws governing the collection, use, retention, security and transfer of personally-identifiable information about our customers.

These laws, regulations, rules, policies and procedures are subject to change at any time. Unfavorable changes applicable to us could decrease demand for merchandise offered by us, increase costs which we may not be able to offset, subject us to additional liabilities and/or otherwise adversely affect our businesses.

Intellectual Property

We regard our intellectual property, including trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets and proprietary technologies, as critical to our success. We rely on intellectual property protections and on confidentiality and/or license agreements with our employees, vendors, partners and others to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. domain names, trademarks and service marks. Our registered trademarks and service marks are presumed valid in the United States, as long as they are in use, their registrations are properly maintained, and they have not been found to have become generic. Registrations of trademarks and service marks can also generally be renewed indefinitely as long as the trademarks and service marks are in use.

Seasonality and Economic Sensitivity

Our business is subject to seasonal fluctuation, with the highest sales activity normally occurring during our fourth fiscal quarter of the year, namely November through January. Our business is also sensitive to general economic conditions and business conditions affecting consumer spending including, for example, the COVID-19 pandemic. Additionally, our television audience (and therefore sales revenue) can be significantly impacted by major world or domestic television-covering events which attract viewership and divert audience attention away from our programming.

Employees and Human Capital Resource Management

Our key human capital management objectives are to attract, retain and develop the highest quality talent. To achieve these objectives, our human resources programs are designed to prepare our talent for critical roles and leadership positions for the future; reward and support employees through competitive pay and benefits; enhance our culture through efforts aimed at making the workplace more engaging and inclusive; and acquire talent and facilitate internal talent mobility to create a high-performing and diverse workforce. At January 30, 2021, we had approximately 780 employees, of which 645 were full-time employees. The majority of whom are employed in customer service, order fulfillment and television production. We are not a party to any collective bargaining agreement with respect to our employees.

Diversity and Inclusion

We believe our equitable and inclusive employment environment underpinned with diverse teams enables us to create, develop and implement core values that leverage the strengths of our workforce to exceed customer expectations and meet our growth objectives. We bring together our employees from all different backgrounds to solve our clients’ diverse demands and viewpoints.

[Table of Contents](#)

Current initiatives we are working on include employee experience, talent acquisition, external relationships, and community involvement. We place a high value on inclusion and strive to encourage our employees to partner with one another and their communities at large to create a connected community in the truest sense of the word. We are committed to having a diverse talent pipeline by recruiting diverse talent across all leadership and skill areas. We are committed to equal employment opportunity and pay equality, regardless of gender, race/ethnicity or background.

It is our intent to create a network where our customers, no matter their gender, race, ethnicity, religion, political views or any other characteristic, feel safe and welcome when they tune in. To create such an environment starts with our employees, and we strive to ensure that we create a diverse, inclusive, and dynamic working environment for our employees.

Segments and Geographic Information

We have two reporting segments: “ShopHQ” and “Emerging.” These segments reflect the way our chief operating decision maker (which is our Chief Executive Officer and Interim Chief Financial Officer) evaluates the Company’s business performance and manages its operations. Nearly all of our sales are to customers residing in the United States. See Note 11 - "Business Segments and Sales by Product Group" in the notes to our consolidated financial statements for additional information.

ShopHQ

The ShopHQ segment encompasses our nationally distributed shopping entertainment network. ShopHQ sells and distributes its products to consumers through its video commerce television, online website and mobile platforms.

Emerging

The Emerging segment consists of our developing business models. This segment includes our Media Commerce Services, which includes creative and interactive services and third-party logistics services (i3PL). The Emerging segment also encompasses ShopHQHealth, ShopBulldogTV and our recently acquired businesses, J.W. Hulme and Float Left. ShopHQHealth is a health and wellness focused network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of its customers. ShopBulldogTV is a niche television shopping network geared towards male consumers. J.W. Hulme is a business specializing in artisan-crafted leather products, including handbags and luggage. J.W. Hulme products are distributed primarily through jwhulme.com, retail stores, and programming on ShopHQ. Float Left is a business comprised of connected TVs, video-based content, application development and distribution, including technical consulting services, software development and maintenance related to video distribution.

Available Information

Our corporate website address is www.imediabrands.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy and information statements, and amendments to these reports if applicable, are available, without charge, on our investor relations website at investors.imediabrands.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Copies also are available, without charge, by contacting the General Counsel, iMedia Brands, Inc., 6740 Shady Oak Road, Eden Prairie, Minnesota 55344-3433. Our goal is to maintain the investor relations website as a way for investors to easily find information about us, including press releases, announcements of investor conferences, investor and analyst presentations and corporate governance. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding us and other companies that file materials with the SEC electronically.

Item 1A. Risk Factors

Our businesses are subject to many risks. The following are material factors known to us that could have a material adverse affect on our business, reputation, operating results, industry, financial position, or future financial performance. The following risks should be considered in evaluating an investment in our company.

Risks Regarding Our Business

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 \$7.9 million, \$52.5 million and \$18.6 million in fiscal 2020, fiscal 2019 and fiscal 2018. We reported net losses of \$13.2 million, \$56.3 million and \$22.2 million in fiscal 2020, fiscal 2019 and fiscal 2018. There is no assurance that we will be able to achieve or maintain profitable operations in future fiscal years.

Our television shopping business operates with a high fixed cost base, primarily driven by fixed fees under distribution agreements with cable and direct-to-home satellite providers 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 and/or 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 adversely affected.

We have had a historic trend of operating losses, which, if not reversed, 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.

As of January 30, 2021, we had approximately \$15.5 million in unrestricted cash. We expect to use our cash and available credit line to finance our working capital requirements and to make necessary capital expenditures in order to operate our business and to fund any further operating losses. We have had a historic trend of operating losses, which, if not reversed, could reduce our operating cash resources to the point where we would not be able to adequately fund working capital requirements or necessary capital expenditures.

The Company has a credit and security agreement (as amended through February 5, 2021, the "PNC Credit Facility") with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc., as lender and agent. The PNC Credit Facility, which includes CIBC Bank USA (formerly known as The Private Bank) as part of the facility, provides a revolving line of credit of \$70.0 million and provides for a term loan on which we had originally drawn to fund improvements at our distribution facility in Bowling Green, Kentucky and subsequently to pay down our previously outstanding term loan with GACP Finance Co., LLC. The PNC Credit Facility also provides an accordion feature that would allow us to expand the size of the revolving line of credit by an additional \$20.0 million at the discretion of the lenders and upon certain conditions being met. Maximum borrowings and available capacity under the amended revolving PNC Credit Facility are equal to the lesser of \$70 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory.

All borrowings under the PNC Credit Facility mature and are payable on July 27, 2023. Remaining capacity under the PNC Credit Facility, was \$12.5 million as of January 30, 2021. To remain in compliance with our PNC Credit Facility, we must meet customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus unused line availability of \$10.0 million at all times. Certain financial covenants, including minimum EBITDA levels (as defined in the PNC Credit Facility) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus unused line availability falls below \$10.8 million.

On February 22, 2021, we completed a public offering, in which we sold 3,289,000 shares of our common stock at a public offering price of \$7.00 per share, including 429,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$21.2 million. Please refer to Note 22 - "Subsequent Events" in the notes to our consolidated financial statements for additional information.

We have significant future commitments for our cash, which primarily include payments for cable and satellite program distribution obligations and the eventual repayment of the PNC Credit Facility. Based on our current projections for fiscal 2022, we believe that our existing cash balances and available credit line will be sufficient to maintain liquidity to fund our normal business operations over the next twelve months. We further believe that our financial resources, along with managing expenses, will allow us to manage the anticipated impact of COVID-19 on our business operations for the foreseeable future which may include reduced sales and net income levels for the Company. However, the PNC Credit Facility includes certain restrictions on our ability to incur additional indebtedness or prepay existing indebtedness, to

[Table of Contents](#)

create liens or other encumbrances, to sell or otherwise dispose of assets, and to merge or consolidate with other entities, which may be necessary in times of liquidity constraints. Therefore, there can be no assurance that, if required, we would be able to raise additional capital or reduce spending to have sufficient liquidity to meet our ongoing cash commitments and obligations to continue operating our business.

Covenants in our debt agreements restrict our business in many ways.

The PNC Credit Facility contains various covenants that limit our ability and/or our subsidiaries' ability to, among other things, incur additional indebtedness or prepay existing indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to common shareholders. In addition, certain financial covenants, including minimum EBITDA levels and a minimum fixed charge coverage ratio, become applicable if unrestricted cash plus facility availability falls below \$10.8 million or upon an event of default. Please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition, Liquidity and Capital Resources-Sources of Liquidity" below for a discussion of the PNC Credit Facility. Upon the occurrence of an event of default under the PNC Credit Facility, the lender could elect to declare all amounts outstanding under the PNC Credit Facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lender could proceed against the collateral granted to them to secure that indebtedness. The PNC Credit Facility is secured by substantially all of the Company's personal property, as well as the Company's real properties located in Eden Prairie, Minnesota and Bowling Green, Kentucky. If the lender and counter parties under the PNC Credit Facility accelerate the repayment of obligations, we may not have sufficient assets to repay such obligations. Our borrowings under the PNC Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will also increase even though the amount borrowed remains the same, and our net income would decrease.

Our business, financial condition and results of operations are negatively influenced by economic conditions that impact consumer spending. If macroeconomic conditions do not continue to improve or if conditions worsen, our business could be adversely affected.

Retailers generally are particularly sensitive to adverse economic and business conditions, in particular to the extent they result in a loss of consumer confidence and a decrease in consumer spending, particularly discretionary spending. If macroeconomic conditions do not continue to improve or if conditions worsen, it could have a negative impact on our business, financial condition and results of operations (see our risk factor on the COVID-19 pandemic below).

Our results of operations may be adversely impacted by the ongoing COVID-19 pandemic, and the duration and extent to which it will impact our results of operations remains uncertain. Our operations may also be limited or impacted by government monitoring and/or regulation of product sales in connection with the COVID-19 pandemic.

The global spread of COVID-19 has created significant volatility and uncertainty and economic disruption. The extent to which the COVID-19 pandemic impacts our business, operations, financial results and financial condition will depend on numerous evolving factors which are uncertain and cannot be predicted, including: the duration and scope of the pandemic; governmental, business and individuals' actions taken in response; the effect on our customers and customers' demand for our services and products; the effect on our suppliers and disruptions to the global supply chain; our ability to sell and provide our services and products, including as a result of travel restrictions and people working from home; disruptions to our operations resulting from the illness of any of our employees, including employees at our fulfillment center; restrictions or disruptions to transportation, including reduced availability of ground or air transport; the ability of our customers to pay for our services and products; and any closures of our and our suppliers' and customers' facilities. We have been experiencing disruptions to our business as we implement modifications to employee travel, employee work locations and cancellation of events, among other modifications. In addition, the impact of COVID-19 on macroeconomic conditions may impact the proper functioning of financial and capital markets, commodity and energy prices, and interest rates. If any of these effects of the COVID-19 pandemic were to worsen, it could result in lost or delayed revenue to us. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. Any of these events could amplify the other risks and uncertainties described in this Annual Report on Form 10-K and could materially adversely affect our business, financial condition, results of operations and/or stock price.

We are subject to work from home orders and other operations restrictions that could limit our ability to operate our business.

We are subject to work-from-home orders and other limitations on our business in the states in which we operate. The restrictions, among other things, require us to operate with only certain employees in-person at our facilities. We have focused on taking necessary steps to keep our employees, contractors, vendors, customers, guests, and their families safe during these uncertain times, which has required that we mandate that non-essential personnel work from home, reduce the number of personnel who are allowed in our facilities and on our production set, and implement increased cleaning protocols, social distancing measures, and temperature screenings for those personnel who enter our facilities. We have also mandated that all essential personnel who do not feel comfortable coming to work will not be required to do so. These limitations, as well as additional restrictions that could be placed on our ability to operate by federal, state or local governments, could impact our ability to operate our television shopping, distribution and other businesses, including by reducing the quality of our broadcasts or delaying shipment of our products. This could reduce our profitability and impact our results of operations.

Our long-term success depends, in large part, on our continued ability to attract new and retain existing customers in a cost-effective manner.

In an effort to attract and retain customers, we use considerable funds and resources for various marketing and merchandising initiatives, particularly for the production and distribution of television programming and the updating of our digital strategy to increasingly engage customers through digital channels and social media. These initiatives, however, may not resonate with existing customers or consumers generally or may not be cost-effective.

We believe that costs associated with the production and distribution of our television programming and costs associated with digital marketing, including search engine marketing and social media marketing, may increase in the foreseeable future. Our digital business depends on a high degree of website traffic, which is dependent on many factors, including the availability of appealing website content, user loyalty and new user generation from search engine portals. In obtaining a significant amount of website traffic through search engines, we utilize techniques such as search engine optimization and search engine marketing to improve our placement in relevant search queries. Search engines, including Google, frequently update and change the logic that determines the placement and display of a user's search, such that the purchased or algorithmic placement of links to our websites can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results causing our website to place lower in search query results. If a major search engine changes its algorithms in a manner that negatively affects our paid or unpaid search ranking, or if competitive dynamics impact the effectiveness of our search engine optimization and search engine marketing in a negative manner, the business and financial performance of our digital commerce business could be adversely affected. Furthermore, the failure to successfully manage our search engine optimization and search engine marketing strategies could result in a substantial decrease in traffic to our website, as well as increased costs if we were to replace free traffic with paid traffic. Even if our online commerce businesses are successful in generating a high level of website traffic, no assurance can be given that our business will be successful in achieving repeat user loyalty or that new visitors will explore the offerings on our site. Monetizing this traffic by converting users to consumers is dependent on many factors, including availability of inventory, consumer preferences, price, ease of use and website quality. No assurance can be given that the fees paid to search portals will not exceed the revenue generated by our website visitors. Any failure to sustain user traffic or to monetize such traffic could materially adversely affect the financial performance of our business and, as a result, adversely affect our financial results. In addition, customers continue to increase their expectations for faster delivery times with free or reduced shipping prices. Increased delivery costs, particularly if we are unable to offset them by increasing prices without a detrimental effect on customer demand, and the extent to which we offer shipping promotions to our customers, could have an adverse effect on our business, financial condition and results of operations.

Our inability to recruit and retain key employees may adversely impact our ability to sustain growth.

Our growth is contingent, in part, on our ability to retain and recruit employees who have the distinct skills necessary for a business that demands knowledge of the general retail industry, merchandising and product sourcing, television production, televised and internet-based marketing and fulfillment. In recent years, we have experienced significant senior management turnover and reductions in force as discussed in Note 21 - "Executive and Management Transition Costs" and Note 20 - "Restructuring Costs" in the notes to our consolidated financial statements. The marketplace for such key

employees is very competitive and limited. Our growth may be adversely impacted if we are unable to attract and retain key employees. In addition, turnover of senior management can adversely impact our stock price, our results of operations, our vendor relationships and may make recruiting for future management positions more difficult. Further we may incur significant expenses related to any executive transition costs that may impact our operating results. For example, in fiscal 2019 and fiscal 2018, the Company recorded charges to income of \$2.7 million and \$2.1 million related to executive and management transition costs incurred, which included severance payments and other incremental expenses.

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

We utilize an installment payment program called ValuePay that enables customers to purchase merchandise and pay for the merchandise in two or more monthly installments. Our ValuePay installment program is a key element of our promotional strategy. As of January 30, 2021, we had approximately \$49.7 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 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.

We rely on a limited number of independent shipping companies to deliver our merchandise. If our independent shipping companies fail to deliver our merchandise in a timely and accurate manner, our reputation and brand may be damaged. If relationships with our independent shipping companies are terminated, we may experience an increase in delivery costs.

We rely on a limited number of shipping companies to deliver inventory to us and completed orders to our customers. If we are not able to negotiate acceptable terms with these companies or they experience performance problems or other difficulties, it could negatively impact our operating results and customer experience. In addition, our ability to receive inbound inventory efficiently and ship completed orders to customers also may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism, acts of God, and similar factors. Any strike, work stoppage or slowdown at one of our limited number of shipping companies could cause significant delays in our product shipments, a loss of sales and/or an increase in delivery costs.

The seasonality of our business places increased strain on our operations.

A disproportional amount of our sales activity normally occurs in our fourth fiscal quarter of the year, namely November through January. If we do not stock or restock popular products sufficient to meet customer demand, our business would be adversely affected. If we overstock products, we may be required to take significant inventory markdowns or write-offs, which could reduce profitability. We may experience an increase in our net shipping cost due to complimentary upgrades, split-shipments and additional long-zone shipments necessary to ensure timely delivery for the holiday season. Additionally, we may be unable to adequately staff our fulfillment and customer service centers during peak periods, and delivery services and other fulfillment companies and customer service providers may be unable to meet the seasonal demand. The occurrence of any of these factors could have an adverse effect on our business.

Any acquisition we make could adversely impact the Company's performance.

From time to time we may acquire other businesses. An acquisition involves certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities; failure to successfully integrate operations of the acquired business into our existing business, such as new product offerings or information technology systems; failure to generate expected synergies such as cost reductions or revenue gains; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business. Additionally, we may incur significant expenses in connection with acquisitions and our overall profitability could be adversely affected if our associated investments and expenses are not justified by the revenues and profits, if any.

Risks Relating to the Products We Market and Sell

We depend on relationships with numerous manufacturers and suppliers for our products and proprietary brands; a decrease in product quality or an increase in product cost, the unanticipated loss of our larger suppliers, or the lack of customer receptivity or brand acceptance to our proprietary brands could impact our sales.

We procure merchandise from numerous manufacturers and suppliers generally pursuant to short-term contracts and purchase orders. We depend on the ability of these parties to timely produce and deliver goods that meet applicable quality standards, which is impacted by a number of factors not within the control of these parties, such as political or financial instability, trade restrictions, tariffs, currency exchange rates, and transport capacity and costs, among others, and to deliver products that meet or exceed our customers' expectations.

Our failure to identify new vendors and manufacturers, maintain relationships with a significant number of existing vendors and manufacturers and/or access quality merchandise in a timely and efficient manner could cause us to miss customer delivery dates or delay scheduled promotions, which could result in the failure to meet customer expectations and could cause customers to cancel orders or cause us to be unable to source merchandise in sufficient quantities, which could result in lost sales.

It is possible that one or more of our significant brands or vendors could experience financial difficulties, including bankruptcy, be unable to supply us their product or choose to stop doing business with us, such as a major beauty brand who chose to leave our network during the second quarter of fiscal 2018 which had a significant negative effect on our fiscal 2018 results. The unanticipated loss of one or a number of our significant brands or vendors, could materially and adversely impact our sales and profitability.

Our efforts to accelerate the development of proprietary brands may require working capital investments for the development and promotion of new brands and concepts. In addition, factors such as minimum purchase quantities and reduced merchandise return rights, typically associated with the purchasing of products associated with proprietary brands, can lead to excess on-hand inventory if sales of these brands do not meet our expectations due to a lack of customer receptivity or brand acceptance. Our ability to successfully offer a wider assortment of proprietary merchandise may also be adversely impacted if any of the risks mentioned above related to our manufacturers and suppliers materialize.

If we do not manage our inventory effectively, our sales, gross profit and profitability could be adversely affected.

Our profitability depends on our ability to manage appropriate inventory levels and respond quickly to shifts in consumer demand patterns. We are also exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles, trends and pricing, defective merchandise, spoilage, and other factors. Additionally, the acquisition of certain types of inventory may require significant lead-time and prepayment and they may not be returnable. If we do not identify and respond to emerging trends in consumer spending and preferences quickly enough, we may harm our ability to retain our existing customers or attract new customers. If we purchase too much inventory, we may be forced to sell our merchandise at lower average margins through increased markdowns, which could adversely affect our results of operations, our overall gross margins and our profitability.

We may be subject to product liability claims if people or properties are harmed by products sold or developed by us, or we may be subject to voluntary or involuntary product recalls, or subject to liability for on-air statements made by our hosts or guest-hosts.

Products sold or developed by us may expose us to product liability or product safety claims relating to personal injury, death or property damage caused by such products and may require us to take actions such as product recalls, which could involve significant expense incurred by the Company.

We maintain, and have generally required the manufacturers and vendors of these products to carry product liability and errors and omissions insurance. We also require that our vendors fully indemnify us for such claims. There can be no assurance that we will maintain this insurance 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 or will fulfill their contractual indemnification duties. Product liability claims could result in a material adverse impact on our financial performance.

We may also be subject to involuntary product recalls or we may voluntarily conduct a product recall. The costs associated with product recalls individually or in the aggregate in any given fiscal year, or for any particular recall event, could be significant. Although we maintain product recall insurance, and we require that our vendors fully indemnify us for such events, an involuntary product recall could result in a material adverse impact on our financial performance. In addition, any product recall, regardless of direct costs of the recall, may harm consumer perceptions of our products and have a negative impact on our future revenues and results of operations.

In addition, the live unscripted nature of our television broadcasting may subject us to misrepresentation or false advertising claims by our customers, the Federal Trade Commission and state attorneys general. Our Company is subject to two FTC consent decrees, one issued in 2001 and one issued in 2003; both have a duration of 20 years. They consist of claims involving recordkeeping, compliance policies, and attention to detail on claim substantiation. Violations of these decrees could result in significant civil fines and penalties.

Risks Regarding Our Securities

Our stock price has experienced a significant decline, which could further adversely affect our ability to raise additional capital and/or cause us to be subject to securities class action litigation.

The market price of our common stock has experienced a significant decline from which it has not fully recovered. In 2015, the market price of our common stock, as reported on The Nasdaq Global Market, declined from a high of \$69.90 in the first quarter of 2015 to a low of \$1.35 in the first quarter of 2020. Most recently, on April 21, 2021, the market price of our common stock, as reported on The Nasdaq Capital Market, closed at a price of \$7.13 per share. The prices at which our common stock are quoted and the prices which investors may realize will be influenced by several factors, some specific to our company and operations and some that may affect our sector or public companies generally. Our progress in developing and commercializing our products, our quarterly operating results, announcements of new products by us or our competitors, our perceived prospects, changes in securities' analysts' recommendations or earnings estimates, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, significant sales of our common stock by existing stockholders and other developments affecting us or our competitors could cause the market price of our common stock to fluctuate substantially. In addition, in recent years, including the first half of 2020, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These market fluctuations, regardless of the cause, may materially and adversely affect our stock price, regardless of our operating results. In addition, we may be subject to securities class action litigation as a result of volatility in the price of our common stock, which could result in substantial costs and diversion of management's attention and resources and could harm our stock price, business, prospects, results of operations and financial condition.

There can be no assurance that we will be able to comply with the continued listing standards of The Nasdaq Capital Market and we could be delisted.

Even though our common stock is listed on The Nasdaq Capital Market, we cannot assure you that we will be able to comply with standards necessary to maintain a listing of our common stock on The Nasdaq Capital Market. Our failure to meet the continuing listing requirements may result in our common stock being delisted from The Nasdaq Capital Market.

Our business could be negatively affected as a result of the actions of activist or hostile shareholders.

Our business could be negatively affected as a result of shareholder activism, which could cause us to incur significant expense, hinder execution of our business strategy, and impact the trading value of our securities. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in publicly traded companies in recent years and we are subject to the risks associated with such activism. In 2014, our company was the subject of a proxy contest. Shareholder activism, including potential proxy contests, requires significant time and attention by management and the board of directors, potentially interfering with our ability to execute our strategic plan. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future direction, adversely affect our relationships with key executives and business partners, and make it more difficult to attract and retain qualified personnel.

Also, we may be required to incur significant legal fees and other expenses related to activist shareholder matters. Any of these impacts could materially and adversely affect our business and operating results. Further, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties described in this “Risk Factors” section.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders.

We adopted a Shareholder Rights Plan to preserve the value of certain deferred tax benefits, including those generated by net operating losses, as described further under Part II, Item 5 below. The Shareholder Rights Plan may have anti-takeover effects. The provisions of the Shareholder Rights Plan could have the effect of delaying, deferring, or preventing a change of control of us and could discourage bids for our common stock at a premium over the market price of our common stock.

Risks Relating to Our Television Programming

Changes in technology and in consumer viewing patterns may negatively impact our video content viewing and could result in a decrease in revenue.

As a multiplatform interactive video and digital commerce retail business, we are dependent on our ability to attract and retain viewers and must successfully adapt to technological advances in the media entertainment industry, including the emergence of alternative distribution platforms, such as digital video recorders, video-on-demand and subscription video-on-demand (e.g., Netflix, Hulu, Amazon Prime). New technologies affect the manner in which our programming is distributed to consumers, the sources and nature of competing content offerings, and the time and manner in which consumers view our programming. This trend has impacted the traditional forms of distribution, as evidenced by the industry-wide decline in ratings for broadcast television, the development of alternative distribution channels for broadcast and cable programming and declines in cable and satellite subscriber levels across the industry. In order to respond to these developments, we have developed a multiplatform distribution approach, including delivering our content over various streaming applications such as Roku and Apple TV and distribution through social media platforms. However, there can be no assurance that we will successfully respond to these changes which could result in a loss of viewership and a decrease in revenue.

The failure to secure suitable placement for our television programming 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, in part, on our ability to secure placement of our television programming within a suitable programming tier at a desirable channel position or format. The majority of multi-video programming distributors now offer programming on a digital basis, which has resulted in increased channel capacity. While the growth of digital cable and these other 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 and alternative digital platforms are demonstrated by the following:

- we could experience declines 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 less desirable location we typically are assigned in digital tiers;
- more competitors may enter the marketplace as additional channel capacity is added;
- we may not be able to successfully negotiate renewal terms for our programming distribution agreements that are favorable to us or that offer our programming to viewers within a suitable programming tier at a desirable channel position and format;
- 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 as well as increased access to various media through wireless devices);
- cable, satellite, and telecommunication providers are facing competition from new services which could result in a loss of subscribers; and
- our effective costs of distribution may increase as we deliver programming in multiple channel locations unless we secure increases in customers.

New technologies have been and are expected to continue to be developed that increase the number of entertainment choices available and the manners in which they are delivered. Failure to adapt to these risks will result in lower revenue and may adversely impact 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, adversely impact our results of operations and financial condition and have a negative impact on our business.

We may not be able to expand or could lose some of our existing programming distribution if we cannot negotiate profitable distribution agreements.

We continue to seek reductions in the costs associated with our cable and satellite distribution agreements. However, there can be no assurance that we will achieve 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. Certain terms of our distribution agreements allow for increases or decreases in our distribution costs as a result of a variety of factors, not all of which are within our control. These factors include, but are not limited to, increases or decreases in the number of subscribers receiving our programming, channel placement changes, the addition of a second channel or other factors. Significant changes to these factors could result in a material increase in our cost of distribution. If we are unable to negotiate new or renewal terms in our distribution agreements that are equal or more favorable to us, our distribution costs could increase. In addition, the continued consolidation of the pay television operator industry could cause us to lose leverage when negotiating new agreements or result in less favorable terms. Further, it is possible that we may need to reduce our programming distribution in certain systems if we are unable to obtain appropriate financial contract 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.

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

As a general merchandise retailer, we compete for consumers with other forms of retail businesses, including other television shopping and e-commerce retailers, infomercial companies, other types of consumer retail businesses, including traditional "brick and mortar" department stores, discount stores, warehouse stores, specialty stores, catalog and mail order retailers and other direct sellers. In the competitive television shopping sector, we compete with QVC, HSN, and Jewelry Television, as well as a number of smaller start-up and "niche" television shopping competitors. QVC and HSN both are substantially larger than we are in terms of annual revenues and customers, and the programming of each is carried more broadly to U.S. households, including high definition bands and multi-channel carriage, than our programming. The video commerce 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 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, 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. Our satellite transponder agreement provides us with preemptible back-up service if satellite transmission is interrupted under certain conditions. 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.

A natural disaster or significant weather event could seriously impact our ability to operate, including our ability to broadcast, operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations.

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,

[Table of Contents](#)

Shady Oak Road in Eden Prairie, Minnesota. In addition, our only fulfillment and distribution facility is centralized at a location in Bowling Green, Kentucky. Fire, flood, severe weather, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, acts of God and similar events or disruptions may damage or interrupt our broadcast, computer, broadband or other communications systems and infrastructures, including the distribution of our network to our customers, at any 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 sales, customers, vendors and employees during the recovery period.

A natural disaster or significant weather event could materially interfere with our customers' ability to receive our broadcast or reach us to purchase our products and services.

Our operations rely on our customers' access to third party content distribution networks, communications providers and utilities like cable, satellite and OTT television services, as well as internet, telephone and power utilities. A natural disaster or significant weather event could make one or more of these third-party services unavailable to our customers and could lead to the deferral or loss of sales of our goods and services.

The Southwest Light Rail Transit construction project adjacent to our headquarters and primary television broadcasting studios could impact our ability to operate, by disrupting our ability to broadcast our live television programming and could result in a material adverse effect on our operations, net sales and financial performance.

The construction of the Southwest Light Rail Transit, a 14.5-mile light rail track from Minneapolis to Eden Prairie, began during fiscal 2019 and is planned to last through fiscal 2023. Our headquarters and primary television broadcast studios, located in Eden Prairie, Minnesota are adjacent to a section of the planned light rail line. Construction activities may cause excessive noise, vibrations, or similar impacts that could disrupt our television broadcast programming, broadcasting studio operations, customer service operations, as well as other key functions located in our headquarter location or could lead to property damage to these facilities. The potential impacts from this construction project and the ongoing future operations of the light rail could result in a material adverse effect on our operations, net sales and financial performance.

Regulatory Risks

Trade policies, tariffs, tax or other government regulations that increase the effective price of products manufactured in China or other countries and imported into the United States could have a material adverse effect on our business.

A material percentage of the products that we offer on our television programming and our e-commerce websites are imported by us or our vendors, from China and other countries. Uncertainty with respect to trade policies, tariffs, tax and government regulations affecting trade between the United States, China and other countries has increased. Many of our vendors source a large percentage of the products we sell from China and other countries. Major developments in trade relations, such as the imposition of tariffs on imported products, could have a material adverse effect on our financial results and business.

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

We market and provide a broad range of merchandise and services 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 labeling, importation, sale and advertising or promotion of merchandise, sweepstakes and contests and the operation of warehouse facilities, as well as laws and regulations applicable to the internet, electronic devices and businesses engaged in e-commerce. These laws and regulations may cover subject matters including taxation, privacy, data protection, pricing, payment processing, employment, content, intellectual property, distribution, mobile communications, electronic device certification, electronic contracts and other communications, consumer protection, unencumbered internet access to our services, the design and operation of websites and the characteristics and quality of our products and services. Although we undertake to monitor changes in these laws, if these laws change without our knowledge, or are violated by importers,

designers, vendors, manufacturers or distributors or other third-parties with which we do business, we could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect our business. In addition, 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.

Additionally, existing privacy-related laws, regulations, self-regulatory obligations and other legal obligations are evolving and are subject to potentially differing interpretations. Various federal and state legislative and regulatory bodies may expand current laws or enact new laws regarding privacy matters, and courts may interpret existing privacy-related laws and regulations in new or different manners. For example, the State of California enacted legislation in June 2018, the California Consumer Privacy Act of 2018, which took effect January 1, 2020, and, among other things, requires companies that process information regarding California residents to provide new disclosures to California consumers, allow such consumers to opt out of data sharing with third parties and provide a new cause of action for data breaches.

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 or add significant administrative and compliance cost to our operations.

In order to operate our business, which includes multiple retail channels, we take orders for our products from customers. This requires us to obtain personal information from these customers including, but not limited to, 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 or digital or telecommunications spoofing could occur, including cyber incidents. 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 of consumer information under applicable law or breach of our computer systems. Such compromises or breaches could result in consumer harm or risk of harm, data loss and/or identity theft leading to significant liability or costs to us from notification requirements, lawsuits brought by consumers, shareholders or other businesses seeking 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. Businesses in the retail industry have experienced material sales declines after discovering data breaches, and our business could be similarly impacted by cyber incidents. Reputational value is based in large part on perceptions of subjective qualities. While reputations may take decades to build, a significant negative incident can erode trust and confidence, particularly if it results in adverse mainstream and social media publicity, governmental investigations or litigation. Theft of credit card numbers of consumers could result in significant fines and consumer settlement costs, litigation costs, FTC audit requirements, and significant internal administrative costs.

In addition to possible claims for security breaches involving customer information, the secure processing, maintenance and transmission of customer information is critical to our operations and business strategy, and we devote significant resources to protect our customer information. The expenses associated with complying with a patchwork of state laws imposing differing security requirements depending on the residence of our customers could reduce our operating margins. As mentioned above, there have been continuing efforts to increase the legal and regulatory obligations and restrictions on companies conducting commerce, primarily in the areas of taxation, consumer privacy and protection of consumer personal information, and we may have to devote significant resources to information security.

Nearly all of our sales are paid for by customers using credit or debit cards and the increasingly heightened Payment Card Industry ("PCI") standards regarding the storage and security of customer information could potentially impact our ability to accept card brands.

Nearly all of our customers pay for purchases via a credit or debit card. Credit and debit card payment organizations continue to heighten PCI standards that are applicable to all merchants who accept these cards. These standards primarily pertain to the processes and procedures for encrypted use and secure storage of customer data. By virtue of the volume of our overall credit card transactions, we are a Level 1 merchant which requires the annual completion of a formal Report of Compliance ("ROC") by a Qualified Security Assessor. Failure to comply with PCI standards, as required by card issuers, could result in card brand fines and/or the possible inability for us to accept a card brand. Our inability to accept

one or all card brands could materially adversely affect sales. Although we received an approved ROC on July 31, 2020, there is no guarantee that we will continue to receive such approvals.

We will be required to collect and remit sales taxes in more states and we may be subject to claims for potential uncollected amounts.

On June 21, 2018, the United States Supreme Court issued a ruling in the South Dakota v. Wayfair, Inc. et al case which dramatically increased the ability of states to impose sales tax collection responsibilities on remote sellers, including the Company. As a result of this new ruling, the Company is now required to collect sales tax in any state which passes legislation requiring out of state retailers to collect sales tax even where they have no physical nexus. Adding sales tax to our transactions could negatively impact consumer demand, create a competitive disadvantage (if all retailers are not equally impacted), and create an additional costly administrative burden of complying with the collection laws of multiple jurisdictions. While we believe we comply with current state sales tax regulations, a successful assertion by one or more states requiring us to retroactively collect taxes under an "economic nexus" threshold where we currently are not collecting could result in substantial tax liabilities for past sales, as well as penalties and interest.

Technology and Intellectual Property Risks

We significantly rely on technology and information management tools and operational applications 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 and other mobile commerce devices in relation to our on-line business, new digital technology used to manage and supplement our television broadcast operations, the age of our legacy operational applications to distribute product to our customers 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 legacy systems or operational infrastructure elements, technologies, or our inability to have this technology supported, updated, expanded or integrated into new business processes or 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. Further, we may face challenges in keeping pace with rapid technological changes and adopting new products or platforms and migrating to new systems.

We may fail to adequately protect our intellectual property rights or may be accused of infringing upon the intellectual property rights of third parties.

We regard our intellectual property rights, including patents, service marks, trademarks and domain names, copyrights and trade secrets, as critical to our success. We rely heavily upon software, databases and other systemic components that are necessary to manage and support our business operations, many of which utilize or incorporate third party products, services or technologies. In addition, we license intellectual property rights in connection with the various products and services we offer to consumers. As a result, we are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the trademarks, copyrights, patents and other intellectual property rights of third parties. In addition, litigation may be necessary to enforce our intellectual property rights, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Patent litigation tends to be particularly protracted and expensive. Our failure to protect our intellectual property rights in a meaningful manner or challenges to third party intellectual property we utilize or that is related to our contractual rights could result in erosion of brand names; limit our ability to control marketing on or through the internet using our various domain names; limit our useful technologies; disrupt normal business operations or result in unanticipated costs, which could adversely affect our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own two commercial buildings occupying approximately 209,000 square feet and the related land they occupy in Eden Prairie, Minnesota (a suburb of Minneapolis). These buildings are used for office space including executive offices, television studios, broadcast facilities, call center operations and administrative offices. We own an approximately 600,000 square foot distribution facility in Bowling Green, Kentucky, which we use primarily for the fulfillment of merchandise purchased and sold by us and for certain call center operations. Our owned real property in Eden Prairie, Minnesota and Bowling Green, Kentucky is currently pledged as collateral under our PNC Credit Facility. We lease retail space in Saint Paul, Minnesota, which consists of approximately 900 square feet and is used for our Emerging segment retailer, J.W. Hulme, and our agreement for such space expires in April 2024. We also lease office space in Juno Beach, Florida, which consists of approximately 6,400 square feet and is used for our Emerging segment Media Commerce Services brand, Float Left, and our agreement for such space expires in February 2025.

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

For additional information regarding our legal proceedings, see Note 18 – “Litigation” in the notes to our consolidated financial statements.

Item 4. Mine Safety Disclosures

Not Applicable.

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 Capital Market under the symbol "IMBI."

Holders

As of April 21, 2021, we had approximately 693 common shareholders of record.

Dividends

We have never declared or paid any dividends with respect to our common stock. Any future determination by us to pay cash dividends on our common stock will be at the discretion of our 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. 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.

We are restricted from paying dividends on our common stock by the PNC Credit Facility, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Sources of Liquidity."

Issuer Purchases of Equity Securities

There were no authorizations for repurchase programs or repurchases made by or on behalf of us or any affiliated purchaser for shares of any class of our equity securities in any fiscal month within the fourth quarter of fiscal 2020.

Sale of Unregistered Securities

During the past three years, we did not sell any equity securities that were not registered under the Securities Act, that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

Shareholder Rights Plan

During fiscal 2015, we adopted a Shareholder Rights Plan to preserve the value of certain deferred tax benefits, including those generated by net operating losses. On July 10, 2015, we declared a dividend distribution of one purchase right (a "Right") for each outstanding share of our common stock to shareholders of record as of the close of business on July 23, 2015 and issuable as of that date. On July 13, 2015, we entered into a Shareholder Rights Plan (the "Rights Plan") with Wells Fargo Bank, N.A., a national banking association, with respect to the Rights. Except in certain circumstances set forth in the Rights Plan, each Right entitles the holder to purchase from us one one-thousandth of a share of Series A Junior Participating Cumulative Preferred Stock, \$0.01 par value, of the Company ("Preferred Stock" and each one one-thousandth of a share of Preferred Stock, a "Unit") at a price of \$90.00 per Unit.

The Rights initially trade together with the common stock and are not exercisable. Subject to certain exceptions specified in the Rights Plan, the Rights will separate from the common stock and become exercisable following (i) the tenth calendar day after a public announcement or filing that a person or group has become an "Acquiring Person," which is defined as a person who has acquired, or obtained the right to acquire, beneficial ownership of 4.99% or more of the common stock then outstanding, subject to certain exceptions, or (ii) the tenth calendar day (or such later date as may be determined by the board of directors) after any person or group commences a tender or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person. If a person or group becomes an Acquiring Person, each Right will entitle its holders (other than such Acquiring Person) to purchase one Unit at a price of \$90.00 per Unit. A Unit is intended to give the shareholder approximately the same dividend, voting and liquidation rights as would one share of common stock, and should approximate the value of one share of common stock. At any time after a person becomes an Acquiring Person, the board of directors may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for shares of common stock at an exchange rate of one share of common stock (and, in

[Table of Contents](#)

certain circumstances, a Unit) for each Right. We will promptly give public notice of any exchange (although failure to give notice will not affect the validity of the exchange).

On July 12, 2019, our shareholders re-approved the Rights Plan at the 2019 annual meeting of shareholders. The Rights will expire upon certain events described in the Rights Plan, including the close of business on the date of the third annual meeting of shareholders following the last annual meeting of shareholders of the Company at which the Rights Plan was most recently approved by shareholders, unless the Rights Plan is re-approved by shareholders at that third annual meeting of shareholders. However, in no event will the Rights Plan expire later than the close of business on July 13, 2025.

Until the close of business on the tenth calendar day after the day a public announcement or a filing is made indicating that a person or group has become an Acquiring Person, we may in our sole and absolute discretion amend the Rights or the Rights Plan agreement without the approval of any holders of the Rights or shares of common stock in any manner, including without limitation, amendments that increase or decrease the purchase price or redemption price or accelerate or extend the final expiration date or the period in which the Rights may be redeemed. We may also amend the Rights Plan after the close of business on the tenth calendar day after the day such public announcement or filing is made to cure ambiguities, to correct defective or inconsistent provisions, to shorten or lengthen time periods under the Rights Plan or in any other manner that does not adversely affect the interests of holders of the Rights. No amendment of the Rights Plan may extend its expiration date.

The foregoing summary of the Rights Plan does not purport to be complete and is qualified by reference to the full text of the Rights Plan agreement, which has been filed as [Exhibit 4.2](#) to this Annual Report on Form 10-K and is incorporated herein by reference.

Item 6. Selected Financial Data

Not applicable.

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 on Form 10-K. This annual report on Form 10-K, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Discussion, analysis and comparisons of Fiscal 2018 and Fiscal 2019 that are not included in this report can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended February 1, 2020.

Overview

Impact of COVID-19 on Our Business

In light of the COVID-19 pandemic, we have focused on taking necessary steps to keep our employees, contractors, vendors, customers, guests, and their families safe during these uncertain times. Throughout the pandemic, we have mandated that non-essential personnel work from home, reduced the number of personnel who are allowed in our facilities and on our production sets, and implemented increased cleaning protocols, social distancing measures, and temperature screenings for those personnel who enter our facilities. We have also mandated that all essential personnel who do not feel comfortable coming to work will not be required to do so. We have experienced certain disruptions in our business due to these modifications and resource constraints. Restrictions on travel have also negatively impacted the availability of some of our on-air experts and has eliminated our ability to produce remote broadcasts. We have also experienced longer ship times in our transportation network, which has driven increased calls into our customer service center and increased wait times.

[Table of Contents](#)

In view of the COVID-19 pandemic, we reduced spending broadly across the Company, only proceeding with operating and capital spending that is critical. In addition, we eliminated positions across the ShopHQ segment during the first quarter of fiscal 2020, the majority of which were in customer service, order fulfillment, and television production. We developed contingency plans to reduce costs further if the situation deteriorates. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, or local authorities or that we determine are in the best interests of our employees, customers, suppliers and shareholders. As a result, at the time of this filing, the COVID-19 pandemic remains fluid and we are unable to determine or predict the overall impact it will have on our business, results of operations, liquidity, or capital resources.

Despite these past and potential adverse impacts of the COVID-19 pandemic, we believe it has impacted our business less than other media companies because of our direct-to-consumer business model that serves home-bound consumers seeking to buy goods without leaving the safety of their homes. As a result, beginning at the end of March 2020 and continuing through the third quarter of 2020, we observed an increase in demand for merchandise within our beauty & wellness product category, particularly in health products, and decreases in demand for merchandise within our fashion category and higher priced merchandise within our jewelry category. During the fourth quarter of 2020, we shifted airtime into higher priced merchandise in our jewelry category, as we observed a rebound in demand, and decreased airtime in health related products in our beauty & wellness product category. We have continued to offer our installment payment option. While we expect demand for our products will continue, we cannot estimate the impact that the COVID-19 pandemic will have on our business in the future due to the unpredictable nature of the ultimate scope and duration of the pandemic. As the COVID-19 pandemic continues, there is risk of changes in consumer demand, consumer spending patterns, and changes in consumer tastes which may adversely affect our operating results.

Summary Results for Fiscal 2020, 2019 and 2018

Consolidated net sales during fiscal 2020 were \$454.2 million compared to \$501.8 million during fiscal 2019, a 9% decrease. Consolidated net sales during fiscal 2019 were \$501.8 million compared to \$596.6 million during fiscal 2018, a 16% decrease. We reported an operating loss of \$7.9 million and a net loss of \$13.2 million for fiscal 2020. The operating loss and net loss for fiscal 2020 included restructuring costs of \$715,000 and transaction, settlement and integration costs totaling \$1.2 million. We reported an operating loss of \$52.5 million and a net loss of \$56.3 million for fiscal 2019. The operating loss and net loss for fiscal 2019 included restructuring costs of \$9.2 million; a non-cash inventory write-down of \$6.1 million; executive and management transition costs of \$2.7 million; rebranding costs of \$1.3 million; and transaction, settlement and integration costs, net, totaling \$694,000. We reported an operating loss of \$18.6 million and a net loss of \$22.2 million for fiscal 2018. The operating loss and net loss for fiscal 2018 included executive and management transition costs of \$2.1 million; transaction, settlement and integrations costs of \$1.5 million; and a gain of \$665,000 related to the sale of our Boston television station.

Public Equity Offering

On August 28, 2020, we completed a public offering, in which we issued and sold 2,760,000 shares of our common stock at a public offering price of \$6.25 per share, including 360,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$15.8 million. We are using the proceeds for general working capital purposes.

Private Placement

On April 14, 2020, we entered into a common stock and warrant purchase agreement with certain individuals and entities, pursuant to which we sold an aggregate of 1,836,314 shares of our common stock, issued warrants to purchase an aggregate of 979,190 shares of our common stock at a price of \$2.66 per share, and fully-paid warrants to purchase an aggregate 114,698 shares of our common stock at a price of \$0.001 per share in a private placement, for an aggregate cash purchase price of \$4.0 million. The initial closing occurred on April 17, 2020 and we received gross proceeds of \$1.5 million. The additional closings occurred on May 22, 2020, June 8, 2020, June 12, 2020 and July 11, 2020 and we received aggregate gross proceeds of \$2.5 million. We have used the proceeds for general working capital purposes.

The purchasers consisted of the following: Invicta Media Investments, LLC, Michael and Leah Friedman and Hacienda Jackson LLC. Invicta Media Investments, LLC is owned by Invicta Watch Company of America, Inc. ("IWCA"), which is the designer and manufacturer of Invicta-branded watches and watch accessories, one of our largest and longest

[Table of Contents](#)

tenured brands. Michael and Leah Friedman are owners and officers of Sterling Time, LLC, which is the exclusive distributor of IWCA's watches and watch accessories for television home shopping and our long-time vendor. IWCA is owned by our Vice Chair and director, Eyal Lalo, and Michael Friedman also serves as a director of our company. A description of the relationship between the Company, IWCA and Sterling Time is contained in Note 19 - "Related Party Transactions" in the notes to our consolidated financial statements. Further, Invicta Media Investments, LLC and Michael and Leah Friedman comprise a "group" of investors within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended, that is our largest shareholder.

The warrants have an exercise price per share of \$2.66 and are exercisable at any time and from time to time from six months following their issuance date until April 14, 2025. We have included a blocker provision in the purchase agreement whereby no purchaser may be issued shares of our common stock if the purchaser would own over 19.999% of our outstanding common stock and, to the extent a purchaser in this offering would own over 19.999% of our outstanding common stock, that purchaser will receive fully-paid warrants (in contrast to the coverage warrants that will be issued in this transaction, as described above) in lieu of the shares that would place such holder's ownership over 19.999%. Further, we included a similar blocker in the warrants (and amended the warrants purchased by the purchasers on May 2, 2019, if any) whereby no purchaser of the warrants may exercise a warrant if the holder would own over 19.999% of our outstanding common stock.

Restructuring Costs

During fiscal 2020, the Company implemented and completed another cost optimization initiative, which eliminated positions across the ShopHQ segment, the majority of which were in customer service, order fulfillment and television production. As a result of the fiscal 2020 cost optimization initiative, we recorded restructuring charges of \$715,000 for fiscal 2020, which relate primarily to severance and other incremental costs associated with the consolidation and elimination of positions across the ShopHQ segment. These initiatives were substantially completed as of January 30, 2021, with related cash payments expected to continue through the fourth quarter of fiscal 2021. The fiscal 2020 optimization initiative is expected to eliminate approximately \$16 million in annual overhead costs.

Results of Operations

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

	Fiscal Year Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Net sales	100.0 %	100.0 %	100.0 %
Gross margin	36.8 %	32.6 %	34.7 %
Operating expenses:			
Distribution and selling	28.6 %	34.0 %	32.2 %
General and administrative	4.5 %	5.1 %	4.3 %
Depreciation and amortization	5.3 %	1.6 %	1.0 %
Restructuring costs	0.1 %	1.8 %	— %
Executive and management transition costs	— %	0.6 %	0.4 %
Gain on sale of television station	— %	— %	(0.1)%
Total operating expenses	38.5 %	43.1 %	37.8 %
Operating loss	(1.7)%	(10.5)%	(3.1)%
Interest expense, net	(1.2)%	(0.7)%	(0.6)%
Loss before income taxes	(2.9)%	(11.2)%	(3.7)%
Income tax provision	— %	— %	— %
Net loss	(2.9)%	(11.2)%	(3.7)%

Key Operating Metrics

	Fiscal Year Ended				
	January 30, 2021	Change	February 1, 2020	Change	February 2, 2019
Merchandise Metrics					
Gross margin %	36.8 %	420 bps	32.6 %	(210)bps	34.7 %
Net shipped units (in thousands)	6,497	(5)%	6,872	(26)%	9,235
Average selling price	\$61	(6)%	\$65	12 %	\$58
Return rate	14.8 %	(460)bps	19.4 %	40 bps	19.0 %
ShopHQ Digital net sales % (a)	50.8 %	(190)bps	52.7 %	(40)bps	53.1 %
Total Customers - 12 Month Rolling (in thousands)	1,020	(2)%	1,041	(14)%	1,205

(a) Digital net sales percentage is calculated based on net sales that are generated from our transactional websites and mobile platforms, which are primarily ordered directly online.

Program Distribution

ShopHQ reached more than 80 million homes as of January 30, 2021. We continue to increase the number of channels on existing distribution platforms and alternative distribution methods, including reaching deals to launch our programming on high definition ("HD") channels. We believe that our distribution strategy of pursuing additional channels in productive homes already receiving our programming is a more balanced approach to growing our business than merely adding new television homes in untested areas. We believe that having an HD feed of our service allows us to attract new viewers and customers.

Television Distribution Rights

During fiscal 2020, we entered into certain affiliation agreements with television providers for carriage of our television programming over their systems, including channel placement rights. As a result, we recorded a television distribution rights asset of \$43.7 million. The liability relating to the television distribution rights was \$36.5 million as of January 30, 2021, of which \$29.2 million was classified as current. We believe having favorable channel positioning within the general entertainment area on the distributor's channel line-up impacts our sales. We believe that a portion of our sales is attributable to purchases resulting from channel "surfing" and that a channel position near popular cable networks increases the likelihood of such purchases. See Note 2 – "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements for a discussion on our accounting policy for television distribution rights.

Net Shipped Units

The number of net shipped units (shipped units less returned units) during fiscal 2020 decreased 5% from fiscal 2019 to 6.5 million from 6.9 million. The number of net shipped units during fiscal 2019 decreased 26% from fiscal 2018 to 6.9 million from 9.2 million. The decrease in the net shipped units during fiscal 2020 was driven primarily by a decrease in consolidated net sales, partially offset by a mix shift into health products within our beauty & wellness product category. The decrease in net units shipped during fiscal 2019 was primarily driven by a decrease in consolidated net sales and by offering a higher average selling price in our jewelry & watches and home & consumer electronics product categories. The decrease in net shipped units during fiscal 2019 was also driven by shifting our merchandise mix out of fashion & accessories, which is a high unit volume sales category.

Average Selling Price

The average selling price ("ASP") per net unit was \$61 in fiscal 2020, a 6% decrease from fiscal 2019. The decrease in the ASP during fiscal 2020 was primarily driven by a mix shift into health products within our beauty & wellness product category, which was a lower ASP assortment. For fiscal 2019, the ASP was \$65, a 12% increase from fiscal 2018. The increase in the ASP during fiscal 2019 was primarily driven by a mix shift into jewelry & watches from our fashion & accessories category, combined with ASP increases in our jewelry & watches and home & consumer electronics product categories.

Product Return Rates

Our product return rate was 14.8% in fiscal 2020 compared to 19.4% in fiscal 2019, a 460 bps decrease. The decrease in the fiscal 2020 return rate was driven by return rate decreases in all product categories, primarily in our jewelry & watches and beauty & wellness product categories. The decrease in the return rate was additionally driven by a sales mix shift out of jewelry and into beauty & wellness, which has a lower return rate. Our return rate was 19.4% in fiscal 2019 and 19.0% in fiscal 2018. We continue to monitor our product return rates in an effort to keep our overall product return rates commensurate with our current product mix and our average selling price levels.

Total Customers

Total customers is determined by counting the total customers who made a purchase during the prior 12 months. Total customers during the last twelve months, as of January 30, 2021, decreased 2% from the prior year to approximately 1,020,000. Total customers purchasing over the last twelve months, as of February 1, 2020, decreased 14% from the prior year to 1,041,000.

Total customers have declined for the last six years, primarily driven by decreases in attracting new customers compared to the prior year. Although we increased our new customers during fiscal 2020 compared to the prior year, we are continually working on reversing this trend by implementing the following initiatives, among others, to increase our active customer file:

- introducing by appointment viewing “static programming,” so viewers know when to tune in;
- launching innovative programming, such as “Learning to Cook with Shaq,” “Fashion Talk with Fatima,” and “GemHQ”; and
- establishing category specific customer growth priorities around ASP, product assortment and product margins.

Net Sales

Consolidated net sales, inclusive of shipping and handling revenue, for fiscal 2020 were \$454.2 million, a 9% decrease from consolidated net sales of \$501.8 million for fiscal 2019. Consolidated net sales, inclusive of shipping and handling revenue, for fiscal 2019 were \$501.8 million, a 16% decrease from consolidated net sales of \$596.6 million for fiscal 2018.

Net Sales Trends

During fiscal 2020 and 2019, our consolidated net sales, inclusive of shipping and handling revenue, decreased 9% and 16%, which continued a multi-year trend of net sales decreases. Our continued decrease in net sales was primarily driven by a 2% and 14% decline in our 12-month active customer file (as discussed under “Total Customers” above). This trend has been a significant driver of our sales decreases over the prior two years.

Fiscal 2020 Consolidated Net Sales Compared to Fiscal 2019

	For the Fiscal Years Ended		Change	% Change
	January 30, 2021	February 1, 2020		
	(dollars in thousands)			
ShopHQ				
Net merchandise sales by category:				
Jewelry & Watches	\$ 161,999	\$ 200,893	\$ (38,894)	(19)%
Home & Consumer Electronics	62,910	106,025	(43,115)	(41)%
Beauty & Wellness	124,222	80,945	43,277	53 %
Fashion & Accessories	45,261	65,616	(20,355)	(31)%
All other (primarily shipping & handling revenue)	42,750	42,628	122	0 %
Total ShopHQ	437,142	496,107	(58,965)	(12)%
Emerging	17,029	5,715	11,314	198 %
Consolidated net sales	<u>\$ 454,171</u>	<u>\$ 501,822</u>	<u>\$ (47,651)</u>	<u>(9)%</u>

[Table of Contents](#)

Jewelry & Watches: The \$38.9 million decrease in jewelry & watches was primarily due to decreased airtime of 13%. The decrease was additionally driven by reduced productivity (sales per on-air minute) from a declining active customer file during fiscal 2020. Jewelry & watches continues to be our most productive category. The airtime decreases in jewelry & watches was primarily within jewelry, as we shifted airtime into beauty & wellness as a result of increased demand for health-related products during the second, third and fourth quarters.

Home & Consumer Electronics: The \$43.1 million decrease was driven by a 33% reduction in airtime during fiscal 2020 and a declining active customer file.

Beauty & Wellness: The \$43.3 million increase in fiscal 2020 was driven by increased active customers. The increase was also driven by increased airtime of 78% during fiscal 2020.

Fashion & Accessories: The \$20.4 million decrease was driven by a decreased active customer base and an overall softness in this product category. The decrease was additionally driven by reduced airtime of 19%.

Other: The \$0.1 million increase was driven by increased revenue from monthly subscriptions to the ShopHQ VIP customer program, mostly offset by decreased shipping & handling revenue resulting from the 5% decrease in net shipped units.

Emerging Businesses: The \$11.3 million increase was driven by revenue from business initiatives commencing within or following the comparable prior year period, such as our third-party logistics services (i3PL), ShopBulldogTV, OurGalleria.com, and recently acquired businesses, J.W. Hulme and Float Left. Additionally, revenue for fiscal 2020 includes the results from ShopHQHealth, which launched during the third quarter of fiscal 2020. The increase was partially offset by reduced sales from our niche website, princetonwatches.com.

Digital and Mobile Net Sales

We believe that our television shopping program is a key driver of traffic to both our website and mobile applications whereby many of the online sales originate from customers viewing our television program and then placing their orders online or through mobile devices. Our digital sales penetration, or, the percentage of ShopHQ net sales that are generated from our website and mobile platforms, which are primarily ordered directly online, was 50.8% in fiscal 2020 as compared to 52.7% in fiscal 2019 and 53.1% in fiscal 2018. Overall, we continue to deliver strong digital sales penetration. Our mobile penetration decreased to 55.5% of total digital orders during fiscal 2020 versus 57.3% and 54.0% of total digital orders during fiscal 2019 and fiscal 2018.

Gross Profit

	<u>For the Fiscal Years Ended</u>			
	<u>January 30,</u>	<u>February 1,</u>	<u>Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
	<u>(dollars in thousands)</u>			
ShopHQ	\$ 160,190	\$ 162,809	\$ (2,619)	(2)%
Emerging	6,863	828	6,035	729 %
Consolidated gross profit	<u>\$ 167,053</u>	<u>\$ 163,637</u>	<u>\$ 3,416</u>	<u>2 %</u>

Consolidated gross profit for fiscal 2020 was \$167.1 million, an increase of 2%, compared to \$163.6 million for fiscal 2019. ShopHQ's gross profit decreased \$2.6 million, or 2% compared to fiscal 2019. The decrease in ShopHQ's gross profit during fiscal 2020 was primarily driven by the 12% decrease in net sales (as discussed above), partially offset by higher gross profit percentages experienced in most product categories during fiscal 2020. ShopHQ's fiscal 2019 gross profit includes a non-cash inventory impairment write-down of \$6.1 million. Emerging's gross profit increased \$6.0 million compared to fiscal 2019 and was primarily driven by the increase in net sales (as discussed above).

Consolidated gross margin percentages for fiscal 2020 and fiscal 2019 were 36.8% and 32.6%, which represents a 420 basis point increase. ShopHQ's gross margin percentages fiscal 2020 and fiscal 2019 were 36.6% and 32.8%, which represent a 380 basis point increase. The increase in ShopHQ's gross margin percentage reflects the following: a 210 basis point margin increase attributable to increased gross profit rates in most product categories, primarily jewelry & watches and home & consumer electronics; a 140 basis point margin increase attributable to a shift into our beauty & wellness category, which typically has a higher margin; a 40 basis point increase due to higher shipping and handling margins; and

a 10 basis point increase attributable to decreased inventory write-offs. The category gross profit rates were positively impacted by more disciplined pricing and markdown execution. Emerging's gross margin percentages for fiscal 2020 and fiscal 2019 were 40.3% and 14.5%. The increase in the Emerging gross margin percentage reflects business initiatives commencing within or following the comparable prior year period, such as i3PL, ShopBulldogTV, ShopHQHealth, and recently acquired businesses, J.W. Hulme and Float Left.

Operating Expenses

Total operating expenses were \$175.0 million, \$216.2 million and \$225.5 million for fiscal 2020, fiscal 2019 and fiscal 2018, representing a decrease of \$41.2 million or 19% from fiscal 2019 to fiscal 2020, and a decrease of \$9.3 million, or 4% from fiscal 2018 to fiscal 2019. Total operating expenses as a percentage of net sales were 38.5%, 43.1% and 37.8% for fiscal 2020, fiscal 2019 and fiscal 2018. Total operating expense for fiscal 2020 included restructuring costs of \$715,000. Total operating expense for fiscal 2019 included restructuring costs of \$9.2 million; executive and management transition costs of \$2.7 million and rebranding costs of \$1.3 million. Total operating expenses for fiscal 2018 included executive and management transition costs of \$2.1 million and a gain of \$665,000 from the sale of our Boston television station. Excluding restructuring costs, executive and management transition costs and the gain on sale of television station, total operating expenses as a percentage of net sales were 38.4%, 40.7% and 37.5% for fiscal 2020, fiscal 2019 and fiscal 2018.

Distribution and selling expense for fiscal 2020 decreased \$40.7 million, or 24%, to \$129.9 million or 28.6% of net sales compared to \$170.6 million or 34.0% of net sales in fiscal 2019. Distribution and selling expense decreased during fiscal 2020 due to decreased program distribution expense of \$25.6 million, decreased variable expenses of \$9.6 million, decreased salaries and benefits of \$6.1 million, decreased online selling and search fees of \$905,000, decreased travel expense of \$444,000, decreased direct mail advertising of \$350,000, decreased production expense of \$204,000, and integration costs included in the comparable prior year period of \$383,000 relating to the start-up of our third party logistics business and launch of our customer loyalty program, called ShopHQ VIP. The decrease from the comparable prior period was partially offset by increased accrued incentive compensation of \$1.6 million and a \$1.5 million gain included in the comparable prior year period related to proceeds on the sale of our claim related to the Payment Card Interchange Fee and Merchant Discount Antitrust Litigation class action lawsuit. The decrease in program distribution expense was driven by renegotiated agreements with certain cable and satellite distributors resulting in lower rates, a decrease in access fees attributable to a lower average number of homes receiving our programming, and by acquiring television distribution rights in lieu of continuing monthly subscriber fee obligations. The decrease in variable costs was primarily driven by decreased variable fulfillment and customer service salaries and wages of \$5.6 million and decreased variable credit card processing fees and bad debt expense of \$4.4 million, partially offset by increased customer service telecommunications expense of \$474,000. Total variable expenses during fiscal 2020 were approximately 8.5% of total net sales versus 9.5% of total net sales for the prior year comparable period.

To the extent that our ASP changes, our variable expense as a percentage of net sales could be impacted as the number of our shipped units change. Program distribution expense is primarily a fixed cost per household, however, this expense may be impacted by changes in the number of average homes or channels reached or by rate changes associated with changes in our channel position with carriers.

General and administrative expense for fiscal 2020 decreased \$5.3 million, or 21%, to \$20.3 million, or 4.5% of net sales compared to \$25.6 million or 5.1% of net sales in fiscal 2019. For fiscal 2020, the decrease in general and administrative expense was primarily due to decreased salaries of \$2.8 million, decreased share-based compensation expense of \$1.3 million, decreased rebranding costs of \$1.3 million, decreased contract settlement costs of \$602,000, decreased travel expense of \$155,000, decreased costs of \$121,000 related to costs included in the comparable prior year period to amend our Articles of Incorporation and to effect a one-for-ten reverse stock split of our common stock, and decreased transaction and integration costs of \$94,000. The decrease from the comparable period was partially offset by increased accrued incentive compensation of \$720,000 and increased costs of \$183,000 related to consulting fees incurred to explore additional loan financings and incremental COVID-19 legal costs.

Depreciation and amortization expense was \$24.0 million, \$8.1 million and \$6.2 million for fiscal 2020, fiscal 2019 and fiscal 2018, representing an increase of \$16.0 million, or 198% from fiscal 2019 to fiscal 2020 and an increase of \$1.8 million, or 29% from fiscal 2018 to fiscal 2019. Depreciation and amortization expense as a percentage of net sales was 5.3% for fiscal 2020, 1.6% for fiscal 2019 and 1.0% for fiscal 2018. The increase in depreciation and amortization expense for fiscal 2020 was primarily due to increased amortization expense of \$16.9 million related to the channel placement

rights obtained during fiscal 2020, increased amortization expense of \$309,000 related to the intangible assets acquired during our fourth quarter fiscal 2019 business acquisitions, and increased depreciation expense of \$30,000 resulting from an average net increase in our non-fulfillment depreciable asset base year over year. The increase in depreciation and amortization expense for fiscal 2020 was partially offset by decreased amortization expense of \$1.3 million relating primarily to the accelerated amortization of the Evine trademark in fiscal 2019.

Operating Loss

We reported an operating loss of \$7.9 million in fiscal 2020 compared to an operating loss of \$52.5 million for fiscal 2019. ShopHQ and Emerging reported operating losses of \$3.6 million and \$4.3 million for fiscal 2020 compared to \$47.0 million and \$5.6 million for fiscal 2019. For fiscal 2020, ShopHQ's operating loss improved primarily as a result of decreases in distribution and selling expense, restructuring costs, general and administrative expense, and executive and management transition costs. ShopHQ's operating loss also improved due to the non-cash inventory write-down of \$6.1 million during the comparable prior period. The improvement in ShopHQ's operating loss was partially offset by increased depreciation and amortization expense and decreased gross profit driven by decreased net sales. Emerging's operating loss improved during fiscal 2020 primarily from an increase in gross profit of \$6.0 million driven by an increase in net sales and decreased restructuring costs of \$938,000. The improvement in Emerging's operating loss was partially offset by increased distribution and selling expense of \$3.8 million and increased general and administrative expense of \$1.8 million.

Interest Expense

Total interest expense for fiscal 2020 increased \$1.5 million, or 39%, to \$5.2 million compared to \$3.8 million for fiscal 2019. During fiscal 2020, we recorded liabilities relating to television distribution rights, which represent the present value of payments for the television channel placement rights. The interest expense recorded during fiscal 2020 includes interest expense of \$1.4 million imputed on our television distribution rights obligation. The total television distribution rights liability was \$36.5 million as of January 30, 2021, of which \$29.2 million was classified as current in the accompanying consolidated balance sheets. Estimated interest expense related to the television distribution obligation is \$1.3 million for fiscal 2021 and \$212,000 for fiscal 2022. The increase in interest rate expense for fiscal 2020 was additionally driven by increased vendor financing interest of \$277,000, partially offset by a lower average balance outstanding on our PNC Credit Facility, an impact of approximately \$320,000.

Income Taxes

For fiscal 2020, fiscal 2019 and fiscal 2018, our net loss reflects an income tax provision of \$60,000, \$11,000 and \$65,000, which relates to state income taxes payable on certain income for which there is no loss carryforward benefit available. We have not recorded any income tax benefit on the losses recorded during fiscal 2020, fiscal 2019 and fiscal 2018 due to the uncertainty of realizing income tax benefits in the future as indicated by our recording of an income tax valuation allowance. Based on our recent history of losses, a full valuation allowance has been recorded and was calculated in accordance with GAAP, which places primary importance on our most recent operating results when assessing the need for a valuation allowance. We will continue to maintain a valuation allowance against our net deferred tax assets, including those related to net operating loss carryforwards, until we believe it is more likely than not that these assets will be realized in the future.

Net Loss

For fiscal 2020, we reported a net loss of \$13.2 million, or \$1.23 per basic and dilutive share, on 10,745,916 weighted average common shares outstanding. For fiscal 2019, we reported a net loss of \$56.3 million, or \$7.54 per basic and dilutive share, on 7,462,380 weighted average common shares outstanding. For fiscal 2018 we reported a net loss of \$22.2 million or \$3.35 per basic and dilutive share, on 6,607,321 weighted average common shares outstanding. Net loss for fiscal 2020 includes restructuring costs of \$715,000; interest expense of \$5.2 million; and transaction, settlement and integrations costs totaling \$1.2 million. Net loss for fiscal 2019 includes restructuring costs of \$9.2 million; a non-cash inventory write-down of \$6.1 million; executive and management transition costs of \$2.7 million; rebranding costs of \$1.3 million; interest expense of \$3.8 million; and transaction, settlement and integrations costs, net, totaling \$694,000. Net loss for fiscal 2018 includes executive and management transition costs of \$2.1 million, contract termination costs of \$753,000, business development and expansion costs of \$796,000, a gain on the sale of our Boston television station of \$665,000, and interest expense of \$3.5 million.

Adjusted EBITDA Reconciliation

Adjusted EBITDA (as defined below) for fiscal 2020 was \$23.9 million compared with Adjusted EBITDA of \$(18.4) million for fiscal 2019 and \$(2.4) million for fiscal 2018.

A reconciliation of the comparable GAAP measure, net income (loss), to Adjusted EBITDA follows, in thousands:

	For the Fiscal Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Net loss	\$ (13,234)	\$ (56,296)	\$ (22,157)
Adjustments:			
Depreciation and amortization (a)	27,978	12,014	10,164
Interest income	(3)	(17)	(34)
Interest expense	5,237	3,777	3,502
Income taxes	60	11	65
EBITDA (b)	<u>\$ 20,038</u>	<u>\$ (40,511)</u>	<u>\$ (8,460)</u>

A reconciliation of EBITDA to Adjusted EBITDA is as follows:

EBITDA (b)	\$ 20,038	\$ (40,511)	\$ (8,460)
Adjustments:			
Transaction, settlement and integration costs, net (c)	1,200	694	1,549
Restructuring costs	715	9,166	—
Inventory impairment write-down	—	6,050	—
Executive and management transition costs	—	2,741	2,093
Rebranding costs	—	1,265	—
Gain on sale of television station	—	—	(665)
Non-cash share-based compensation expense	1,960	2,204	3,064
Adjusted EBITDA (b)	<u>\$ 23,913</u>	<u>\$ (18,391)</u>	<u>\$ (2,419)</u>

- (a) Includes distribution facility depreciation of \$4.0 million, \$4.0 million and \$3.9 million for the years ended January 30, 2021, February 1, 2020 and February 2, 2019. Distribution facility depreciation is included as a component of cost of sales within the accompanying consolidated statements of operations. The year ended January 30, 2021 includes amortization expense related to the television distribution rights totaling \$16.9 million.
- (b) EBITDA as defined for this statistical presentation represents net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. We define Adjusted EBITDA as EBITDA excluding non-operating gains (losses); transaction, settlement and integration costs, net; restructuring costs; non-cash impairment charges and write downs; executive and management transition costs; rebranding costs; gain on sale of television station; and non-cash share-based compensation expense.
- (c) Transaction, settlement and integration costs for the year ended January 30, 2021 include consulting fees incurred to explore additional loan financings, settlement costs, professional fees related to the TheCloseOut.com transaction, and incremental COVID-19 related legal costs. Transaction, settlement and integration costs, net, for year ended February 1, 2020 includes contract settlement costs of \$1.2 million; business acquisition and integration-related costs of \$246,000 to acquire Float Left and J.W. Hulme; costs incurred related to the implementation of our ShopHQ VIP customer loyalty program and our third-party logistics service offerings of \$658,000, costs incurred to amend our Articles of Incorporation and to effect a one-for-ten reverse stock split of our common stock of \$121,000, partially offset by a \$1.5 million gain for the sale of our claim related to the Payment Card Interchange Fee and Merchant Discount Antitrust Litigation class action lawsuit. Transaction, settlement and integration costs for the year ended February 2, 2019 includes business development and expansion costs of \$796,000 and contract termination costs of \$753,000.

We have included the term "Adjusted EBITDA" in our EBITDA reconciliation in order to adequately assess the operating performance of our video and digital businesses and in order to maintain comparability to our analyst's coverage and financial guidance, when given. Management believes that Adjusted EBITDA allows investors to make a meaningful comparison between our core business operating results over different periods of time with those of other similar

companies. In addition, management uses Adjusted EBITDA as a metric measure to evaluate operating performance under our management and executive incentive compensation programs. Adjusted EBITDA should not be construed as an alternative to operating income (loss), net income (loss) or to cash flows from operating activities as determined in accordance with GAAP and should not be construed as a measure of liquidity. Adjusted EBITDA may not be comparable to similarly entitled measures reported by other companies.

Financial Condition, Liquidity and Capital Resources

As of January 30, 2021, we had cash of \$15.5 million. In addition, under the PNC Credit Facility, we are required to maintain a minimum of \$10 million of unrestricted cash plus unused line availability at all times. As of February 1, 2020, we had cash of \$10.3 million. During fiscal 2020, working capital increased \$191,000 to \$33.7 million compared to working capital of \$33.5 million for fiscal 2019 (see "Cash Requirements" below for additional information on changes in working capital accounts). The current ratio (our total current assets divided by total current liabilities) was 1.2 at January 30, 2021 and 1.3 at February 1, 2020.

Sources of Liquidity

Our principal source of liquidity is our available cash and our additional borrowing capacity under our revolving credit facility with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc. As of January 30, 2021, we had cash of \$15.5 million and additional borrowing capacity of \$12.6 million. Our cash was held in bank depository accounts primarily for the preservation of cash liquidity.

PNC Credit Facility

On February 9, 2012, we entered into a credit and security agreement (as amended through February 5, 2021, the "PNC Credit Facility") with PNC, as lender and agent. The PNC Credit Facility, which includes CIBC Bank USA (formerly known as The Private Bank) as part of the facility, provides a revolving line of credit of \$70.0 million and provides for a term loan on which we had originally drawn to fund improvements at our distribution facility in Bowling Green, Kentucky and to partially pay down our previously outstanding term loan with GACP Finance Co., LLC. All borrowings under the PNC Credit Facility mature and are payable on July 27, 2023. Subject to certain conditions, the PNC Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6.0 million which, upon issuance, would be deemed advances under the PNC Credit Facility. The PNC Credit Facility also provides for an accordion feature that would allow us to expand the size of the revolving line of credit by an additional \$20.0 million at the discretion of the lenders and upon certain conditions being met. Maximum borrowings and available capacity under the revolving line of credit under the PNC Credit Facility are equal to the lesser of \$70.0 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory.

The revolving line of credit under the PNC Credit Facility bears interest at either a Base Rate or LIBOR plus a margin consisting of between 2% and 3.5% on Base Rate advances and 3% and 4.5% on LIBOR advances based on our trailing twelve-month reported leverage ratio (as defined in the PNC Credit Facility) measured semi-annually as demonstrated in our financial statements. The term loan bears interest at either a Base Rate or LIBOR plus a margin consisting of between 4% and 5% on Base Rate term loans and 5% to 6% on LIBOR Rate term loans based on our leverage ratio measured annually as demonstrated in our audited financial statements.

As of January 30, 2021, we had borrowings of \$41.0 million under our revolving line of credit. As of January 30, 2021, the term loan under the PNC Credit Facility had \$12.4 million outstanding, of which \$2.7 million was classified as current in the accompanying balance sheet. Remaining available capacity under the revolving credit facility as of January 30, 2021 was approximately \$12.6 million, which provides liquidity for working capital and general corporate purposes. In addition, as of January 30, 2021, our unrestricted cash plus unused line availability was \$28.0 million, we were in compliance with applicable financial covenants of the PNC Credit Facility and expect to be in compliance with applicable financial covenants over the next twelve months.

Principal borrowings under the term loan are payable in monthly installments over an 84-month amortization period that commenced on September 1, 2018 and are also subject to mandatory prepayment in certain circumstances, including, but not limited to, upon receipt of certain proceeds from dispositions of collateral. Borrowings under the term loan are also subject to mandatory prepayment in an amount equal to fifty percent (50%) of excess cash flow for such fiscal year, with any such payment not to exceed \$2.0 million in any such fiscal year.

[Table of Contents](#)

The PNC Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus unused line availability of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the PNC Credit Facility) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus unused line availability falls below \$10.8 million. In addition, the PNC Credit Facility places restrictions on our ability to incur additional indebtedness or prepay existing indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to common shareholders.

Public Equity Offerings

On August 28, 2020, we completed a public offering, in which we issued and sold 2,760,000 shares of our common stock at a public offering price of \$6.25 per share, including 360,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$15.8 million. We are using the proceeds for general working capital purposes.

Subsequent to the end of fiscal 2020, on February 22, 2021, we completed a public offering, in which we issued and sold 3,289,000 shares of our common stock at a public offering price of \$7.00 per share, including 429,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$21.2 million. Please refer to Note 22 - "Subsequent Events" in the notes to our consolidated financial statements for additional information.

Private Placement Securities Purchase Agreement

On April 14, 2020, we entered into a common stock and warrant purchase agreement with certain individuals and entities, pursuant to which we will issue and sell shares of our common stock and warrants to purchase shares of our common stock. The initial closing occurred on April 17, 2020 and we issued an aggregate of 731,937 shares and warrants to purchase an aggregate of 367,197 shares of our common stock. We received gross proceeds of \$1.5 million for the initial closing. The additional closings occurred during the second quarter of fiscal 2020 with an aggregate cash purchase price of \$2.5 million, in which we issued 1,104,377 shares of our common stock, warrants to purchase an aggregate of 611,993 shares of our common stock at a price of \$2.66 per share, and fully-paid warrants to purchase an aggregate of 114,698 shares of our common stock at a price of \$0.001 per share. See Note 10 - "Shareholders' Equity" in the notes to our consolidated financial statements for additional information.

Other

Our ValuePay program is an installment payment program which allows customers to pay by credit card for certain merchandise in two or more equal monthly installments. As of January 30, 2021, we had approximately \$49.7 million of net receivables due from customers under the ValuePay program. Another potential source of near-term liquidity is our ability to increase our cash flow resources by reducing the percentage of our sales offered under our ValuePay installment program or by decreasing the length of time we extend credit to our customers under this installment program. However, any such change to the terms of our ValuePay installment program could impact future sales, particularly for products sold with higher price points. Please see "Cash Requirements" below for a discussion of our ValuePay installment program.

Cash Requirements

Currently, our principal cash requirements are to fund our business operations, which consist primarily of purchasing inventory for resale, funding ValuePay installment receivables, funding our basic operating expenses, particularly our contractual commitments for cable and satellite programming distribution, and the funding of necessary capital expenditures. We closely manage our cash resources and our working capital. We attempt to manage our inventory receipts and reorders in order to ensure our inventory investment levels remain commensurate with our current sales trends. We also monitor the collection of our credit card and ValuePay installment receivables and manage our vendor payment terms in order to more effectively manage our working capital which includes matching cash receipts from our customers, to the extent possible, with related cash payments to our vendors. ValuePay remains a cost-effective promotional tool for us. We continue to make strategic use of our ValuePay program in an effort to increase sales and to respond to similar competitive programs.

[Table of Contents](#)

We also have significant future commitments for our cash, primarily payments for cable and satellite program distribution obligations and the eventual repayment of our credit facility. As of January 30, 2021, we had total contractual cash obligations and commitments primarily with respect to our cable and satellite agreements, credit facility, operating leases, and finance lease payments totaling approximately \$181.2 million coming due over the next five fiscal years. Subsequent to the end of fiscal 2020, we acquired certain assets related to the Christopher & Banks eCommerce business. See Note 22 - "Subsequent Events" in the notes to our consolidated financial statements for additional information.

We have experienced a decline in net sales and a decline in our active customer file during fiscal 2020, 2019 and 2018 and a corresponding impact to our profitability. We have taken or are taking the following steps to enhance our operations and liquidity position: completed equity public offerings during the first quarter of fiscal 2021 and third quarter of fiscal 2020 in which we received proceeds of \$21.2 million and \$15.8 million, after deducting underwriters' discounts and commissions and other offering costs; entered into a private placement securities purchase agreements in which we received gross proceeds of \$6.0 million during the first quarter of fiscal 2019; entered into a common stock and warrant purchase agreement in which we received gross proceeds of \$4.0 million during the first six months of fiscal 2020; implemented a reduction in overhead costs totaling \$22 million in expected annualized savings for the reductions made during fiscal 2019 and \$16 million in expected annualized savings for the reductions made during the first quarter of fiscal 2020, primarily driven by a reduction in our work force; negotiated improved payment terms with our inventory vendors; renegotiating with certain cable and satellite distributors to reduce our service costs and improve our payment terms; reduced capital expenditures in fiscal 2020 compared to prior years; managed our inventory receipts in fiscal 2020 to reduce our inventory on hand; implemented by appointment viewing "static programming" to increase viewership; launching or have launched new innovative programming; and establishing category specific customer growth priorities around ASP, product assortment and product margins; launched ShopHQHealth, an additional television network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of customers; and entered into a licensing agreement to operate the Christopher & Banks business.

Our ability to fund operations and capital expenditures in the future will be dependent on our ability to generate cash flow from operations, maintain or improve margins, decrease the rate of decline in our sales and to use available funds from our PNC Credit Facility. Our ability to borrow funds is dependent on our ability to maintain an adequate borrowing base and our ability to meet our credit facility's covenants (as described above). We believe that it is probable our existing cash balances, together with the cost cutting measures described above and our availability under the PNC Credit Facility, will be sufficient to fund our normal business operations over the next twelve months from the issuance of this report. However, there can be no assurance that we will be able to achieve our strategic initiatives or obtain additional funding on favorable terms in the future which could have a significant adverse effect on our operations.

For fiscal 2020, net cash provided by operating activities totaled \$6.2 million compared to net cash used for operating activities of \$6.2 million in fiscal 2019 and net cash provided by operating activities of \$7.2 million in fiscal 2018. Net cash provided by operating activities for fiscal 2020 reflects a net loss, as adjusted for depreciation and amortization, share-based payment compensation, payments for television distribution rights and amortization of deferred financing costs. In addition, net cash provided by operating activities for fiscal 2020 reflects decreases in inventories, accounts receivable and prepaid expenses, and an increase in deferred revenue; partially offset by decreases in accounts payable and accrued liabilities. Inventories decreased primarily as a result of disciplined management of overall working capital components commensurate with sales. Accounts receivable decreased primarily due to lower sales levels, as well as a slight decrease in the utilization of our ValuePay installment program. Accounts payable and accrued liabilities decreased during the first nine months of fiscal 2020 primarily due to a decrease in inventory payables as a result of lower inventory levels and timing of payments to vendors, a decrease in accrued severance resulting from our 2019 cost optimization initiative and 2019 executive and management transition, and a decrease in accrued cable distribution fees.

Net cash used for operating activities for fiscal 2019 reflects a net loss, as adjusted for depreciation and amortization, share-based payment compensation, inventory impairment write-down, and the amortization of deferred financing costs. In addition, net cash used for operating activities for fiscal 2019 reflects an increase in inventories; partially offset by increases in accounts payable and accrued liabilities, decreases in accounts receivable and prepaid expenses, and increases in deferred revenue. Inventory increased as a result of lower than expected sales during the fourth quarter of fiscal 2019 and management's plan to increase our air-time in consumer electronics, which are primarily drop-shipped from our vendors, and decrease airtime for merchandise previously purchased in our long lead time businesses. Accounts receivable decreased primarily due to lower sales levels, as well as a slight decrease in the utilization of our ValuePay installment program. Accounts payable and accrued liabilities increased during the first twelve months of fiscal 2019 primarily due to

[Table of Contents](#)

an increase in accrued cable distribution fees as a result of negotiated extended payment agreements, an increase in inventory payables as a result of higher inventory purchases during the holiday season and the timing of these elevated inventory payments made to vendors, and an increase in accrued severance resulting from our 2019 cost optimization initiative and 2019 executive and management transition. The increase in accounts payable and accrued liabilities was partially offset by a decrease in freight payables and a decrease in our merchandise return liability.

Net cash used for investing activities totaled \$4.9 million for fiscal 2020 compared to net cash used for investing activities of \$7.8 million for fiscal 2019. Expenditures for property and equipment were \$4.9 million in fiscal 2020 compared to \$7.1 million in fiscal 2019. The decrease in capital expenditures in fiscal 2020 compared to fiscal 2019 primarily related to expenditures made for the upgrades in our customer service call routing technology during fiscal 2019. Additional capital expenditures made during the periods presented relate primarily to the development, upgrade and replacement of computer software, order management, merchandising and warehouse management 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; equipment improvements and technology upgrades at our distribution facility in Bowling Green, Kentucky; security upgrades to our information technology; the upgrade of television production and transmission equipment; related computer equipment associated with the expansion of our television shopping business and digital commerce initiatives; and the assets acquired to operate the Christopher & Banks eCommerce business as described in Note 22 – “Subsequent Events” in the notes to our consolidated financial statements. During fiscal 2019, we paid \$635,000 for the acquisition of J.W. Hulme and Float Left.

Net cash provided by financing activities totaled \$5.2 million in fiscal 2020 and related primarily to proceeds from our PNC revolving loan of \$26.4 million and proceeds from the issuance of common stock and warrants of \$20.0 million, offset by principal payments on the PNC revolving loan of \$39.3 million, principal payments on our PNC term loan of \$2.7 million, final payments related to our fiscal 2019 business acquisitions of \$238,000, payments for common stock issuance costs of \$216,000, finance lease payments of \$103,000 and tax payments for restricted stock unit issuances of \$13,000. Net cash provided by financing activities totaled \$3.3 million in fiscal 2019 and related primarily to proceeds from our PNC revolving loan of \$188.1 million and proceeds from the issuance of common stock and warrants of \$6.0 million, offset by principal payments on the PNC revolving loan of \$188.1 million, principal payments on our PNC term loan of \$2.5 million, payments for common stock issuance costs of \$109,000, finance lease payments of \$71,000 and tax payments for restricted stock unit issuances of \$39,000.

Financial Covenants

The PNC Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus unused line availability of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the PNC Credit Facility) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus unused line availability falls below \$10.8 million or upon an event of default. As of January 30, 2021, our unrestricted cash plus unused line availability was \$28.0 million, and we were in compliance with applicable financial covenants of the PNC Credit Facility and expect to be in compliance with applicable financial covenants over the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not party to any derivative contracts or synthetic leases.

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, 2021. We cannot assure you that inflation will not have an adverse impact on our operating results and financial condition in future periods.

Recently Issued Accounting Pronouncements

See Note 2 - "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements for a discussion of recent accounting pronouncements.

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 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 pay for the merchandise in two or more equal monthly credit card installments in which we bear the risk of collection. The percentage of our net sales generated utilizing our ValuePay payment program over the past three fiscal years ranged from 55% to 67%. As of January 30, 2021 and February 1, 2020, we had approximately \$49.7 million and \$56.9 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. 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, which is primarily related to our ValuePay program, for fiscal 2020, fiscal 2019 and fiscal 2018 was \$4.9 million, \$7.3 million and \$7.8 million. Based on our fiscal 2020 bad debt experience, a one-half point increase or decrease in our bad debt experience as a percentage of total net sales would have an impact of approximately \$1.4 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 net realizable value. As of January 30, 2021 and February 1, 2020, we had inventory balances of \$68.7 million and \$78.9 million. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on the following factors: age of the inventory, estimated required sell-through time, stage of product life cycle and whether items are selling below cost. In determining appropriate reserve percentages, we look at our historical write off experience, the specific merchandise categories affected, our historic recovery percentages on various methods of liquidations, return to vendor contract rights, forecasts of future planned receipts, forecasts of inventory levels, forecasts of future product airings and current markdown processes. Provision for excess and obsolete inventory for fiscal 2020, fiscal 2019 and fiscal 2018 was \$5.5 million, \$8.8 million and \$5.1 million. The fiscal 2019 provision includes a non-cash inventory write-down of \$6.1 million resulting from a change in our merchandise strategy (see Note 17 - "Inventory Impairment Write-down" in the notes to our consolidated financial statements). Based on our fiscal 2020 inventory write down experience, a 10% increase or decrease in inventory write downs would have had an impact of approximately \$560,000 on consolidated gross profit.
- *Merchandise returns.* We record a merchandise return liability as a reduction of gross sales for anticipated merchandise returns at each reporting period and must make estimates of potential future merchandise returns related to current period product revenue. Our return rates on our total net sales were 14.8% in fiscal 2020, 19.4% in fiscal 2019, and 19.0% in fiscal 2018. We estimate and evaluate the adequacy of our merchandise returns liability 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 merchandise return liability in any accounting period. As of January 30, 2021 and February 1, 2020, we recorded a merchandise return liability of \$5.3 million and \$5.8 million, included in accrued liabilities, and a right of return asset of \$2.7 million and \$3.2 million, included in

[Table of Contents](#)

other current assets. Based on our fiscal 2020 sales returns, a one-point increase or decrease in our returns rate would have had an impact of approximately \$2.1 million on gross profit.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

[Table of Contents](#)

Item 8. Financial Statements and Supplementary Data

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
OF iMEDIA BRANDS, INC.
AND SUBSIDIARIES**

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	42
Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020	44
Consolidated Statements of Operations for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	45
Consolidated Statements of Shareholders' Equity for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	46
Consolidated Statements of Cash Flows for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019	47
Notes to Consolidated Financial Statements	48

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
iMedia Brands, Inc. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of iMedia Brands Inc. and subsidiaries (the "Company") as of January 30, 2021 and February 1, 2020, the related consolidated statements of operations, shareholders' equity, and cash flows, for each of the three fiscal years in the period ended January 30, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 30, 2021 and February 1, 2020, and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventory Obsolescence Reserve— Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company's inventories are stated at the lower of average cost or net realizable value. The Company maintains an inventory reserve based primarily on the age of the inventory, estimated required sell-through time, stage of product life cycle and whether items are selling below cost. In determining appropriate inventory reserve percentages, the Company evaluates a number of factors including its historical write off experience, the specific merchandise categories affected, its historic recovery percentages on various methods of liquidations, and return to vendor contract rights, as well as forecasts of future planned receipts, inventory levels, and product airings.

Inventories, net, and the inventory reserve at January 30, 2021, totaled \$68.7 million and \$10.0 million, respectively.

[Table of Contents](#)

Given the significant judgments necessary to identify and record the inventory reserve timely, performing audit procedures to evaluate management's estimates of the net realizable value for the inventory on-hand as of the reporting date involved a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of the net realizable value for the inventory on-hand as of the reporting date included the following, among others:

- We evaluated the appropriateness and consistency of management's methodology and assumptions used in determining the inventory reserve.
- We obtained the Company's inventory reserve calculation and tested the mathematical accuracy.
- We tested the accuracy and completeness of the underlying data used in the calculation of the Company's inventory reserve.
- We selected a sample of inventory items and evaluated historical sales performance relative to management's conclusions on the ability to sell through the inventory on-hand at the forecasted levels.
- We performed a retrospective review of actual product sales activity and the relative gross margins earned subsequent to fiscal year end to assess potential bias present in the reserve estimate.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
April 23, 2021

We have served as the Company's auditor since 2002

iMEDIA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	January 30, 2021	February 1, 2020
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash	\$ 15,485	\$ 10,287
Accounts receivable, net	61,951	63,594
Inventories	68,715	78,863
Current portion of television distribution rights, net	19,725	—
Prepaid expenses and other	7,853	8,196
Total current assets	173,729	160,940
Property and equipment, net	41,988	47,616
Television distribution rights, net	7,028	—
Other assets	3,892	4,187
TOTAL ASSETS	<u>\$ 226,637</u>	<u>\$ 212,743</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 77,995	\$ 83,659
Accrued liabilities	29,509	40,250
Current portion of television distribution rights obligations	29,173	—
Current portion of long term credit facility	2,714	2,714
Current portion of operating lease liabilities	462	704
Deferred revenue	213	141
Total current liabilities	140,066	127,468
Other long term liabilities	8,855	335
Long term credit facility	50,666	66,246
Total liabilities	199,587	194,049
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.01 per share par value, 400,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$0.01 per share par value, 29,600,000 and 14,600,000 shares authorized as of January 30, 2021 and February 1, 2020; 13,019,061 and 8,208,227 shares issued and outstanding as of January 30, 2021 and February 1, 2020	130	82
Additional paid-in capital	474,375	452,833
Accumulated deficit	(447,455)	(434,221)
Total shareholders' equity	27,050	18,694
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 226,637</u>	<u>\$ 212,743</u>

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

iMEDIA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Fiscal Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
	(In thousands, except share and per share data)		
Net sales	\$ 454,171	\$ 501,822	\$ 596,637
Cost of sales	287,118	338,185	389,790
Gross profit	167,053	163,637	206,847
Operating expense:			
Distribution and selling	129,920	170,587	191,917
General and administrative	20,336	25,611	25,883
Depreciation and amortization	24,022	8,057	6,243
Restructuring costs	715	9,166	—
Executive and management transition costs	—	2,741	2,093
Gain on sale of television station	—	—	(665)
Total operating expense	174,993	216,162	225,471
Operating loss	(7,940)	(52,525)	(18,624)
Other income (expense):			
Interest income	3	17	34
Interest expense	(5,237)	(3,777)	(3,502)
Total other expense, net	(5,234)	(3,760)	(3,468)
Loss before income taxes	(13,174)	(56,285)	(22,092)
Income tax provision	(60)	(11)	(65)
Net loss	\$ (13,234)	\$ (56,296)	\$ (22,157)
Net loss per common share	\$ (1.23)	\$ (7.54)	\$ (3.35)
Net loss per common share — assuming dilution	\$ (1.23)	\$ (7.54)	\$ (3.35)
Weighted average number of common shares outstanding:			
Basic	10,745,916	7,462,380	6,607,321
Diluted	10,745,916	7,462,380	6,607,321

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

iMEDIA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Par Value			
	(In thousands, except share data)				
BALANCE, February 3, 2018	6,529,045	\$ 65	\$ 439,699	\$ (355,768)	\$ 83,996
Net loss	—	—	—	(22,157)	(22,157)
Common stock issuances pursuant to equity compensation awards	262,889	3	45	—	48
Share-based payment compensation	—	—	3,064	—	3,064
BALANCE, February 2, 2019	6,791,934	68	442,808	(377,925)	64,951
Net loss	—	—	—	(56,296)	(56,296)
Common stock issuances pursuant to equity compensation awards	225,293	2	(41)	—	(39)
Share-based payment compensation	—	—	2,204	—	2,204
Common stock issuances pursuant to business acquisitions	391,000	4	1,852	—	1,856
Common stock and warrant issuance	800,000	8	6,010	—	6,018
BALANCE, February 1, 2020	8,208,227	82	452,833	(434,221)	18,694
Net loss	—	—	—	(13,234)	(13,234)
Common stock issuances pursuant to equity compensation awards	99,822	1	(14)	—	(13)
Exercise of warrants	114,698	1	(1)	—	—
Share-based payment compensation	—	—	1,960	—	1,960
Common stock and warrant issuance	4,596,314	46	19,597	—	19,643
BALANCE, January 30, 2021	<u>13,019,061</u>	<u>\$ 130</u>	<u>\$ 474,375</u>	<u>\$ (447,455)</u>	<u>\$ 27,050</u>

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

iMEDIA BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>For the Fiscal Years Ended</u>		
	<u>January 30,</u> <u>2021</u>	<u>February 1,</u> <u>2020</u> <u>(in thousands)</u>	<u>February 2,</u> <u>2019</u>
OPERATING ACTIVITIES:			
Net loss	\$ (13,234)	\$ (56,296)	\$ (22,157)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	27,978	12,014	10,164
Share-based payment compensation	1,960	2,204	3,064
Inventory impairment write-down	—	6,050	—
Payments for television distribution rights	(8,567)	—	—
Amortization of deferred financing costs	196	201	215
Gain on sale of television station	—	—	(665)
Changes in operating assets and liabilities:			
Accounts receivable, net	1,643	18,285	14,796
Inventories	10,148	(18,816)	3,539
Deferred revenue	98	58	(35)
Prepaid expenses and other	1,360	776	905
Accounts payable and accrued liabilities	(15,351)	29,367	(2,614)
Net cash provided by (used for) operating activities	<u>6,231</u>	<u>(6,157)</u>	<u>7,212</u>
INVESTING ACTIVITIES:			
Property and equipment additions	(4,892)	(7,146)	(8,768)
Cash paid for business acquisitions	—	(638)	—
Proceeds from the sale of assets	—	—	665
Net cash used for investing activities	<u>(4,892)</u>	<u>(7,784)</u>	<u>(8,103)</u>
FINANCING ACTIVITIES:			
Proceeds from issuance of revolving loan	26,400	188,100	239,300
Proceeds from issuance of common stock and warrants	20,043	6,000	—
Proceeds from issuance of term loan	—	—	5,821
Proceeds from exercise of stock options	—	—	181
Payments on revolving loan	(39,300)	(188,100)	(245,300)
Payments on term loan	(2,714)	(2,488)	(2,325)
Payments for business acquisition	(238)	—	—
Payments for common stock issuance costs	(216)	(109)	—
Payments on finance leases	(103)	(71)	(12)
Payments for restricted stock issuance	(13)	(39)	(133)
Payments for deferred financing costs	—	—	(96)
Net cash provided by (used for) financing activities	<u>3,859</u>	<u>3,293</u>	<u>(2,564)</u>
Net increase (decrease) in cash and restricted cash equivalents	<u>5,198</u>	<u>(10,648)</u>	<u>(3,455)</u>
BEGINNING CASH AND RESTRICTED CASH EQUIVALENTS	<u>10,287</u>	<u>20,935</u>	<u>24,390</u>
ENDING CASH AND RESTRICTED CASH EQUIVALENTS	<u>\$ 15,485</u>	<u>\$ 10,287</u>	<u>\$ 20,935</u>

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

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years Ended January 30, 2021, February 1, 2020 and February 2, 2019

(1) The Company

iMedia Brands, Inc. (formerly EVINE Live Inc.) and its subsidiaries ("we," "our," "us," or the "Company") are a leading interactive media company that owns a growing portfolio of lifestyle television networks, consumer brands, media commerce services and online marketplaces. The Company's television brands are ShopHQ, ShopBulldogTV and ShopHQHealth. ShopHQ is the Company's nationally distributed shopping entertainment network that offers a mix of proprietary, exclusive and name-brand merchandise in the categories of jewelry & watches, home & consumer electronics, beauty & wellness, and fashion & accessories directly to consumers 24 hours a day in an engaging and informative shopping experience. ShopBulldogTV, which launched in the fourth quarter of fiscal 2019, is a niche television shopping entertainment network that is geared toward male consumers. ShopHQHealth, which launched in the third quarter of fiscal 2020, is a health and wellness focused television shopping entertainment network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of its customers and their families. The Company's television shopping entertainment programming is distributed through cable and satellite distribution agreements, agreements with telecommunications companies and arrangements with over-the-air broadcast television stations. It is also streamed live online at shophq.com, shopbulldogtv.com and shophqhealth.com, which are comprehensive digital commerce platforms that sell products which appear on the Company's television shopping entertainment networks as well as an extended assortment of online-only merchandise. The Company's programming is also available on mobile channels and over-the-top ("OTT") platforms. Both the Company's programming and products are also marketed via mobile devices, including smartphones and tablets, and through the leading social media channels.

The Company's consumer brands include Christopher & Banks, J.W. Hulme Company ("J.W. Hulme"), Learning to Cook with Shaquille O'Neal, Kate & Mallory, Live Fit MD, and Indigo Thread. The Christopher & Banks brand was acquired subsequent to the end of fiscal 2020 on March 1, 2021 through a licensing agreement with ReStore Capital, a Hilco Global company, whereby the Company will operate the Christopher & Banks business, a specialty retailer of privately branded women's apparel and accessories, throughout all sales channels, including digital, television, catalog, and brick and mortar retail. J.W. Hulme was acquired during the fourth quarter of fiscal 2019.

The Company's Media Commerce Services brands are Float Left Interactive, Inc. ("Float Left") and third-party logistics business i3PL. Float Left was acquired during the fourth quarter of fiscal 2019. Media Commerce Services offers creative and interactive advertising, OTT app services and third-party logistics.

The Company's online marketplaces include OurGalleria.com and TheCloseout.com. OurGalleria.com is a higher-end online marketplace for discounted merchandise, offering an exciting shopping experience with a selection of curated flash sales and events. TheCloseout.com is an online retail store offering quality products at deeply discounted prices. The Company obtained a controlling interest in TheCloseout.com subsequent to the end of fiscal 2020 on February 5, 2021.

On July 16, 2019, the Company changed its corporate name to iMedia Brands, Inc. from EVINE Live Inc. Effective July 17, 2019, the Company's Nasdaq trading symbol also changed from EVLV to IMBI. On August 21, 2019, the Company changed the name of its primary network, Evine, back to ShopHQ, which was the name of the network in 2014.

(2) Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31 and results in either a 52-week or 53-week fiscal year. References to years in this report relate to fiscal years, rather than to calendar years. The Company's most recently completed fiscal year, fiscal 2020, ended on January 30, 2021, and consisted of 52 weeks. Fiscal 2019 ended on February 1, 2020 and consisted of 52 weeks. Fiscal 2018 ended on February 2, 2019 and consisted of 52 weeks.

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.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Revenue Recognition

Revenue is recognized when control of the promised merchandise is transferred to customers in an amount that reflects the consideration the Company expects to receive in exchange for the merchandise, which is upon shipment. Revenue for services is recognized when the services are provided to the customer. Revenue is reported net of estimated sales returns, credits and incentives, and excludes sales taxes. Sales returns are estimated and provided for at the time of sale based on historical experience.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Accounting Standards Codification ("ASC") 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Substantially all of the Company's sales are single performance obligation arrangements for transferring control of merchandise to customers.

In accordance with ASC 606-10-50, the Company disaggregates revenue from contracts with customers by significant product groups and timing of when the performance obligations are satisfied. A reconciliation of disaggregated revenue by segment and significant product group is provided in Note 11 - "Business Segments and Sales by Product Group."

As of January 30, 2021, the Company had no remaining performance obligations for contracts with original expected terms of one year or more. The Company has applied the practical expedient to exclude the value of remaining performance obligations for contracts with an original expected term of one year or less.

The Company's merchandise is generally sold with a right of return for up to a certain number of days after the merchandise is shipped and the Company may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Merchandise returns and other credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

The Company evaluated whether it is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis) in certain vendor arrangements where the merchandise is shipped directly from the vendor to the Company's customer and the purchase and sale of inventory is virtually simultaneous. Generally, the Company is the principal and reports revenues from such vendor arrangements on a gross basis, as it controls the merchandise before it is transferred to the customer. The Company's control is evidenced by it being primarily responsible to the customers, establishing price and its inventory risk upon customer returns.

Merchandise Returns

The Company records a merchandise return liability as a reduction of gross sales for anticipated merchandise returns. The Company estimates and evaluates the adequacy of its merchandise return liability 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 merchandise return liability in any accounting period. As of January 30, 2021 and February 1, 2020, the Company recorded a merchandise return liability of \$5,271,000 and \$5,820,000, included in accrued liabilities, and a right of return asset of \$2,749,000 and \$3,171,000, included in other current assets.

Shipping and Handling

The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the merchandise. Shipping and handling fees charged to customers are recognized when the customer obtains control of the merchandise, which is upon shipment. The Company accrues costs for shipping and handling activities, which occur subsequent to transfer of control to the customer and are recorded as cost of sales in the accompanying statements of operations.

Sales Taxes

The Company has elected to exclude from revenue the sales taxes imposed on its sales and collected from customers.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Accounts Receivable

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. The Company has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when the payment terms are less than one year. Accounts receivable consist primarily of amounts due from customers for merchandise sales, receivables from credit card companies, and amounts due from vendors for unsold and returned products and are reflected net of reserves for estimated uncollectible amounts. A provision for ValuePay bad debts is provided as a percentage of ValuePay receivables in the period of sale and is based on historical experience. As of January 30, 2021 and February 1, 2020, the Company had approximately \$49,736,000 and \$56,928,000 of net receivables due from customers under the ValuePay installment program and total reserves for estimated uncollectible amounts of \$3,132,000 and \$6,579,000.

Cost of Sales and Other Operating Expenses

Cost of sales includes primarily the cost of merchandise sold and services provided, shipping and handling costs, inbound freight costs, excess and obsolete inventory charges, distribution facility depreciation and vendor share based payment compensation. Purchasing and receiving costs, including costs of inspection, are included as a component of distribution and selling expense and were approximately \$5,085,000, \$8,730,000 and \$10,299,000 for fiscal 2020, fiscal 2019 and fiscal 2018. Distribution and selling expense consists primarily of cable and satellite access fees, credit card fees, bad debt expense and costs associated with purchasing and receiving, inspection, marketing and advertising, show production, website marketing and merchandising, telemarketing, customer service, warehousing, fulfillment and share based compensation. 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, share based compensation and director fees.

Cash

Cash consists of cash on deposit. The Company maintains its cash balances at financial institutions in demand deposit accounts that are 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.

Restricted Cash Equivalents

The Company's restricted cash equivalents consisted of certificates of deposit with original maturities of three months or less and were generally restricted for a period ranging from 30 to 60 days. Interest income is recognized when earned. The following table provides a reconciliation of cash and restricted cash equivalents reported with the consolidated balance sheets to the total of the same amounts shown in the consolidated statements of cash flows:

	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>
Cash	\$ 15,485,000	\$ 10,287,000	\$ 20,485,000
Restricted cash equivalents	—	—	450,000
Total cash and restricted cash equivalents	<u>\$ 15,485,000</u>	<u>\$ 10,287,000</u>	<u>\$ 20,935,000</u>

Inventories

Inventories, which consists of consumer merchandise held for resale, are stated at the lower of average cost or net realizable value, giving consideration to obsolescence provision write downs of \$5,512,000, \$8,798,000 and \$5,149,000 for fiscal 2020, fiscal 2019 and fiscal 2018. As of January 30, 2021 and February 1, 2020, inventory obsolescence reserves were \$9,985,000 and \$12,320,000. Additional disclosure of the fiscal 2019 obsolescence provision write down is provided in Note 17 - "Inventory Impairment Write-down." During fiscal 2020, 2019 and 2018, products purchased from one vendor accounted for approximately 20%, 19% and 14% of the Company's consolidated net sales. During fiscal 2020, products purchased from a second vendor accounted for approximately 14% of the Company's consolidated net sales. These two vendors are related parties and additional information is included in Note 19 - "Related Party Transactions."

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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 online advertising, including amounts paid to online search engine operators and customer mailings. Total marketing and advertising costs and online search marketing fees totaled \$3,852,000, \$4,673,000 and \$4,561,000 for fiscal 2020, fiscal 2019 and fiscal 2018. 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, net of accumulated depreciation. 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 a straight-line method based upon estimated useful lives. Costs incurred to develop software for internal use and for the Company's websites are capitalized and amortized over the estimated useful life of the software. Costs related to maintenance of internal-use software and for the Company's website are expensed as incurred. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment would be recognized when the carrying amount of an asset or asset group exceeds the future estimated undiscounted cash flows expected to be generated by the asset or asset group. If the carrying amount of the asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized in the amount that the carrying amount of the asset exceeds the fair value of the asset.

Television Distribution Rights

Television distribution rights are affiliation agreements with television service providers for carriage of the Company's television programming over their systems, including channel placement rights, which generally run from one to three years. Contract payments are made in installments over terms that are generally equal to or shorter than the contract period. Pursuant to accounting guidance for the broadcasting industry, an asset and a liability for the rights acquired and obligations incurred under a license agreement are reported on the balance sheet when the cost of each television distribution right is known or reasonably determinable, has been accepted in accordance with the conditions of the agreement, and is available for its first use on the affiliate's system. Television distribution rights are recorded at the present value of the contract payments and are amortized on a straight-line basis over the lives of the individual agreements. Amortization expense for television distribution rights is included in depreciation and amortization. Television distribution rights are evaluated for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Television distribution rights to be used within one year are reflected as a current asset in the accompanying consolidated balance sheets. The liability relating to television distribution rights payable within one year are classified as current in the accompanying consolidated balance sheets. The long-term portion of the obligations is included in other long term liabilities within the accompanying consolidated balance sheets.

Intangible Assets

Identifiable intangibles with finite lives are amortized over their estimated useful lives 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.

Stock-Based Compensation

Compensation is recognized for all stock-based compensation arrangements by the Company, including employee and non-employee stock option and restricted stock unit grants. The estimated grant date fair value of each stock-based award is recognized as compensation over the requisite service period, which is generally the vesting period. Stock-based compensation expense is recognized net of forfeitures, which the Company estimates based on historical data. The estimated

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

fair value of each option is calculated using the Black-Scholes option-pricing model for time-based vesting awards and a Monte Carlo valuation model for market-based vesting awards. The estimated fair value of restricted stock grants is based on the grant date closing price of the Company's stock for time-based vesting awards and a Monte Carlo valuation model for market-based vesting awards.

Income Taxes

The Company accounts for income taxes under the liability method of accounting 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 and records a valuation allowance when it is more likely than not some portion of the deferred tax asset will not be realized.

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

Net Loss Per Common Share

During fiscal 2018, the Company issued a restricted stock award that meets the criteria of a participating security. Accordingly, basic income (loss) per share is computed using the two-class method under which earnings are allocated to both common shares and participating securities. Undistributed net losses are allocated entirely to common shareholders since the participating security has no contractual obligation to share in the losses. All shares of restricted stock are deducted from weighted-average number of common shares outstanding – basic. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock of the Company during reported periods and is calculated using the treasury method.

A reconciliation of net loss per share calculations and the number of shares used in the calculation of basic net loss per share and diluted net loss per share is as follows:

	For the Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Numerator:			
Net loss	\$ (13,234,000)	\$ (56,296,000)	\$ (22,157,000)
Earnings allocated to participating share awards (a)	—	—	—
Net loss attributable to common shares — Basic and diluted	<u>\$ (13,234,000)</u>	<u>\$ (56,296,000)</u>	<u>\$ (22,157,000)</u>
Denominator:			
Weighted average number of common shares outstanding — Basic (b)	10,745,916	7,462,380	6,607,321
Dilutive effect of stock options, non-vested shares and warrants (c)	—	—	—
Weighted average number of common shares outstanding — Diluted	<u>10,745,916</u>	<u>7,462,380</u>	<u>6,607,321</u>
Net loss per common share	<u>\$ (1.23)</u>	<u>\$ (7.54)</u>	<u>\$ (3.35)</u>
Net loss per common share — assuming dilution	<u>\$ (1.23)</u>	<u>\$ (7.54)</u>	<u>\$ (3.35)</u>

- (a) During fiscal 2018, the Company issued a restricted stock award that is a participating security. For fiscal 2020, fiscal 2019 and fiscal 2018, the entire undistributed loss is allocated to common shareholders.
- (b) For fiscal 2020, the basic earnings per share computation included 21,000 outstanding fully-paid warrants to purchase shares of the Company's common stock at a price of \$0.001 per share.
- (c) For fiscal 2020, fiscal 2019 and fiscal 2018, there were 591,000, 46,000 and 34,000 incremental, in-the-money, potentially dilutive common shares outstanding. The incremental in-the-money potentially dilutive common stock shares are excluded from the computation of diluted earnings per share, as the effect of their inclusion would be anti-dilutive.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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, short-term investments, accounts receivable, trade payables and accrued liabilities, due to the short maturities of those instruments. The fair value of the Company's variable rate PNC Credit Facility, approximates, and is based on, its carrying value due to the variable rate nature of the financial instrument. The additional disclosures regarding the Company's fair value measurements are included in Note 8 - "Fair Value Measurements."

Fair Value Measurements on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to the Company's tangible fixed assets and finite-lived intangible assets. These assets and liabilities are recorded at fair value only if an impairment is recognized in the current period. If the Company determines that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded as a loss within operating income in the consolidated statement of operations. The Company had no remeasurements of such assets or liabilities to fair value during fiscal 2020, fiscal 2019 or fiscal 2018.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Recently Adopted Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued Intangibles—Goodwill and Other—Internal-Use Software, Subtopic 350-40 (ASU 2018-15), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company adopted this standard during the first quarter of fiscal 2020 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued guidance on the accounting for credit losses on financial instruments, Topic 326, Financial Instruments—Credit Losses (ASU 2016-13). Topic 326 was subsequently amended by ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. Among other provisions, this guidance introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a forward-looking "expected loss" model that will replace the current "incurred loss" model that will generally result in the earlier recognition of allowances for losses. The Company adopted this guidance during the first quarter of fiscal

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2021 on a prospective basis. The adoption of the ASU 2016-13 and subsequent amendments did not have a material impact on the Company's consolidated financial statements.

(3) Property and Equipment

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

	Estimated Useful Life (In Years)	January 30, 2021	February 1, 2020
Land and improvements	—	\$ 3,236,000	\$ 3,236,000
Buildings and leasehold improvements	3-40	42,441,000	42,239,000
Transmission and production equipment	5-10	8,188,000	7,919,000
Office and warehouse equipment	3-15	18,519,000	19,353,000
Computer hardware, software and telephone equipment	3-10	91,561,000	87,348,000
		163,945,000	160,095,000
Less — Accumulated depreciation		(121,957,000)	(112,479,000)
		<u>\$ 41,988,000</u>	<u>\$ 47,616,000</u>

Depreciation expense in fiscal 2020, fiscal 2019 and fiscal 2018 was \$10,662,000, \$10,661,000 and \$9,999,000.

(4) Television Distribution Rights

Television distribution rights in the accompanying consolidated balance sheets consisted of the following:

	January 30, 2021	February 1, 2020
Television distribution rights	\$ 43,655,000	\$ —
Less accumulated amortization	(16,902,000)	—
Television distribution rights, net	<u>\$ 26,753,000</u>	<u>\$ —</u>

During fiscal 2020, the Company entered into certain affiliation agreements with television service providers for carriage of the Company's television programming over their systems, including channel placement rights. The rights provide the Company with a channel position on the service provider's channel line-up. The Company recorded television distribution rights of \$43.7 million during fiscal 2020, which represents the present value of payments for the television distribution channel placement. Television distribution rights are amortized on a straight-line basis over the lives of the individual agreements. The remaining weighted average lives of the television distribution rights was 1.4 years as of January 30, 2021. Amortization expense related to the television distribution rights was \$16,902,000 for fiscal 2020 and is included in depreciation and amortization within the consolidated statements of operations. Estimated amortization expense is \$19,725,000 for fiscal 2021 and \$7,028,000 for fiscal 2022. The liability relating to the television distribution rights was \$36,530,000 as of January 30, 2021, of which \$29,173,000 was classified as current in the accompanying consolidated balance sheets. The long-term portion of the obligations is included in other long term liabilities within the accompanying consolidated balance sheets. Interest expense related to the television distribution rights obligation was \$1,443,000 during fiscal 2020.

In addition to the channel placement fees, the Company's affiliation agreements generally provide that it will pay each operator a monthly access fee, most often based on the number of homes receiving the Company's programming, and in some cases marketing support payments. Monthly access fees are expensed as distribution and selling expense within the consolidated statement of operations. See Note 16 – "Commitments and Contingencies" for additional information regarding the Company's cable and satellite distribution agreements.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(5) Intangible Assets

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

	Estimated Useful Life (In Years)	January 30, 2021		February 1, 2020	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trade Names	3-15	\$ 1,568,000	\$ (124,000)	\$ 1,568,000	\$ (19,000)
Technology	4	772,000	(228,000)	772,000	(35,000)
Customer Lists	3-5	339,000	(93,000)	339,000	(14,000)
Vendor Exclusivity	5	192,000	(67,000)	192,000	(29,000)
Total finite-lived intangible assets		<u>\$ 2,871,000</u>	<u>\$ (512,000)</u>	<u>\$ 2,871,000</u>	<u>\$ (97,000)</u>

Finite-lived Intangible Assets

The finite-lived intangible assets are included in other assets in the accompanying balance sheets and consist of the J.W. Hulme trade name and customer list; the Float Left developed technology, customer relationships and trade name; and a vendor exclusivity agreement. Amortization expense related to the finite-lived intangible assets was \$415,000, \$1,353,000 and \$165,000 for fiscal 2020, fiscal 2019 and fiscal 2018. Estimated amortization expense is \$415,000 for fiscal 2021, \$410,000 for fiscal 2022, \$352,000 for fiscal 2023, \$156,000 for fiscal 2024 and \$105,000 for fiscal 2025.

In November 2019, the Company completed the acquisition of J.W. Hulme Company ("J.W. Hulme"). The intangible assets acquired through the business combination include the J.W. Hulme trade name and J.W. Hulme customer list valued at \$1,480,000 and \$86,000 and are being amortized over their estimated useful lives of 15 and three years. See Note 13 - "Business Acquisitions" for additional information.

In November 2019, the Company completed the acquisition of Float Left Interactive, Inc. ("Float Left"). The intangible assets acquired through the business combination include the Float Left developed technology, the Float Left customer relationships and the Float Left trade name valued at \$772,000, \$253,000 and \$88,000, respectively, and are being amortized over their estimated useful lives of four, five and 15 years, respectively.

In May 2019, the Company announced the decision to change the name of the Evine network back to ShopHQ, which was the name of the network in 2014. The remaining carrying amount of the Evine trademark was amortized prospectively over the revised remaining useful life through August 21, 2019, the date of the network name change.

In May 2019, we entered into a five-year vendor exclusivity agreement with Sterling Time, LLC ("Sterling Time") and Invicta Watch Company of America, Inc. ("IWCA") in connection with the closing under the private placement securities purchase agreement described in Note 10 below. The vendor exclusivity agreement grants the Company the exclusive right in television shopping to market, promote and sell the products from IWCA. The Company issued five-year warrants to purchase 350,000 shares of our common stock in connection with and as consideration for primarily entering into a vendor exclusivity agreement with the Company, which represented an aggregate value of \$193,000. The vendor exclusivity agreement is being amortized as cost of sales over the five-year agreement term. See Note 10 - "Shareholders' Equity" for additional information.

Sale of Boston Television Station, WWDP and FCC Broadcast License

In August 2017, the Company entered into two agreements with unrelated parties to sell its Boston television station, WWDP, including the Company's FCC broadcast license, for an aggregate of \$13,500,000. During fiscal 2017, the Company closed on the asset purchase agreement to sell substantially all the assets primarily related to its television broadcast station, WWDP(TV), Norwell, Massachusetts (the "Station"), which included an intangible FCC broadcasting license asset. During fiscal 2018, the Company received the remainder of the sales price, which resulted from the satisfaction of the Station being carried by certain designated carriers, and recorded a pre-tax operating gain of \$665,000 upon the resolution of this gain contingency.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(6) Accrued Liabilities

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

	January 30, 2021	February 1, 2020
Accrued cable access fees	\$ 11,150,000	\$ 18,243,000
Allowance for sales returns	5,271,000	5,820,000
Accrued salaries, severance and related	4,183,000	5,937,000
Other	8,905,000	10,250,000
	<u>\$ 29,509,000</u>	<u>\$ 40,250,000</u>

(7) ShopHQ Private Label Consumer Credit Card Program

The Company has a private label consumer credit card program (the "Program"). The Program is made available to all qualified consumers to finance ShopHQ purchases and provides benefits including instant purchase credits, free or reduced shipping promotions throughout the year and promotional low-interest financing on qualifying purchases. Use of the ShopHQ credit card enhances customer loyalty, reduces total credit card expense and reduces the Company's overall bad debt exposure since the credit card issuing bank bears the risk of loss on ShopHQ credit card transactions except those in the Company's ValuePay installment payment program. In July 2020, the Company extended the Program through August 2021 by entering into a Private Label Consumer Credit Card Program Agreement Amendment with Synchrony Financial, the issuing bank for the Program.

(8) Fair Value Measurements

GAAP utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to observable quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 measurement), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

As of January 30, 2021 and February 1, 2020 the Company also had a long-term variable rate PNC Credit Facility (as defined below), classified as Level 2, with carrying values of \$53,380,000 and \$68,960,000. As of January 30, 2021 and February 1, 2020, \$2,714,000 of the long-term variable rate PNC Credit Facility was classified as current. The fair value of the PNC Credit Facility approximates, and is based on its carrying value due to the variable rate nature of the financial instrument. The Company has no Level 3 investments that use significant unobservable inputs.

(9) Credit Agreements

The Company's long-term credit facility consists of:

	January 30, 2021	February 1, 2020
PNC revolving loan due July 27, 2023, principal amount	\$ 41,000,000	\$ 53,900,000
PNC term loan due July 27, 2023, principal amount	12,441,000	15,155,000
Less unamortized debt issuance costs	(61,000)	(95,000)
PNC term loan due July 27, 2023, carrying amount	12,380,000	15,060,000
Total long-term credit facility	<u>53,380,000</u>	<u>68,960,000</u>
Less current portion of long-term credit facility	<u>(2,714,000)</u>	<u>(2,714,000)</u>
Long-term credit facility, excluding current portion	<u>\$ 50,666,000</u>	<u>\$ 66,246,000</u>

PNC Credit Facility

On February 9, 2012, the Company entered into a credit and security agreement (as amended through February 5, 2021, the "PNC Credit Facility") with PNC Bank, N.A. ("PNC"), a member of The PNC Financial Services Group, Inc., as lender

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

and agent. The PNC Credit Facility, which includes CIBC Bank USA (formerly known as The Private Bank) as part of the facility, provides a revolving line of credit of \$70.0 million and provides for a term loan on which the Company had originally drawn to fund improvements at the Company's distribution facility in Bowling Green, Kentucky and subsequently to pay down the Company's previously outstanding GACP Term Loan (as defined below). The PNC Credit Facility also provides an accordion feature that would allow the Company to expand the size of the revolving line of credit by another \$20.0 million at the discretion of the lenders and upon certain conditions being met. Maximum borrowings and available capacity under the revolving line of credit under the PNC Credit Facility are equal to the lesser of \$70.0 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory.

All borrowings under the PNC Credit Facility mature and are payable on July 27, 2023. Subject to certain conditions, the PNC Credit Facility also provides for the issuance of letters of credit in an aggregate amount up to \$6.0 million which, upon issuance, would be deemed advances under the PNC Credit Facility. The PNC Credit Facility is secured by a first security interest in substantially all of the Company's personal property, as well as the Company's real properties located in Eden Prairie, Minnesota and Bowling Green, Kentucky. Under certain circumstances, the borrowing base may be adjusted if there were to be a significant deterioration in value of the Company's accounts receivable and inventory.

The revolving line of credit under the PNC Credit Facility bears interest at either a Base Rate or LIBOR plus a margin consisting of between 2% and 3.5% on Base Rate advances and 3% and 4.5% on LIBOR advances based on the Company's trailing twelve-month reported leverage ratio (as defined in the PNC Credit Facility) measured semi-annually as demonstrated in its financial statements. The term loan bears interest at either a Base Rate or LIBOR plus a margin consisting of between 4% and 5% on Base Rate term loans and 5% to 6% on LIBOR Rate term loans based on the Company's leverage ratio measured annually as demonstrated in its audited financial statements.

As of January 30, 2021, the Company had borrowings of \$41.0 million under its revolving credit facility. Remaining available capacity under the revolving credit facility as of January 30, 2021 was approximately \$12.5 million, which provided liquidity for working capital and general corporate purposes. The PNC Credit Facility also provides for a term loan on which the Company had originally drawn to fund an expansion and improvements at the Company's distribution facility in Bowling Green, Kentucky and subsequently to partially pay down the Company's previously outstanding term loan with GACP Finance Co., LLC and reduce its revolving line of credit borrowings. As of January 30, 2021, there was approximately \$12.4 million outstanding under the PNC Credit Facility term loan of which \$2.7 million was classified as current in the accompanying balance sheet.

Principal borrowings under the term loan are payable in monthly installments over an 84-month amortization period commencing on September 1, 2018 and are also subject to mandatory prepayment in certain circumstances, including, but not limited to, upon receipt of certain proceeds from dispositions of collateral. Borrowings under the term loan are also subject to mandatory prepayment in an amount equal to fifty percent (50%) of excess cash flow for such fiscal year, with any such payment not to exceed \$2.0 million in any such fiscal year. The PNC Credit Facility is also subject to other mandatory prepayment in certain circumstances. In addition, if the total PNC Credit Facility is terminated prior to maturity, the Company would be required to pay an early termination fee of 0.5% if terminated on or before July 27, 2021, and no fee if terminated after July 27, 2021. As of January 30, 2021, the imputed effective interest rate on the PNC term loan was 6.4%.

Interest expense recorded under the PNC Credit Facility was \$3,497,000, \$3,758,000 and \$3,499,000 for fiscal 2020, fiscal 2019 and fiscal 2018.

The PNC Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus unused line availability of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the PNC Credit Facility) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus unused line availability falls below \$10.8 million. As of January 30, 2021, the Company's unrestricted cash plus unused line availability was \$28.0 million and the Company was in compliance with applicable financial covenants of the PNC Credit Facility and expects to be in compliance with applicable financial covenants over the next twelve months. In addition, the PNC Credit Facility places restrictions on the Company's ability to incur additional indebtedness or prepay existing indebtedness, to create liens or other encumbrances, to sell or otherwise dispose of assets, to merge or consolidate with other entities, and to make certain restricted payments, including payments of dividends to common shareholders.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Deferred financing costs, net of amortization, relating to the revolving line of credit were \$243,000 and \$406,000 as of January 30, 2021 and February 1, 2020 and are included within other assets within the accompanying consolidated balance sheets. These costs are being expensed as additional interest over the five-year term of the PNC Credit Facility.

Maturities

The aggregate maturities of the Company's long-term credit facility as of January 30, 2021 are as follows:

Fiscal year	PNC Credit Facility		Total
	Term loan	Revolving loan	
2021	\$ 2,714,000	\$ —	\$ 2,714,000
2022	2,714,000	—	2,714,000
2023	7,013,000	41,000,000	48,013,000
	<u>\$ 12,441,000</u>	<u>\$ 41,000,000</u>	<u>\$ 53,441,000</u>

Cash Requirements

Currently, the Company's principal cash requirements are to fund business operations, which consist primarily of purchasing inventory for resale, funding ValuePay installment receivables, funding the Company's basic operating expenses, particularly the Company's contractual commitments for cable and satellite programming distribution, and the funding of necessary capital expenditures. The Company closely manages its cash resources and working capital. The Company attempts to manage its inventory receipts and reorders in order to ensure its inventory investment levels remain commensurate with the Company's current sales trends. The Company also monitors the collection of its credit card and ValuePay installment receivables and manages vendor payment terms in order to more effectively manage the Company's working capital which includes matching cash receipts from the Company's customers, to the extent possible, with related cash payments to the Company's vendors. ValuePay remains a cost-effective promotional tool for the Company. The Company continues to make strategic use of its ValuePay program in an effort to increase sales and to respond to similar competitive programs.

The Company experienced a decline in net sales and a decline in its active customer file during fiscal 2020, 2019 and 2018 and a corresponding impact to the Company's profitability. The Company has taken or is taking the following steps to enhance its operations and liquidity position: completed equity public offerings during the first quarter of fiscal 2021 and third quarter of fiscal 2020 in which the Company received proceeds of \$21.2 million and \$15.8 million, respectively, after deducting underwriters' discounts and commissions and other offering costs; entered into a private placement securities purchase agreement in which the Company received gross proceeds of \$6.0 million during the first quarter of fiscal 2019; entered into a common stock and warrant purchase agreement in which the Company received gross proceeds of \$4.0 million during the first half of fiscal 2020; implemented a reduction in overhead costs totaling \$22 million in expected annualized savings for the reductions made during fiscal 2019 and an additional \$16 million in expected annualized savings for the reductions made during the first quarter of fiscal 2020, primarily driven by a reduction in the Company's work force; negotiated improved payment terms with the Company's inventory vendors; reduced capital expenditures in fiscal 2020 compared to prior years; renegotiating with certain cable and satellite distributors to reduce service costs and improve payment terms; and managed the Company's inventory receipts in fiscal 2020 to reduce inventory on hand.

The Company's ability to fund operations and capital expenditures in the future will be dependent on its ability to generate cash flow from operations, maintain or improve margins, decrease the rate of decline in its sales and to use available funds from its PNC Credit Facility. The Company's ability to borrow funds is dependent on its ability to maintain an adequate borrowing base and its ability to meet its credit facility's covenants (as described above). The Company believes that it is probable its existing cash balances, together with the cost cutting measures described above and its availability under the PNC Credit Facility, will be sufficient to fund the Company's normal business operations over the next twelve months from the issuance of this report.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(10) Shareholders' Equity

Common Stock

Effective July 13, 2020, the Company amended its Articles of Incorporation to increase the authorized number of common shares from 5,000,000 to 20,000,000. As of January 30, 2021, the Company had 10,000,000 shares of capital stock authorized, of which 400,000 was designated as preferred stock, and had 20,000,000 shares of common stock authorized. As of the same date, no shares of capital stock or preferred stock were outstanding and 13,019,061 shares of common stock were issued and outstanding. The board of directors may establish new classes and series of capital stock by resolution without shareholder approval; however, in certain circumstances the Company is required to obtain approval under the PNC Credit Facility.

Preferred Stock

The Company has authorized 400,000 Series A Junior Participating Cumulative Preferred Stock, \$0.01 par value, during fiscal 2015 as part of the Shareholder Rights Plan. As of January 30, 2021, there were zero shares issued and outstanding. See Note 14 - "Income Taxes" for additional information.

Dividends

The Company has never declared or paid any dividends with respect to its capital or common stock. The Company is restricted from paying dividends on its stock by its PNC Credit Facility.

Public Offering

On August 28, 2020, the Company completed a public offering, in which the Company issued and sold 2,760,000 shares of its common stock at a public offering price of \$6.25 per share, including 360,000 shares sold upon the exercise of the underwriter's option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$15,833,000.

April 2020 Private Placement Securities Purchase Agreement

On April 14, 2020, the Company entered into a common stock and warrant purchase agreement with certain individuals and entities, pursuant to which the Company sold an aggregate of 1,836,314 shares of the Company's common stock, issued warrants to purchase an aggregate of 979,190 shares of the Company's common stock at a price of \$2.66 per share, and fully-paid warrants to purchase an aggregate 114,698 shares of the Company's common stock at a price of \$0.001 per share in a private placement, for an aggregate cash purchase price of \$4,000,000. The initial closing occurred on April 17, 2020 and the Company received gross proceeds of \$1,500,000. Additional closings occurred on May 22, 2020, June 8, 2020, June 12, 2020 and July 11, 2020 and the Company received gross proceeds of \$2,500,000. The Company incurred approximately \$190,000 of issuance costs during the first half of fiscal 2020. The Warrants are indexed to the Company's publicly traded stock and were classified as equity. The par value of the shares issued was recorded within common stock, with the remainder of the proceeds, less issuance costs, recorded as additional paid in capital in the accompanying consolidated balance sheets. The Company used the proceeds for general working capital purposes.

The purchasers consisted of the following: Invicta Media Investments, LLC, Michael and Leah Friedman and Hacienda Jackson LLC. Invicta Media Investments, LLC is owned by Invicta Watch Company of America, Inc. ("IWCA"), which is the designer and manufacturer of Invicta-branded watches and watch accessories, one of the Company's largest and longest tenured brands. Michael and Leah Friedman are owners and officers of Sterling Time, LLC ("Sterling Time"), which is the exclusive distributor of IWCA's watches and watch accessories for television home shopping and the Company's long-time vendor. IWCA is owned by the Company's Vice Chair and director, Eyal Lalo, and Michael Friedman also serves as a director of the Company. A description of the relationship between the Company, IWCA and Sterling Time is contained in Note 19 - "Related Party Transactions." Further, Invicta Media Investments, LLC and Michael and Leah Friedman comprise a "group" of investors within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended, that is the Company's largest shareholder.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The warrants have an exercise price per share of \$2.66 and are exercisable at any time and from time to time from six months following their issuance date until April 14, 2025. The Company has included a blocker provision in the purchase agreement whereby no purchaser may be issued shares of the Company's common stock if the purchaser would own over 19.999% of the Company's outstanding common stock and, to the extent a purchaser in this offering would own over 19.999% of the Company's outstanding common stock, that purchaser will receive fully-paid warrants (in contrast to the coverage warrants that will be issued in this transaction, as described above) in lieu of the shares that would place such holder's ownership over 19.999%. Further, the Company included a similar blocker in the warrants (and amended the warrants purchased by the purchasers on May 2, 2019, if any) whereby no purchaser of the warrants may exercise a warrant if the holder would own over 19.999% of the Company's outstanding common stock.

During the third quarter of fiscal 2020, the fully-paid warrants were exercised for the purchase of 114,698 shares of the Company's common stock.

May 2019 Private Placement Securities Purchase Agreement

On May 2, 2019, the Company entered into a private placement securities purchase agreement with certain accredited investors pursuant to which the Company: (a) sold, in the aggregate, 800,000 shares of the Company's common stock at a price of \$7.50 per share and (b) issued five-year warrants ("5-year Warrants") to purchase 350,000 shares of the Company's common stock at an exercise price of \$15.00 per share. The 5-year Warrants are exercisable in whole or in part from time to time through the expiration date of May 2, 2024. The purchasers included Invicta Media Investments, LLC, Retailing Enterprises, LLC, Michael and Leah Friedman, Timothy Peterman and certain other private investors. Retailing Enterprises, LLC is a party in which the Company entered into an agreement to liquidate obsolete inventory. Under the purchase agreement, the purchasers agreed to customary standstill provisions related to the Company for a period of two years, as well as to vote their shares in favor of matters recommended by the Company's board of directors for shareholder approval. In addition, the Company agreed in the purchase agreement to appoint Eyal Lalo as vice chair of the Company's board of directors, Michael Friedman to the Company's board of directors and Timothy Peterman as the Company's chief executive officer.

In connection with the closing under the Purchase Agreement, the Company entered into certain other agreements with IWCA, Sterling Time and the purchasers, including a five-year vendor exclusivity agreement with Sterling Time and IWCA. The vendor exclusivity agreement grants the Company the exclusive right in television shopping to market, promote and sell the products from IWCA.

The Company received gross proceeds of \$6.0 million and incurred approximately \$175,000 of issuance costs. The Company allocated the proceeds of the stock offering to the shares of common stock issued. The par value of the shares issued was recorded within common stock, with the remainder of the proceeds, less issuance costs, recorded as additional paid in capital in the accompanying consolidated balance sheets. The Company has used the proceeds for general working capital purposes. The 5-year Warrants were issued primarily as consideration for a five-year vendor exclusivity agreement with IWCA and Sterling Time. The aggregate market value of the 5-year Warrants on the grant date was \$193,000, which was recorded as an intangible asset and is being amortized as cost of sales over the agreement term. The 5-year Warrants are indexed to the Company's publicly traded stock and were classified as equity. As a result, the fair value of the 5-year Warrants was recorded as an increase to additional paid-in capital.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Warrants

As of January 30, 2021, the Company had outstanding warrants to purchase 1,714,120 shares of the Company's common stock, of which 1,714,120 are fully exercisable. The warrants expire approximately five years from the date of grant. The following table summarizes information regarding warrants outstanding at January 30, 2021:

Grant Date	Warrants Outstanding	Warrants Exercisable	Exercise Price (Per Share)	Expiration Date
September 19, 2016	297,616	297,616	\$ 29.00	September 19, 2021
November 10, 2016	33,386	33,386	\$ 30.00	November 10, 2021
January 23, 2017	48,930	48,930	\$ 17.60	January 23, 2022
March 16, 2017	5,000	5,000	\$ 19.20	March 16, 2022
May 2, 2019	349,998	349,998	\$ 15.00	May 2, 2024
April 17, 2020	367,197	367,197	\$ 2.66	April 14, 2025
May 22, 2020	122,398	122,398	\$ 2.66	April 14, 2025
June 8, 2020	122,399	122,399	\$ 2.66	April 14, 2025
June 12, 2020	122,398	122,398	\$ 2.66	April 14, 2025
July 11, 2020	244,798	244,798	\$ 2.66	April 14, 2025

On November 27, 2018, the Company issued warrants to Fonda, Inc. for 150,000 shares of its common stock in connection with and as consideration for entering into a services and trademark licensing agreement between the companies. The aggregate market value on the date of the award was \$441,000 and was being amortized as cost of sales over the three-year services and trademark licensing agreement term. On July 29, 2019, the Company and Fonda, Inc. agreed to terminate the services and trademark licensing agreement and the warrants for 150,000 shares were forfeited.

Commercial Agreement with Shaquille O'Neal

On November 18, 2019, the Company entered into a commercial agreement ("Shaq Agreement") and restricted stock unit award agreement ("RSU Agreement") with ABG-Shaq, LLC ("Shaq") pursuant to which certain products would be sold bearing certain intellectual property rights of Shaquille O'Neal on the terms and conditions set forth in the Shaq Agreement. In exchange for such services and pursuant to the RSU Agreement, the Company issued 400,000 restricted stock units to Shaq that vest in three separate tranches. The first tranche of 133,333 restricted stock units vested on November 18, 2019, which was the date of grant. The second tranche of 133,333 restricted stock units will vest February 1, 2021 and the final tranche of 133,334 restricted stock units will vest February 1, 2022. Additionally, in connection with the Shaq Agreement, the Company entered into a registration rights agreement with respect to the restricted stock units pursuant to which the Company agreed to register the common stock issuable upon settlement of the restricted stock units in accordance with the terms and conditions therein. The restricted stock units each settle for one share of the Company's common stock. The aggregate market value on the date of the award was \$2,595,000 and is being amortized as cost of sales over the three-year commercial term. The estimated fair value is based on the grant date closing price of the Company's stock.

Compensation expense relating to the restricted stock unit grant was \$865,000 for fiscal 2020. As of January 30, 2020, there was \$1,730,000 of total unrecognized compensation cost related to the award. That cost is expected to be recognized over a weighted average period of 2.0 years.

Restricted Stock Award

On November 23, 2018, the Company entered into a restricted stock award agreement with Flageoli Classic Limited, LLC ("FCL") granting FCL 150,000 restricted shares of the Company's common stock in connection with and as consideration for entering into a vendor exclusivity agreement with the Company. The vendor exclusivity agreement grants us the exclusive right in television shopping to market, promote and sell products under the trademark of Serious Skincare, a skin-care brand that launched on the Company's television network on January 3, 2019. Additionally, the agreement identifies Jennifer Flavin-Stallone as the primary spokesperson for the brand on the Company's television network. The restricted

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

shares vested in three tranches. Of the restricted shares granted, 50,000 vested on January 4, 2019, which was the first business day following the initial appearance of the Serious Skincare brand on the Company's television network, 50,000 vested on January 4, 2020 and 50,000 vested on January 4, 2021. The aggregate market value on the date of the award was \$1,408,000 and was amortized as cost of sales over the three-year vendor exclusivity agreement term. The estimated fair value of the restricted stock is based on the grant date closing price of the Company's stock for time-based vesting awards.

Compensation expense relating to the restricted stock award grant was \$697,000, \$469,000 and \$89,000 for fiscal 2020, fiscal 2019 and fiscal 2018. As of January 30, 2021, there was \$153,000 of total unrecognized compensation cost related to non-vested restricted stock unit grants. That cost is expected to be recognized over a weighted average period of 0.1 years. The total fair value of restricted stock vested during fiscal 2020 was \$229,000.

A summary of the status of the Company's non-vested restricted stock award activity as of January 30, 2021 and changes during the twelve-month period then ended is as follows:

	<u>Restricted Stock</u>	
	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested outstanding, February 1, 2020	50,000	\$ 9.39
Granted	—	\$ —
Vested	(50,000)	\$ 9.39
Non-vested outstanding, January 30, 2021	<u>—</u>	<u>\$ —</u>

Stock Compensation Plans

The Company's 2020 Equity Incentive Plan ("2020 Plan") provides for the issuance of up to 3,000,000 shares of the Company's common stock. The 2020 Plan is administered by the human resources and compensation committee of the board of directors and provides for awards for employees, directors and consultants. All employees and directors of the Company and its affiliates are eligible to receive awards under the 2020 Plan. The types of awards that may be granted under the 2020 Plan include incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. 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 common stock as of the date of grant (except in the limited case of "substitute awards" as defined by the 2020 Plan). No stock option may be granted more than 10 years after the effective date of the respective plan's inception or be exercisable more than 10 years after the date of grant. Except for market-based options, options granted generally vest over three years in the case of employee stock options and vest immediately on the date of grant in the case of director options, and have contractual terms of 10 years from the date of grant. The 2020 Plan was approved by the Company's shareholders at the 2020 Annual Meeting of Shareholders on July 13, 2020.

The Company also maintains the 2011 Omnibus Incentive Plan ("2011 Plan"). Upon the adoption and approval of the 2020 Plan, the Company ceased making awards under the 2011 Plan. Awards outstanding under the 2011 Plan continue to be subject to the terms of the 2011 Plan, but if those awards subsequently expire, are forfeited or cancelled or are settled in cash, the shares subject to those awards will become available for awards under the 2020 Plan. Similarly, the Company ceased making awards under its 2004 Omnibus Stock Plan ("2004 Plan") on June 22, 2014, but outstanding awards under the 2004 Plan remain outstanding in accordance with its terms.

Stock-Based Compensation - Stock Options

Compensation is recognized for all stock-based compensation arrangements by the Company. Stock-based compensation expense for fiscal 2020, fiscal 2019 and fiscal 2018 related to stock option awards was \$121,000, \$681,000 and \$1,157,000. 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.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The fair value of each time-based vesting option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's stock. Expected term is calculated using the simplified method taking into consideration the option's contractual life and vesting terms. The Company uses the simplified method in estimating its expected option term because it believes that historical exercise data cannot be accurately relied upon at this time to provide a reasonable basis for estimating an expected term due to the extreme volatility of its stock price and the resulting unpredictability of its stock option exercises. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yields were not used in the fair value computations as the Company has never declared or paid dividends on its common stock and currently intends to retain earnings for use in operations.

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
Expected volatility:	75% - 82%	72% - 78%
Expected term (in years):	6 years	6 years
Risk-free interest rate:	1.4% - 2.6%	2.8% - 3.0%

A summary of the status of the Company's stock option activity as of January 30, 2021 and changes during the year then ended is as follows:

	<u>2011 Plan</u>	<u>Weighted Average Exercise Price</u>	<u>2004 Plan</u>	<u>Weighted Average Exercise Price</u>
Balance outstanding, February 1, 2020	247,000	\$ 12.44	6,000	\$ 51.52
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Forfeited or canceled	(213,000)	\$ 12.37	(3,000)	\$ 48.92
Balance outstanding, January 30, 2021	<u>34,000</u>	<u>\$ 12.87</u>	<u>3,000</u>	<u>\$ 53.49</u>
Options exercisable at January 30, 2021	<u>25,000</u>	<u>\$ 15.00</u>	<u>3,000</u>	<u>\$ 53.49</u>

The following table summarizes information regarding stock options outstanding at January 30, 2021:

<u>Option Type</u>	<u>Options Outstanding</u>				<u>Options Vested or Expected to Vest</u>			
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
2011 Incentive:	<u>34,000</u>	<u>\$ 12.87</u>	<u>6.1</u>	<u>\$ 8,000</u>	<u>32,000</u>	<u>\$ 13.14</u>	<u>6.0</u>	<u>\$ 9,000</u>
2004 Incentive:	<u>3,000</u>	<u>\$ 53.49</u>	<u>3.1</u>	<u>\$ —</u>	<u>3,000</u>	<u>\$ 53.49</u>	<u>3.1</u>	<u>\$ —</u>

The weighted average grant-date fair value of options granted in fiscal 2019 and fiscal 2018 was \$3.12 and \$7.35. The total intrinsic value of options exercised during fiscal 2020, fiscal 2019 and fiscal 2018 was \$0, \$0 and \$26,000. As of January 30, 2021, total unrecognized compensation cost related to stock options was \$12,000 and is expected to be recognized over a weighted average period of approximately 1.1 years.

Stock Option Tax Benefit

The exercise of certain stock options granted under the Company's stock option plans give rise to compensation, which is included 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 these increases are 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 if and when realized, and totaled \$0, \$0 and \$7,000 in fiscal 2020,

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

fiscal 2019 and fiscal 2018. The Company has not recorded any income tax benefit from the exercise of stock options in these fiscal years, due to the uncertainty of realizing income tax benefits in the future.

Stock-Based Compensation - Restricted Stock Units

Compensation expense relating to restricted stock unit grants was \$277,000, \$1,031,000 and \$1,792,000 for fiscal 2020, fiscal 2019 and fiscal 2018. As of January 30, 2021, there was \$987,000 of total unrecognized compensation cost related to non-vested restricted stock unit grants. That cost is expected to be recognized over a weighted average period of 2.0 years. The total fair value of restricted stock units vested during fiscal 2020, fiscal 2019 and fiscal 2018 was \$337,000, \$434,000 and \$1,216,000. The estimated fair value of restricted stock units is based on the grant date closing price of the Company's stock for time-based vesting awards and a Monte Carlo valuation model for market-based vesting awards.

The Company has granted time-based restricted stock units to certain key employees as part of the Company's long-term incentive program. The restricted stock units generally vest in three equal annual installments beginning one year from the grant date and are being amortized as compensation expense over the three-year vesting period. The Company has also granted restricted stock units to non-employee directors as part of the Company's annual director compensation program. Each restricted stock unit grant vests or vested on the day immediately preceding the next annual meeting of shareholders following the date of grant. The grants are amortized as director compensation expense over the twelve-month vesting period.

The Company granted 146,000 performance share units to the Company's Chief Executive Officer as part of the Company's long-term incentive program during the first quarter of fiscal 2020. The number of shares earned is based on the Company's achievement of pre-established goals for liquidity over the measurement period from February 2, 2020 to January 30, 2021. Any earned performance share units will vest on January 28, 2023, so long as the executive's service has been continuous through the vest date. The number of units that may actually be earned and become eligible to vest pursuant to this award can be between 0% and 125% of the target number of performance share units. The Company recognizes compensation expense on these performance share units ratably over the requisite performance period of the award to the extent management views the performance goals as probable of attainment. The grant date fair value of these performance share units is based on the grant date closing price of the Company's stock.

The Company granted 94,000 and 75,000 market-based restricted stock performance units to executives and key employees as part of the Company's long-term incentive program during fiscal 2019 and fiscal 2018. No such market-based restricted stock performance units were granted during fiscal 2020. The number of restricted stock units earned is based on the Company's total shareholder return ("TSR") relative to a group of industry peers over a three-year performance measurement period. Grant date fair values were determined using a Monte Carlo valuation model based on assumptions as follows:

	Fiscal 2019	Fiscal 2018
Total grant date fair value	\$482,000	\$859,000
Total grant date fair value per share	\$5.14	\$10.70 - \$13.00
Expected volatility	74% - 82%	73% - 76%
Weighted average expected life (in years)	3 years	3 years
Risk-free interest rate	1.7% - 2.3%	2.4% - 2.7%

The percent of the target market-based performance vested restricted stock unit award that will be earned based on the Company's TSR relative to the peer group is as follows:

Percentile Rank	Percentage of Units Vested
< 33%	0 %
33%	50 %
50%	100 %
100%	150 %

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On May 2, 2019, Timothy A. Peterman was appointed as Chief Executive Officer and entered into an executive employment agreement. In conjunction with the employment agreement, the Company granted 68,000 market-based restricted stock performance units to Mr. Peterman. The market-based restricted stock performance units vest in three tranches, each tranche consisting of one-third of the units subject to the award. Tranche 1 vested on May 2, 2020, the one-year anniversary of the grant date. Tranche 2 will vest on the date the Company’s average closing stock price for 20 consecutive trading days equals or exceeds \$20.00 per share and the executive has been continuously employed at least one year. Tranche 3 will vest on the date the Company’s average closing stock price for 20 consecutive trading days equals or exceeds \$40.00 per share and the executive has been continuously employed at least two years. The vesting of the second and third tranches can occur any time on or before May 1, 2029. The total grant date fair value was estimated to be \$220,000 and is being amortized over the derived service periods for each tranche.

Grant date fair values and derived service periods for each tranche were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 2.5%, a weighted average expected life of 2.9 years and an implied volatility of 80% and were as follows for each tranche:

	Fair Value (Per Share)	Derived Service Period
Tranche 1 (one year)	\$ 3.66	1.00 Year
Tranche 2 (\$20.00/share)	\$ 3.19	3.27 Years
Tranche 3 (\$40.00/share)	\$ 2.85	4.53 Years

A summary of the status of the Company’s non-vested restricted stock unit activity as of January 30, 2021 and changes during the twelve-month period then ended is as follows:

	Restricted Stock Units							
	Market-Based Units		Time-Based Units		Performance-Based Units		Total	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding, February 1, 2020	129,000	\$ 6.49	435,000	\$ 5.96	—	\$ —	564,000	\$ 6.08
Granted	—	\$ —	471,000	\$ 2.35	146,000	1.69	617,000	\$ 2.20
Vested	—	\$ —	(103,000)	\$ 4.41	—	—	(103,000)	\$ 4.41
Forfeited	(69,000)	\$ 9.05	(67,000)	\$ 4.22	—	—	(136,000)	\$ 6.70
Non-vested outstanding, January 30, 2021	<u>60,000</u>	\$ 3.52	<u>736,000</u>	\$ 4.03	<u>146,000</u>	\$ 1.69	<u>942,000</u>	\$ 3.64

(11) Business Segments and Sales by Product Group

During fiscal 2019, the Company changed its reportable segments into two reporting segments: “ShopHQ” and “Emerging.” In light of strategic shifts in the Company’s emerging businesses, the Company’s Chief Executive Officer began reviewing operating results of the Emerging segment separately from its core business, ShopHQ. The chief operating decision maker is the Company’s Chief Executive Officer and Interim Chief Financial Officer. These segments reflect the way the Company’s chief operating decision maker evaluates the Company’s business performance and manages its operations. All of Company’s sales are made to customers residing in the United States.

The Company does not allocate assets between the segments for our internal management purposes, and as such, they are not presented here. There were no significant inter-segment sales or transfers during fiscal 2020, fiscal 2019 and fiscal 2018. The Company allocates corporate support costs (such as finance, human resources, warehouse management and legal) to our operating segments based on their estimated usage and based on how the Company manages the business.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

ShopHQ

The ShopHQ segment encompasses the Company’s nationally distributed shopping entertainment network. ShopHQ sells and distributes its products to consumers through its video commerce television, online website and mobile platforms.

Emerging

The Emerging segment consists of the Company’s developing business models. This segment includes the Company’s Media Commerce Services, which offers creative and interactive advertising, OTT app services and third-party logistics. The Media Commerce Services brands include Float Left and third-party logistics business i3PL. Float Left is a business comprised of connected TVs, video-based content, application development and distribution, including technical consulting services, software development and maintenance related to video distribution. The Emerging segment also encompasses the ShopHQHealth, ShopBulldogTV, J.W. Hulme, and OurGalleria.com. ShopHQHealth is a health and wellness focused network that offers a robust assortment of products and services dedicated to addressing the physical, spiritual and mental health needs of its customers. ShopBulldog TV is a niche television shopping network geared towards male consumers. J.W. Hulme is a business specializing in artisan-crafted leather products, including handbags and luggage. J.W. Hulme products are distributed primarily through jwhulme.com, retails stores, and programming on ShopHQ. OurGalleria.com is a higher-end online marketplace for discounted merchandise.

Net Sales by Segment and Significant Product Groups

	For the Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
	(in thousands)		
ShopHQ			
Net merchandise sales by category:			
Jewelry & Watches	\$ 161,999	\$ 200,893	\$ 206,021
Home & Consumer Electronics	62,910	106,025	135,184
Beauty & Wellness	124,222	80,945	102,099
Fashion & Accessories	45,261	65,616	94,295
All other (primarily shipping & handling revenue)	42,750	42,628	52,630
Total ShopHQ	<u>437,142</u>	<u>496,107</u>	<u>590,229</u>
Emerging	<u>17,029</u>	<u>5,715</u>	<u>6,408</u>
Consolidated net sales	<u>\$ 454,171</u>	<u>\$ 501,822</u>	<u>\$ 596,637</u>

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Performance Measures by Segment

	For the Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
	(in thousands)		
Gross profit			
ShopHQ	\$ 160,190	\$ 162,809	\$ 205,036
Emerging	\$ 6,863	\$ 828	\$ 1,811
Consolidated gross profit	<u>\$ 167,053</u>	<u>\$ 163,637</u>	<u>\$ 206,847</u>
Operating loss			
ShopHQ	\$ (3,616)	\$ (46,956)	\$ (17,173)
Emerging	(4,324)	(5,569)	(1,451)
Consolidated operating loss	<u>\$ (7,940)</u>	<u>\$ (52,525)</u>	<u>\$ (18,624)</u>
Depreciation and amortization			
ShopHQ (a)	\$ 27,264	\$ 11,395	\$ 10,065
Emerging	714	619	99
Consolidated depreciation and amortization	<u>\$ 27,978</u>	<u>\$ 12,014</u>	<u>\$ 10,164</u>

(a) Includes distribution facility depreciation of \$3,955,000, \$3,957,000 and \$3,921,000 for fiscal 2020, fiscal 2019 and fiscal 2018. Distribution facility depreciation is included as a component of cost of sales within the accompanying consolidated statements of operations.

(12) Leases

The Company leases certain property and equipment, such as transmission and production equipment, satellite transponder and office equipment. The Company also leases office space used by its Emerging segment's Float Left and retail space used by its Emerging segment retailer, J.W. Hulme. The Company determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on accompanying consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease liabilities and right-of-use assets are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Some of the Company's leases include options to extend the term, which is only included in the lease liability and right-of-use assets calculation when it is reasonably certain the Company will exercise that option. As of January 30, 2021, the lease liability and right-of-use assets did not include any lease extension options.

The Company has lease agreements with lease and non-lease components, and has elected to account for these as a single lease component. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows:

	For the Years Ended	
	January 30, 2021	February 1, 2020
Operating lease cost	\$ 972,000	\$ 1,007,000
Short-term lease cost	63,000	153,000
Variable lease cost (a)	90,000	96,000

(a) Includes variable costs of finance leases.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

For the years ended January 30, 2021 and February 1, 2020, finance lease costs included amortization of right-of-use assets of \$76,000 and \$73,000 and interest on lease liabilities of \$7,000 and \$8,000.

Supplemental cash flow information related to leases was as follows:

	For the Years Ended	
	January 30, 2021	February 1, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	\$ 1,095,000	\$ 950,000
Operating cash flows used for finance leases	7,000	8,000
Financing cash flows used for finance leases	103,000	71,000
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	1,299,000	318,000
Finance leases	62,000	188,000

The weighted average remaining lease term and weighted average discount rates related to leases were as follows:

	January 30, 2021	February 1, 2020
Weighted average remaining lease term:		
Operating leases	2.8 years	1.4 years
Finance leases	1.1 years	1.9 years
Weighted average discount rate:		
Operating leases	6.8%	5.6%
Finance leases	5.7%	5.3%

Supplemental balance sheet information related to leases is as follows:

Leases	Classification	January 30, 2021	February 1, 2020
Assets			
Operating lease right-of-use assets	Other assets	\$ 1,116,000	\$ 832,000
Finance lease right-of-use assets	Property and equipment, net	101,000	143,000
Total lease right-of-use assets		<u>\$ 1,217,000</u>	<u>\$ 975,000</u>
Operating lease liabilities			
Current portion of operating lease liabilities	Current portion of operating lease liabilities	\$ 462,000	\$ 704,000
Operating lease liabilities, excluding current portion	Other long term liabilities	646,000	129,000
Total operating lease liabilities		<u>1,108,000</u>	<u>833,000</u>
Finance lease liabilities			
Current portion of finance lease liabilities	Current liabilities: Accrued liabilities	86,000	80,000
Finance lease liabilities, excluding current portion	Other long term liabilities	19,000	66,000
Total finance lease liabilities		<u>105,000</u>	<u>146,000</u>
Total lease liabilities		<u>\$ 1,213,000</u>	<u>\$ 979,000</u>

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Future maturities of lease liabilities as of January 30, 2021 are as follows:

Fiscal year	Operating Leases	Finance Leases
2021	\$ 518,000	\$ 90,000
2022	313,000	18,000
2023	250,000	—
2024	141,000	—
Thereafter	—	—
Total lease payments	1,222,000	108,000
Less imputed interest	(114,000)	(3,000)
Total lease liabilities	<u>\$ 1,108,000</u>	<u>\$ 105,000</u>

As of January 30, 2021, the Company had executed a \$2.7 million operating lease that had not yet commenced. This operating lease will replace the Company's current satellite transponder agreement, will commence during the first quarter of fiscal 2021 and have a lease term through October 31, 2025. As of January 30, 2021, the Company had no finance leases that had not yet commenced.

(13) Business Acquisitions

Float Left Interactive, Inc.

In November 2019, the Company entered into an asset purchase agreement and acquired substantially all the assets of Float Left, a business comprised of connected TVs, video-based content, application development and distribution, including technical consulting services, software development and maintenance related to video distribution. The Company plans to utilize Float Left's team and technology platform to further grow its content delivery capabilities in OTT platforms while providing new revenue opportunities.

The acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities assumed pursuant to the asset purchase agreement based on fair values at the acquisition date. The operating results of Float Left, which were not material, have been included in the consolidated financial statements of the Company since the date of acquisition. The supplementary proforma information, assuming this acquisition occurred as of the beginning of the prior periods, and the operations of Float Left for the period from the November 26, 2019 acquisition date through the end of fiscal 2019 were immaterial. The Company incurred \$78,000 of acquisition-related costs and are included in general and administrative expense in the accompanying fiscal 2019 consolidated statement of operations. The acquisition date fair value of consideration transferred for Float Left was approximately \$1,102,000, which consisted of \$353,000 of cash, net of cash acquired, \$459,000 of common stock and \$290,000 of contingent consideration.

The estimated fair value of the common stock issued as purchase consideration, 100,000 shares, is based on the issue date closing price of the Company's stock. The purchase includes contingent consideration of up to 50,000 additional shares of our common stock in the event certain performance metrics are satisfied relating to the Float Left business following closing. The estimated fair value of contingent consideration is primarily based on the Float Left's projected performance for each of the next two fiscal years following the closing date and the closing price of the Company's stock.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes our allocation of the Float Left purchase consideration:

	<u>Fair Value</u>
Current assets	\$ 139,000
Identifiable intangible assets acquired:	
Developed technology	772,000
Customer relationships	253,000
Trade names	88,000
Other assets	18,000
Accounts payable and accrued liabilities	(168,000)
	<u>\$ 1,102,000</u>

The fair value of identifiable intangible assets was determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return.

J.W. Hulme Company

In November 2019, the Company entered into an asset purchase agreement and acquired substantially all the assets of J.W. Hulme, a business specializing in artisan-crafted leather products, including handbags and luggage. The Company plans to accelerate J.W. Hulme's revenue growth by creating its own programming on ShopHQ. Additionally, the Company plans to utilize J.W. Hulme to craft private-label accessories for the Company's existing owned and operated fashion brands.

The acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities assumed pursuant to the asset purchase agreement based on fair values at the acquisition date. The operating results of J.W. Hulme, which were not material, have been included in the consolidated financial statements of the Company since the date of acquisition. The supplementary proforma information, assuming this acquisition occurred as of the beginning of the prior periods, and the operations of J.W. Hulme for the period from the November 26, 2019 acquisition date through the end of fiscal 2019 were immaterial. The Company incurred \$80,000 of acquisition-related costs and are included in general and administrative expense in the accompanying fiscal 2019 consolidated statement of operations. The acquisition date fair value of consideration transferred for J.W. Hulme was approximately \$1,906,000, which consisted of \$285,000 of cash, net of cash acquired, a working capital holdback of \$225,000 and \$1,396,000 of common stock issued. The estimated fair value of the common stock issued as purchase consideration, 291,000 shares, is based on the issue date closing price of the Company's stock.

The following table summarizes our allocation of the J.W. Hulme purchase consideration:

	<u>Fair Value</u>
Current assets	\$ 904,000
Identifiable intangible assets acquired:	
Trade names	1,480,000
Existing customer list	86,000
Other assets	184,000
Accounts payable and accrued liabilities	(580,000)
Other long term liabilities	(168,000)
	<u>\$ 1,906,000</u>

The fair value of identifiable intangible assets was determined using an income-based approach, which includes market participant expectations of cash flows that an asset will generate over the remaining useful life discounted to present value using an appropriate rate of return.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(14) 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, 2021 and February 1, 2020 were as follows (in thousands):

	<u>January 30, 2021</u>	<u>February 1, 2020</u>
Accruals and reserves not currently deductible for tax purposes	\$ 4,227	\$ 4,039
Inventory capitalization	729	1,181
Differences in depreciation lives and methods	(478)	(1,076)
Differences in basis of intangible assets	318	153
Differences in investments and other items	3,817	2,140
Net operating loss carryforwards	98,833	96,894
Valuation allowance	(107,446)	(103,331)
Net deferred tax liability	<u>\$ —</u>	<u>\$ —</u>

The income tax provision consisted of the following (in thousands):

	<u>For the Years Ended</u>		
	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>
Current	\$ (60)	\$ (11)	\$ (65)
Deferred	—	—	—
	<u>\$ (60)</u>	<u>\$ (11)</u>	<u>\$ (65)</u>

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

	<u>For the Years Ended</u>		
	<u>January 30, 2021</u>	<u>February 1, 2020</u>	<u>February 2, 2019</u>
Taxes at federal statutory rates	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	13.4	4.1	5.9
Provision to return true-up	(2.4)	(4.0)	(2.5)
Non-cash stock option vesting expense	(1.2)	(0.6)	(1.2)
Valuation allowance and NOL carryforward benefits	(31.2)	(20.4)	(23.6)
Other	(0.1)	(0.1)	0.1
Effective tax rate	<u>(0.5)%</u>	<u>— %</u>	<u>(0.3)%</u>

Based on the Company's recent history of losses, the Company has recorded a full valuation allowance for its net deferred tax assets as of January 30, 2021 and February 1, 2020 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 in the future, as well as the timing of such income. The Company intends to maintain a full valuation allowance for its net deferred tax assets until sufficient positive evidence exists to support reversal of the allowance. As of January 30, 2021, the Company has federal net operating loss carryforwards ("NOLs") of approximately \$397 million which are available to offset future taxable income. The Company's federal NOLs generated prior to 2019 expire in varying amounts each year from 2023 through 2037 in accordance with applicable federal tax regulations and the timing of when the NOLs were incurred. The Company's federal NOLs generated in 2019 and after can be carried forward indefinitely.

In the first quarter of fiscal 2011, the Company had a change in ownership (as defined in Section 382 of the Internal Revenue Code) as a result of the issuance of common stock coupled with the redemption of all the Series B preferred stock held by GE Equity. Sections 382 and 383 limit the annual utilization of certain tax attributes, including NOL carryforwards, incurred prior to a change in ownership. Currently, the limitations imposed by Sections 382 and 383 are not expected to impair the Company's ability to fully realize its NOLs; however, the annual usage of NOLs incurred prior to the change in ownership are limited. In addition, if the Company were to experience another ownership change, as defined by Sections 382

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

and 383, its ability to utilize its NOLs could be further substantially limited and depending on the severity of the annual NOL limitation, the Company could permanently lose its ability to use a significant amount of its accumulated NOLs.

As of January 30, 2021, and February 1, 2020, there were no unrecognized tax benefits for uncertain tax positions. Accordingly, a tabular reconciliation from beginning to ending periods is not provided. Further, to date, there have been no interest or penalties charged or accrued in relation to unrecognized tax benefits. The Company will classify any future interest and penalties as a component of income tax expense if incurred. The Company does not anticipate that the amount of unrecognized tax benefits will change significantly in the next twelve months.

The Company is subject to U.S. federal income taxation and the taxing authorities of various states. The Company's tax years for 2019, 2018, 2017 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 2017.

Shareholder Rights Plan

During fiscal 2015, the Company adopted a Shareholder Rights Plan to preserve the value of certain deferred tax benefits, including those generated by net operating losses. On July 10, 2015, the Company declared a dividend distribution of one purchase right (a "Right") for each outstanding share of the Company's common stock to shareholders of record as of the close of business on July 23, 2015 and issuable as of that date. On July 13, 2015, the Company entered into a Shareholder Rights Plan (the "Rights Plan") with Wells Fargo Bank, N.A., a national banking association, with respect to the Rights. Except in certain circumstances set forth in the Rights Plan, each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Cumulative Preferred Stock, \$0.01 par value, of the Company ("Preferred Stock" and each one one-thousandth of a share of Preferred Stock, a "Unit") at a price of \$90.00 per Unit.

The Rights initially trade together with the common stock and are not exercisable. Subject to certain exceptions specified in the Rights Plan, the Rights will separate from the common stock and become exercisable following (i) the tenth calendar day after a public announcement or filing that a person or group has become an "Acquiring Person," which is defined as a person who has acquired, or obtained the right to acquire, beneficial ownership of 4.99% or more of the common stock then outstanding, subject to certain exceptions, or (ii) the tenth calendar day (or such later date as may be determined by the board of directors) after any person or group commences a tender or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person. If a person or group becomes an Acquiring Person, each Right will entitle its holders (other than such Acquiring Person) to purchase one Unit at a price of \$90.00 per Unit. A Unit is intended to give the shareholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock, and should approximate the value of one share of Common Stock. At any time after a person becomes an Acquiring Person, the board of directors may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for shares of common stock at an exchange rate of one share of common stock (and, in certain circumstances, a Unit) for each Right. The Company will promptly give public notice of any exchange (although failure to give notice will not affect the validity of the exchange).

On July 12, 2019, the Company's shareholders re-approved the Rights Plan at the 2019 annual meeting of shareholders. The Rights Plan will expire on the close of business on the date of the 2022 annual meeting of shareholders, unless the Rights Plan is re-approved by shareholders prior to expiration. However, in no event will the Rights Plan expire later than the close of business on July 13, 2025.

Until the close of business on the tenth calendar day after the day a public announcement or a filing is made indicating that a person or group has become an Acquiring Person, the Company may in its sole and absolute discretion amend the Rights or the Rights Plan agreement without the approval of any holders of the Rights or shares of common stock in any manner, including without limitation, amendments that increase or decrease the purchase price or redemption price or accelerate or extend the final expiration date or the period in which the Rights may be redeemed. The Company may also amend the Rights Plan after the close of business on the tenth calendar day after the day such public announcement or filing is made to cure ambiguities, to correct defective or inconsistent provisions, to shorten or lengthen time periods under the Rights Plan or in any other manner that does not adversely affect the interests of holders of the Rights. No amendment of the Rights Plan may extend its expiration date.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(15) Supplemental Cash Flow Information

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

	For the Years Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Supplemental Cash Flow Information:			
Interest paid	\$ 4,681,000	\$ 3,151,000	\$ 3,098,000
Income taxes paid	81,000	31,000	16,000
Television distribution rights obtained in exchange for liabilities	43,655,000	—	—
Supplemental non-cash investing and financing activities:			
Property and equipment purchases included in accounts payable	\$ 288,000	\$ 209,000	\$ 473,000
Common stock issuance costs included in accounts payable	184,000	—	—
Equipment acquired through finance lease obligations	62,000	188,000	41,000
Fair value of common stock issued as consideration for business acquisitions	—	1,855,000	—
Issuance of warrants for intangible assets	—	193,000	—

(16) Commitments and Contingencies

Cable and Satellite Distribution Agreements

The Company has entered into distribution agreements with cable operators, direct-to-home satellite providers, telecommunications companies and broadcast television stations to distribute our television network over their systems. The terms of the distribution agreements typically range from one to five years. During any fiscal year, certain agreements with cable, satellite or other distributors may or have expired. Under certain circumstances, the television operators or the Company may cancel the agreements prior to their expiration. Additionally, the Company may elect not to renew distribution agreements whose terms result in sub-standard or negative contribution margins. The distribution agreements generally provide that the Company will pay each operator a monthly access fee and in some cases a marketing support payment based on the number of homes receiving the Company's programming. For fiscal 2020, fiscal 2019 and fiscal 2018 the Company expensed approximately \$56,681,000, \$82,330,000 and \$89,066,000 under these distribution agreements as a component of distribution and selling expense in the Company's consolidated statement of operations. Additionally during fiscal 2020, the Company acquired television distribution rights, which are recorded as an asset and a liability on the consolidated balance sheets. Amortization expense for television distribution rights is included as a component of depreciation and amortization in the Company's consolidated statement of operations. See Note 4 - "Television Distribution Rights" for additional information.

Over the past years, the Company has maintained its distribution footprint with the Company's material cable and satellite distribution carriers. 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, revenues and earnings unless the Company is able to arrange for alternative means of broadly distributing its television programming. Cable operators serving a large majority of cable households 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 the Company's ability to compete for television viewers to the extent it results in less desirable channel positioning for us, placement of the Company's programming in separate programming tiers, the broadcast of additional competitive channels or viewer fragmentation due to a greater number of programming alternatives.

The Company has entered into, and will continue to enter into, distribution agreements with other television operators providing for full- or part-time carriage of the Company's television shopping programming.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Future cable and satellite distribution cash commitments at January 30, 2021 are as follows:

Fiscal Year	Amount
2021	\$ 41,407,000
2022	12,390,000
2023	—
2024	—
2025 and thereafter	—

Employment Agreements

On May 2, 2019, the Company entered into an executive employment agreement with Mr. Peterman, the Company's Chief Executive Officer. Among other things, the employment agreement provides for a two-year initial term, followed by automatic one-year renewals, an initial base salary of \$650,000, annual bonus stipulations, a temporary living expense allowance and participation in the Company's executive relocation program. The aggregate commitment for future base compensation related to the agreement at January 30, 2021 was approximately \$163,000. In conjunction with the employment agreement, the Company granted Mr. Peterman an award of 68,000 restricted stock units with an aggregate fair value of \$220,000. The chief executive officer's employment agreement also provides for severance in the event of employment termination in accordance with the Company's established guidelines regarding severance as described below.

The Company has established guidelines regarding severance for its senior executive officers, whereby if a senior executive officer's employment terminates for reasons other than change of control, up to 15 months of the executive's highest annual rate of base salary for those serving as Chief Executive Officer or Executive Vice President and up to 12 months of the executive's highest annual rate of base salary for those serving as Senior Vice President may become payable. If a Chief Executive Officer or Executive Vice President's employment terminates within a one-year period commencing on the date of a change in control or within six months preceding the date of a change in control, up to 18 months of the executive's highest annual rate of base salary, plus 1.5 times the target annual incentive bonus determined from such base salary, may become payable. If a Senior Vice President's employment terminates within a one-year period commencing on the date of a change in control or within six months preceding the date of a change in control, up to 15 months of the executive's highest annual rate of base salary, plus 1.25 times the target annual incentive bonus determined from such base salary, may become payable.

Retirement 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. Commencing in the fourth quarter of fiscal 2020, the Company provided a contribution match of \$0.50 for every \$1.00 contributed by eligible participants up to a maximum of 3% of eligible compensation. Matching contributions were contributed to the plan on a per pay period basis. During fiscal 2019 and fiscal 2018, the Company provided a contribution match of \$0.50 for every \$1.00 contributed by eligible participants up to a maximum of 6% of eligible compensation. Company plan contributions expense totaled \$58,000, \$1,135,000 and \$1,476,000 for fiscal 2020, fiscal 2019 and fiscal 2018, of which \$0 was accrued and outstanding at January 30, 2021, February 1, 2020 and February 2, 2019.

(17) Inventory Impairment Write-down

On May 2, 2019, Timothy A. Peterman was appointed Chief Executive Officer of the Company (See Note 21 - "Executive and Management Transition Costs") and implemented a new merchandise strategy to shift airtime and merchandise by increasing higher contribution margin categories, such as jewelry & watches and beauty & wellness, and decreasing home and fashion & accessories. This change of strategy resulted in the need to liquidate excess inventory in the fashion & accessories and home product categories as a result of the reduced airtime being allocated to those categories. As a result, the Company recorded a non-cash inventory write-down of \$6,050,000 within cost of sales during the first quarter of fiscal 2019.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(18) Litigation

The Company is involved from time to time in various claims and lawsuits in the ordinary course of business, including claims related to products, product warranties, contracts, employment, intellectual property, consumer protection and regulatory matters. In the opinion of management, none of the claims and suits, either individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's operations or consolidated financial statements.

(19) Related Party Transactions

Relationship with Sterling Time, Invicta Watch Company of America, and Retailing Enterprises

On May 2, 2019, in accordance with the Purchase Agreement described in Note 10 - "Shareholders' Equity," the Company's Board of directors elected Michael Friedman and Eyal Lalo to the board and appointed Mr. Lalo as the vice chair of the board. Mr. Lalo reestablished Invicta, the flagship brand of the Invicta Watch Group and one of the Company's largest brands, in 1994, and has served as its chief executive officer since its inception. Mr. Friedman has served as chief executive officer of Sterling Time, which is the exclusive distributor of IWCA's watches and watch accessories for television home shopping and our long-time vendor, since 2005. Sterling Time has served as a vendor to the Company for over 20 years. For their service as non-employee members of the board of directors, Messrs. Friedman and Lalo receive compensation under the Company's non-employee director compensation policy.

Mr. Lalo is the owner of IWCA, which is the sole owner of Invicta Media Investments, LLC. Mr. Friedman is an owner of Sterling Time. Pursuant to the Purchase Agreement the following companies invested as a group, including: Invicta Media Investments, LLC purchased 400,000 shares of the Company's common stock and a warrant to purchase 252,656 shares of the Company's common stock for an aggregate purchase price of \$3,000,000, Michael and Leah Friedman purchased 180,000 shares of the Company's common stock and a warrant to purchase 84,218 shares of the Company's common stock for an aggregate purchase price of \$1,350,000, and Retailing Enterprises, LLC purchased 160,000 shares of the Company's common stock for an aggregate purchase price of \$1,200,000, among others.

On April 14, 2020, the Company entered into a common stock and warrant purchase agreement with certain individuals and entities, pursuant to which the Company sold shares of the Company's common stock and issued warrants to purchase shares of the Company's common stock in a private placement. Details of the common stock and warrant purchase agreement are described in Note 10 - "Shareholders' Equity." The purchasers consisted of the following: Invicta Media Investments, LLC, Michael and Leah Friedman and Hacienda Jackson LLC. Invicta Media Investments, LLC purchased 734,394 shares of the Company's common stock and a warrant to purchase 367,196 shares of the Company's common stock for an aggregate purchase price of \$1,500,000. Michael and Leah Friedman purchased 727,022 shares of the Company's common stock and a warrant to purchase 367,196 shares of the Company's common stock for an aggregate purchase price of \$1,500,000. Pursuant to the agreement, Sterling Time has standard payment terms with 90-day aging from receipt date for all purchase orders. If the Company's accounts payable balance to Sterling Time exceeds (a) \$3,000,000 in any given week during the Company's first three fiscal quarters through May 31, 2022 or (b) \$4,000,000 in any given week during the Company's fourth fiscal quarters of fiscal 2020 and fiscal 2021, the Company will pay the accounts payable balance owed to Sterling Time that is above these stated amounts. Following May 31, 2022, the Company's payment terms revert back to standard 90-day aging terms as previously described.

On August 28, 2020, Invicta Media Investments, LLC purchased 256,000 shares of the Company's common stock pursuant to the Company's public equity offering.

Transactions with Sterling Time

The Company purchased products from Sterling Time, an affiliate of Mr. Friedman, in the aggregate amount of \$51.0 million, \$58.7 million and \$54.8 million during fiscal 2020, fiscal 2019 and fiscal 2018. In addition, during fiscal 2019, the Company subsidized the cost of a promotional cruise for Invicta branded and other vendors' products. As of January 30, 2021 and February 1, 2020, the Company had a net trade payable balance owed to Sterling Time of \$825,000 and \$1.6 million.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Transactions with Retailing Enterprises

During fiscal 2019, the Company entered into an agreement, which was subsequently amended, to liquidate obsolete inventory to Retailing Enterprises, LLC for a total purchase price of \$1.4 million. The inventory is currently stored at the Company's fulfillment center under a bill and hold arrangement. The terms of the agreement provide for 12 monthly payments. During the third quarter of fiscal 2020, the Company sold additional inventory to Retailing Enterprises, LLC for a purchase price of \$365,000. As of January 30, 2021 and February 1, 2020, the Company had a net trade receivable balance owed from Retailing Enterprises of \$641,000 and \$1.2 million. During fiscal 2020, the Company accrued commissions of \$263,000 to Retailing Enterprises, LLC for Company sales of the Invincible Guarantee program. The Invincible Guarantee program is an Invicta watch offer whereby customers receive credit on watch trade-ins within a five-year period. The program is serviced by Retailing Enterprises, LLC. In addition, the Company provided third party logistic services and warehousing to Retailing Enterprises, LLC, totaling \$747,000 during fiscal 2020.

Transactions with Famjams Trading

The Company purchased products from Famjams Trading LLC ("Famjams Trading"), an affiliate of Mr. Friedman, in the aggregate amount of \$48.8 million and \$2.2 million during fiscal 2020 and fiscal 2019. In addition, the Company provided third party logistic services and warehousing to Famjams Trading, totaling \$59,000 and \$42,000 in fiscal 2020 and fiscal 2019. As of January 30, 2021, the Company's net trade payable balance with Famjams Trading was a debit balance of \$4.3 million, which primarily resulted from \$3.0 million paid to Famjams Trading for a 2021 spring season advance to help finance the upfront cash commitments FamJams would have to make to its vendors in January 2021 to fulfill iMedia's entire contemplated seasonal purchase plan. Famjams Trading will repay the \$3.0 million in funding over four equal quarterly installments during fiscal 2021. As of February 1, 2020, the Company had a net trade payable balance owed to Famjams Trading of \$488,000.

Transactions with TWI Watches

The Company purchased products from TWI Watches LLC ("TWI Watches"), an affiliate of Mr. Friedman, in the aggregate amount of \$789,000, \$782,000 and \$918,000 during fiscal 2020, fiscal 2019 and fiscal 2018. As of January 30, 2021 and February 1, 2020, the Company had a net trade payable balance owed to TWI Watches of \$256,000 and \$277,000.

Transactions with The Hub Marketing Services, LLC

The Company received marketing services from The Hub Marketing Services, LLC, an affiliate of Mr. Lalo, in the aggregate amount of \$300,000 and \$100,000 during fiscal 2020 and fiscal 2019. As of January 30, 2021 and February 1, 2020, the Company had a net trade payable balance owed to The Hub Marketing Services, LLC of \$25,000 and \$50,000.

Transactions with a Financial Advisor

In November 2018, the Company entered into an engagement letter with Guggenheim Securities, LLC pursuant to which Guggenheim was engaged to provide certain advisory services to the Company. A relative of Neal Grabell, who was a director of the Company at that time, was a managing director of Guggenheim Securities. During the fourth quarter of fiscal 2019, the Company accrued \$1.0 million in connection with an amendment to the engagement letter. As of January 30, 2021, no amounts have been paid. Payments will be made in 12 monthly installments commencing in fiscal 2021.

(20) Restructuring Costs

During fiscal 2020, the Company implemented and completed a cost optimization initiative, which eliminated positions across the Company's ShopHQ segment, the majority of which were in customer service, order fulfillment and television production. As a result of the fiscal 2020 cost optimization initiative, the Company recorded restructuring charges of \$715,000 for the year ended January 30, 2021, which relate primarily to severance and other incremental costs associated with the consolidation and elimination of positions across the Company's ShopHQ segment. These initiatives were substantially completed as of January 30, 2021, with related cash payments expected to continue through the second quarter of fiscal 2021.

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During fiscal 2019, the Company implemented cost optimization initiatives to streamline our organizational structure and realign our cost base with sales declines. During the second quarter of 2019, the Company implemented and completed a cost optimization initiative, which reduced and flattened the Company's organizational structure, closed the New York office, closed the Los Angeles office and related product development initiatives, and reduced corporate overhead costs. The second quarter 2019 initiative included the elimination of 11 senior executive roles and a 20% reduction to the Company's non-variable workforce. During the third and fourth quarter of fiscal 2019, the Company completed additional reductions in the Company's organizational structure to manage the Company's costs. As a result of the fiscal 2019 cost optimization initiatives, the Company recorded restructuring charges of \$9,166,000 for the year ended February 1, 2020, which relate primarily to severance and other incremental costs associated with the consolidation and elimination of positions across the Company. Both of the Company's operating segments were affected by these actions including \$8,228,000 related to the ShopHQ segment and \$938,000 related to the Emerging Businesses segment.

The following table summarizes the significant components and activity under the restructuring program for the year ended January 30, 2021:

	Balance at February 1, 2020	Charges	Cash Payments	Balance at January 30, 2021
Severance	\$ 3,133,000	\$ 642,000	\$ (3,733,000)	\$ 42,000
Other incremental costs	127,000	73,000	(195,000)	5,000
	<u>\$ 3,260,000</u>	<u>\$ 715,000</u>	<u>\$ (3,928,000)</u>	<u>\$ 47,000</u>

The liability for restructuring accruals is included in current accrued liabilities within the accompanying consolidated balance sheet.

(21) Executive and Management Transition Costs

On May 2, 2019, Robert J. Rosenblatt, the Company's former Chief Executive Officer, was terminated from his position as an officer and employee of the Company and was entitled to receive the payments set forth in his employment agreement. The Company recorded charges to income totaling \$1,922,000 as a result. Mr. Rosenblatt remained a member of the Company's board of directors until October 1, 2019. On May 2, 2019, in accordance with the purchase agreement described in Note 10 – "Shareholders' Equity," the Company's board of directors appointed Timothy A. Peterman to serve as Chief Executive Officer, effective immediately, and entered into an employment agreement with Mr. Peterman. In conjunction with these executive changes as well as other executive and management terminations made during fiscal 2019, the Company recorded charges to income totaling \$2,741,000, which relate primarily to severance payments to be made as a result of the executive officer and other management terminations and other direct costs associated with the Company's 2019 executive and management transition. As of January 30, 2021, \$241,000 was accrued, with the related cash payments expected to continue through the second quarter of fiscal 2021.

On January 1, 2019, the Company entered into a separation and release agreement with its President in connection with her resignation, effective January 1, 2019. On April 11, 2018, the Company entered into a transition and separation agreement with its Executive Vice President, Chief Operating Officer/Chief Financial Officer, under which his position terminated on April 16, 2018 and he served as a non-officer employee until June 1, 2018. On April 11, 2018, the Company announced the appointment of a new Chief Financial Officer, effective as of April 16, 2018. In conjunction with these executive changes as well as other executive and management terminations made during fiscal 2018, the Company recorded charges to income totaling \$2,093,000, which relate primarily to severance payments to be made as a result of the executive officer and other management terminations and other direct costs associated with the Company's 2018 executive and management transitions.

(22) Subsequent Events

TheCloseout.com Joint Venture

On February 5, 2021, the Company became a controlling member under a limited liability company agreement for TCO, LLC, a Delaware LLC newly created to operate a joint venture between the Company and LAKR Ecomm Group LLC

iMEDIA BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(“LAKR”). The joint venture will operate TheCloseout.com, an online marketplace that was previously owned by Invicta Media Investments and Retailing Enterprises. LAKR is a newly formed company indirectly owned by Invicta Media Investments, LLC and Retailing Enterprises, LLC. The initial Board of Directors of the joint venture includes Tim Peterman, the Chief Executive Officer and a director of the Company, Landel Hobbs, the Chairman of the Board of the Company, and Eyal Lalo, a director of the Company. See Note 19 – “Related Party Transactions” for additional information regarding the Company’s relationships with Invicta Media Investments, LLC, Retailing Enterprises and Mr. Lalo.

Under the limited liability company agreement, the Company will act as the controlling member. Mr. Peterman and Mr. Hobbs, as the designees of the Company, will lead the Joint Venture, with certain significant corporate actions requiring the consent of both members. Mr. Peterman will be the Chairperson of the joint venture. Distributions of available cash may be made to the members at the discretion of the joint venture’s board of managers. In addition, beginning on February 5, 2026 and recurring every 12 months thereafter, the Company will have the right, but not the obligation, to acquire LAKR’s interest in the joint venture at a value determined based on financial benchmarks set forth in the limited liability company agreement.

In connection with the entry into the joint venture, the Company contributed assets in the form of inventory valued at \$3.5 million in exchange for a 51% interest in the joint venture, and LAKR contributed assets in the form of inventory and intellectual property valued at \$3.4 million in exchange for a 49% interest in the joint venture. The Company also entered into a loan and security agreement with the joint venture, pursuant to which the joint venture may borrow up to \$1,000,000 from the Company on a revolving basis pursuant to a promissory note bearing interest at LIBOR plus 4%, provided that the floor of such interest rate is 4.25%. The promissory note is payable on demand by the Company, may be voluntarily prepaid at any time, and must be repaid prior to the joint venture making any distributions, other than advances for tax withholdings, to its members.

Public Equity Offering

On February 22, 2021, the Company completed a public offering, in which the Company issued and sold 3,289,000 shares of its common stock at a public offering price of \$7.00 per share, including 429,000 shares sold upon the exercise of the underwriter’s option to purchase additional shares. After underwriter discounts and commissions and other offering costs, net proceeds from the public offering were approximately \$21.2 million.

Christopher & Banks Licensing Agreement

Christopher & Banks is a specialty brand of privately branded women's apparel and accessories. The Christopher & Banks brand was previously owned by Christopher & Banks Corporation, which filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in January 2021. On March 1, 2021, the Company entered into a licensing agreement with ReStore Capital, a Hilco Global company, whereby the Company will operate the Christopher & Banks business throughout all sales channels, including digital, television, catalog, and brick and mortar retail, effective March 1, 2021. The Company also purchased certain assets related to the Christopher & Banks eCommerce business, including primarily inventory, furniture, equipment, and certain intangible assets. The Company plans to launch a new weekly Christopher & Banks television program on its ShopHQ network, which will also promote the brand’s website, christopherandbanks.com, its only two retail stores in Coon Rapids, Minnesota, and Branson, Missouri, and planned launch of Christopher & Banks Stylists, an online interactive video platform that customizes wardrobe outfitting by a Christopher & Banks stylist.

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 January 30, 2021, management conducted an evaluation, under the supervision and with the participation of our chief executive officer and interim 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 (the "Exchange Act")). Based on this evaluation, the chief executive officer and interim chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

Our management 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, 2021. 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* (2013).

Based on management's evaluation under the framework in *Internal Control — Integrated Framework* (2013), management concluded that our internal control over financial reporting was effective as of January 30, 2021.

Changes in Internal Control over Financial Reporting

We have not identified any change in our internal control over financial reporting during the fourth fiscal quarter of fiscal 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information in response to this item with respect to our executive officers appears below and additional information with respect to our directors and our audit and other committees is incorporated herein by reference to the sections titled "Proposal 1 — Election of Directors," "Information about our Executive Officers" and, as applicable, "Delinquent Section 16(a) Reports" 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 annual report on Form 10 K.

Information about Our Executive Officers

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>
Timothy A. Peterman	54	Chief Executive Officer, Interim Chief Financial Officer and Director
Jean-Guillaume Sabatier	51	Executive Vice President, Chief Commerce Officer

Timothy A. Peterman rejoined our company as Chief Executive Officer in May 2019 and was appointed as Interim Chief Financial Officer in January 2020 and as a member of the board in April 2020. From March 2015 through April 2018, Mr. Peterman served as our Chief Financial Officer, and was promoted to Chief Operating Officer / Chief Financial Officer in June 2017. Mr. Peterman served as Chief Financial Officer and Chief Operating Officer and Chief Financial Officer at Amerimark Interactive from April 2018 to May 2019. Prior to March 2015, Mr. Peterman served in various senior roles in leading interactive media companies including IAC/Interactive Corp (NASDAQ: IAC); Sinclair Broadcast Group (NASDAQ: SBGI), and the E.W Scripps Company (NASDAQ: SSP). Mr. Peterman began his career at KPMG in Chicago in 1989, is a CPA and holds a BS in accounting from the University of Kentucky.

Jean-Guillaume Sabatier rejoined the Company as Executive Vice President, Chief Commerce Officer in May 2019. His role is focused on operating fundamentals in pricing, merchandising, programming and planning. Most recently from March 2017 until rejoining the Company, Mr. Sabatier served as a planning and programming consultant in both Germany and Italy to HSE24, an omni-channel retailer. From 2008 to 2017, he served as the Company's Senior Vice President, Sales & Product Planning, and from 2007 to 2008 he served as Director, Sales and Product Planning for QVC, Inc. Prior to that time, Mr. Sabatier held various positions in QVC's German business unit, including Director, Programming and Planning from 2003 to 2007. He began his QVC career as a sales and product planner in 1997. Mr. Sabatier holds a BS and MBA from West Chester University in Pennsylvania.

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 investors.imediabrands.com, under "Governance — Governance Documents — 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 investors.imediabrands.com, under "Governance — Governance Documents — 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 2020," "Executive Compensation" and "Board of Directors 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 annual report on 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" and "Equity Compensation Plan Information" 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 annual report on 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 sections titled "Certain Relationships and Transactions" and "Board of Directors 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 annual report on 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 "Audit Committee Report and Payment of Fees to 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 annual report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of January 30, 2021 and February 1, 2020
- Consolidated Statements of Operations for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019
- Consolidated Statements of Shareholders' Equity for the Years Ended January 30, 2021, February 1, 2020 and February 2, 2019
- Consolidated Statements of Cash Flows for the Years Ended January 30, 2021, February 1, 2019, and February 2, 2019
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All schedules have been omitted because they are not applicable, not required or because the required information is included in the consolidated financial statements or the notes thereto.

[Table of Contents](#)

3. Exhibits

Exhibit No.	Description	Method of Filing
3.1	Fourth Amended and Restated Articles of Incorporation	Incorporated by reference
3.2	By-Laws of the Company (as amended through July 16, 2019)	Incorporated by reference
3.3	Certificate of Designation of Series A Junior Participating Cumulative Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Minnesota	Incorporated by reference
4.1	Description of Capital Stock	Filed herewith
4.2	Shareholder Rights Plan, dated as of July 13, 2015, by and between the Registrant and Wells Fargo Bank, N.A., as rights agent	Incorporated by reference
4.3	Restricted Stock Award Agreement, dated November 23, 2018, in favor of Flageoli Classic Limited, LLC	Incorporated by reference
4.4	Form of Warrant under Common Stock and Warrant Purchase Agreement, dated April 14, 2020 by and between iMedia Brands, Inc. and the Purchasers listed therein (coverage)	Incorporated by reference
4.5	Form of Warrant under Common Stock and Warrant Purchase Agreement, dated April 14, 2020 by and between iMedia Brands, Inc. and the Purchasers listed therein (fully paid)	Incorporated by reference
4.6	Form of Restricted Stock Award Agreement with vendors	Incorporated by reference
4.7	Form of Restricted Stock Unit Award Agreement with vendors	Incorporated by reference
4.8	Form of Warrant, dated May 2, 2019	Incorporated by reference
10.1	Amended and Restated 2004 Omnibus Stock Plan	Incorporated by reference†
10.2	Form of Incentive Stock Option Agreement (Employees) under 2004 Omnibus Stock Plan	Incorporated by reference†
10.3	Form of Stock Option Agreement (Executive Officers) under 2004 Omnibus Stock Plan	Incorporated by reference†
10.4	Form of Stock Option Agreement (Executive Officers) under 2004 Omnibus Stock Plan	Incorporated by reference†
10.5	Form of Stock Option Agreement (Directors - Annual Grant) under 2004 Omnibus Stock Plan	Incorporated by reference†
10.6	Form of Stock Option Agreement (Directors - Other Grants) under 2004 Omnibus Stock Plan	Incorporated by reference†
10.7	EVINE Live Inc. 2011 Omnibus Incentive Plan, as amended April 23, 2018	Incorporated by reference†
10.8	Form of Restricted Stock Unit Award Agreement under 2011 Omnibus Incentive Plan	Incorporated by reference†
10.9	Form of Incentive Stock Option Award Agreement under the 2011 Omnibus Incentive Plan	Incorporated by reference†
10.10	Form of Non-Statutory Stock Option Award Agreement under the 2011 Omnibus Incentive Plan	Incorporated by reference†
10.11	Form of Restricted Stock Award Agreement under the 2011 Omnibus Stock Plan	Incorporated by reference†
10.12	Form of Performance Stock Option Award Agreement under the 2011 Omnibus Incentive Plan	Incorporated by reference†
10.13	ValueVision Media, Inc. Executives' Severance Benefit Plan	Incorporated by reference†
10.14	Evine Live Inc. Executives' Severance Benefit Plan	Incorporated by reference†
10.15	Form of Indemnification Agreement with Directors and Officers of the Registrant	Incorporated by reference†
10.16	iMedia Brands, Inc. Management Incentive Plan	Incorporated by reference†

Table of Contents

10.17	<u>Description of Director Compensation Program</u>	Incorporated by reference †
10.18	<u>Form of Non-Qualified Stock Option Agreement</u>	Incorporated by reference†
10.19	<u>Form of Performance Stock Unit Award Agreement under the 2011 Omnibus Incentive Plan</u>	Incorporated by reference†
10.20	<u>Form of Performance Share Unit Award Agreement pursuant to the 2011 Omnibus Incentive Plan</u>	Incorporated by reference†
10.21	<u>iMedia Brands, Inc. 2020 Equity Incentive Plan</u>	Incorporated by reference†
10.22	<u>Shareholder Agreement, dated as of April 29, 2016, between EVINE Live Inc., and NBCUniversal Media, LLC</u>	Incorporated by reference†
10.23	<u>Amended and Restated Registration Rights Agreement, dated February 25, 2009, among the Registrant, GE Capital Equity Investments, Inc. and NBC Universal, Inc.</u>	Incorporated by reference
10.24	<u>Amendment to the Amended and Restated Registration Rights Agreement, dated as of April 29, 2016, among the Registrant, ASF Radio, L.P., and NBCUniversal Media, LLC</u>	Incorporated by reference
10.25	<u>Revolving Credit and Security Agreement dated February 9, 2012 among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as lender and agent</u>	Incorporated by reference
10.26	<u>First Amendment to Revolving Credit and Security Agreement, dated May 1, 2013, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as lender and agent</u>	Incorporated by reference
10.27	<u>Second Amendment to Revolving Credit and Security Agreement, dated July 30, 2013, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank, National Association, as agent for the lenders</u>	Incorporated by reference
10.28	<u>Third Amendment to Revolving Credit and Security Agreement, dated January 31, 2014, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as lender and agent</u>	Incorporated by reference
10.29	<u>Fourth Amendment to Revolving Credit and Security Agreement, dated March 6, 2015, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as lender and agent for the lenders and certain other lenders</u>	Incorporated by reference
10.30	<u>Fifth Amendment to Revolving Credit, Term Loan and Security Agreement, dated October 8, 2015, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, PNC Bank National Association, as a lender and agent and certain other lenders</u>	Incorporated by reference
10.31	<u>Sixth Amendment to Revolving Credit, Term Loan and Security Agreement, dated March 10, 2016, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders</u>	Incorporated by reference
10.32	<u>Seventh Amendment to Revolving Credit, Term Loan and Security Agreement, dated September 7, 2016, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrower, and PNC Bank National Association, as a lender and agent and certain other lenders</u>	Incorporated by reference

[Table of Contents](#)

10.33	Eighth Amendment to Revolving Credit, Term Loan and Security Agreement, dated March 21, 2017, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders	Incorporated by reference
10.34	Ninth Amendment to Revolving Credit, Term Loan and Security Agreement, dated September 25, 2017, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders	Incorporated by reference
10.35	Tenth Amendment to Revolving Credit, Term Loan and Security Agreement, dated July 27, 2018, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders	Incorporated by reference
10.36	Eleventh Amendment to Revolving Credit, Term Loan and Security Agreement, dated November 25, 2019, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders	Incorporated by reference
10.37	Twelfth Amendment to Revolving Credit, Term Loan and Security Agreement, dated February 5, 2021, among the Registrant, as the lead borrower, certain of its subsidiaries party thereto as borrowers, and PNC Bank National Association, as a lender and agent and certain other lenders	Filed herewith
10.38	Letter agreement, dated July 9, 2015, between the Company and GE Capital Equity Investments, Inc.	Incorporated by reference
10.39	Form of Securities Purchase Agreement, including Form of Warrant and Form of Option, dated September 14, 2016, between the Registrant and the purchasers referenced therein	Incorporated by reference
10.40	Form of Amendment to Option issued pursuant to the Securities Purchase Agreement, dated September 14, 2016	Incorporated by reference
10.41	Form of Amendment to Securities Purchase Agreement, dated September 14, 2016	Incorporated by reference
10.42	First Amended and Restated Option, dated March 16, 2017, among the Registrant and TH Media Partners, LLC	Incorporated by reference
10.43	Repurchase Letter Agreement, dated January 30, 2017 between the Company and NBCUniversal Media, LLC	Incorporated by reference
10.44	Common Stock and Warrant Purchase Agreement, dated as of May 2, 2019, by and between EVINE Live Inc. and the Purchasers listed therein	Incorporated by reference†
10.45	Vendor Exclusivity Agreement, dated as of May 2, 2019, by and between EVINE Live Inc. and Sterling Time, LLC	Incorporated by reference
10.46	Vendor Agreement, dated as of May 2, 2019, by and between EVINE Live Inc. and Sterling Time, LLC	Incorporated by reference
10.47	Letter Agreement, dated as of May 2, 2019, by Invicta Watch Company of America, Inc. in favor of EVINE Live Inc.	Incorporated by reference
10.48	Merchandise Letter Agreement, dated as of May 2, 2019, by Sterling Time, LLC in favor of EVINE Live Inc.	Incorporated by reference
10.49	Form of Clawback Agreement, dated as of May 2, 2019	Incorporated by reference

[Table of Contents](#)

10.50	Employment Agreement, dated as of May 2, 2019, by and between EVINE Live Inc. and Timothy A. Peterman	Incorporated by reference†
10.51	Performance Share Unit Award Agreement, dated as of May 2, 2019, between EVINE Live, Inc. and Timothy A. Peterman	Incorporated by reference†
10.52	Board Resignation and Consulting Agreement by and between Robert Rosenblatt and iMedia Brands, Inc., dated October 1, 2019	Incorporated by reference†
10.53	Restricted Stock Unit Award Agreement, dated as of November 18, 2019, by and between iMedia Brands, Inc. and ABG-Shaq, LLC	Incorporated by reference†
10.54	Registration Rights Agreement, dated as of November 18, 2019, by and between iMedia Brands, Inc. and ABG-Shaq, LLC	Incorporated by reference
10.55	Common Stock and Warrant Purchase Agreement, dated as of April 14, 2020, by and between iMedia Brands, Inc. and the Purchasers listed therein	Incorporated by reference
10.56	First Amendment, dated as of June 12, 2020, to that certain Common Stock and Warrant Purchase Agreement, dated as of April 14, 2020, by and between iMedia Brands, Inc. and the Purchasers listed therein	Incorporated by reference
10.57	Registration Rights Agreement, dated as of April 14, 2020, by and between iMedia Brands, Inc. and the Purchasers listed therein	Incorporated by reference
10.58	Limited Liability Company Agreement, dated February 5, 2021, among the Company, LAKR Ecomm Group LLC and TCO, LLC	Incorporated by reference
10.59	Contribution Agreement, dated February 5, 2021, by and between the Company and TCO, LLC	Incorporated by reference
10.60	Shared Services Agreement, dated February 5, 2021, by and between the Company and TCO, LLC	Incorporated by reference
10.61	Loan and Security Agreement, dated February 5, 2021, by and between the Company and TCO, LLC	Incorporated by reference
10.62	Demand Promissory Note, dated February 5, 2021, issued by the Company to TCO, LLC	Incorporated by reference
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 of the Chief Executive Officer	Filed herewith
31.2	Certification of the Chief Financial Officer	Filed herewith
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith
Exhibit 104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed herewith

† Management compensatory plan/arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section B or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 23, 2021.

iMedia Brands, Inc.
(Registrant)

By: /s/ TIMOTHY A. PETERMAN

Timothy A. Peterman
Chief Executive Officer and Interim Chief Financial
Officer

Each of the undersigned hereby appoints Timothy Peterman (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 Exchange Act of 1934, as amended, 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, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 23, 2021.

Name	Title
<u>/s/ TIMOTHY A. PETERMAN</u> Timothy A. Peterman	Chief Executive Officer, Interim Chief Financial Officer and Director
<u>/s/ LANDEL C. HOBBS</u> Landel C. Hobbs	Chairman of the Board
<u>/s/ EYAL LALO</u> Eyal Lalo	Vice Chairman of the Board
<u>/s/ MICHAEL FRIEDMAN</u> Michael Friedman	Director
<u>/s/ JILL M. KRUEGER</u> Jill M. Krueger	Director
<u>/s/ LISA A. LETIZIO</u> Lisa A. Letizio	Director
<u>/s/ DARRYL C. PORTER</u> Darryl C. Porter	Director
<u>/s/ AARON P. REITKOPF</u> Aaron P. Reitkopf	Director

DESCRIPTION OF CAPITAL STOCK

The summary of the general terms and provisions of the capital stock of iMedia Brands, Inc. (the “Company”) set forth below does not purport to be complete and is subject to and qualified by reference to the Company’s Fourth Amended and Restated Articles of Incorporation (the “Articles”), and By-Laws of the Company (the “Bylaws,” and together with the Articles, the “Charter Documents”), each of which is incorporated herein by reference and attached as an exhibit to the Company’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”). For additional information, please read the Charter Documents and the applicable provisions of the Minnesota Business Corporation Act (the “MBCA”).

Capital Stock

The Company is authorized to issue 10,000,000 shares of capital stock, including up to 20,000,000 shares of common stock, par value of \$0.01 per share (the “Common Stock”), and preferred stock (the “Preferred Stock”) having a par value as determined by the Company’s Board of Directors (the “Board”). The Board is authorized at any time and from time to time, subject to any limitations prescribed by law, to provide for the issuance of preferred stock in one or more classes and/or series, to establish the number of shares to be included in each such series, and to fix by resolution the designation, powers, preferences and rights of the shares of such series and any qualifications, limitations or restrictions thereof. The Board has authorized a series of 400,000 shares of Preferred Stock, par value of \$0.01 per share, designated as the Series A Junior Participating Cumulative Preferred Stock (the “Series A Preferred Stock”). The number of authorized shares of Series A Preferred Stock may be increased or decreased by the Board, but no decrease may reduce the number of Series A Preferred Stock reserved for issuance below the number of shares thereof then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series A Preferred Stock.

The Common Stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Act”), along with certain “Rights to Purchase Series A Junior Participating Cumulative Preferred Stock” (the “Rights”). On July 10, 2015, a duly authorized committee of the Board declared a dividend distribution of one Right for each outstanding share of Common Stock to shareholders of record as of the close of business on July 23, 2015 and issuable as of that date. Except in certain circumstances, each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred Stock (each one one-thousandth of a share of Series A Preferred Stock, a “Unit”) at a price of \$90.00 per Unit (the “Purchase Price”). The rights of a holder of a Unit are substantially equivalent to the rights of a holder of a share of Common Stock. The description and terms of the Rights are set forth in a Shareholder Rights Plan dated as of July 13, 2015 (the “Shareholder Rights Plan”), between the Company and Wells Fargo Bank, N.A., a national banking association, which is incorporated herein by reference and attached as an exhibit to the Company’s most recent Annual Report on Form 10-K filed with the SEC. Certain provisions of the Shareholder Rights Plan could have anti-takeover effects, as described below under “Potential Anti-Takeover Effects.”

Voting Rights

The holders of shares of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders, including the election of directors. The Articles do not permit cumulative voting in the election of directors. Subject to the rights, if any, of the holders of one or more classes or series of Preferred

Stock issued by the Company, each director of the Company shall be elected at a meeting of shareholders by the vote of the majority of votes cast with respect to that director, provided that directors of the Company shall be elected by a plurality of the votes present and entitled to vote on the election of directors at any such meeting for which the number of nominees exceeds the number of directors to be elected. Each share of Series A Preferred Stock entitles the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the Company. Voting rights with respect to certain significant corporate transactions may be impacted as described below under “Potential Anti-Takeover Effects.” Holders of Common Stock may act by unanimous written consent in lieu of meeting with respect to any action required or permitted to be taken at a meeting of the shareholders.

Dividend Rights

Subject to the rights of the holders of Preferred Stock and any other class or series having a preference as to dividends over the Common Stock then outstanding, the holders of the Common Stock are entitled to receive ratably, to the extent permitted by law, such dividends as may be declared from time to time by the Board upon the terms and conditions provided by law and the Articles. Holders of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date, a “Quarterly Dividend Payment Date”) in an amount per share equal to the greater of (a) \$10.00 or (b) 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. Dividends are cumulative on outstanding shares of Series A Preferred Stock (accrued but unpaid dividends do not bear interest).

Liquidation Rights

Upon the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Company, the holders of the Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any Preferred Stock, including the Series A Preferred Stock. No distribution shall be made to the holders of shares of stock ranking junior to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock have received \$10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the “Series A Liquidation Preference”). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions will be made to the holders of shares of Series A Preferred Stock unless the holders of shares of Common Stock shall have received an amount per share (the “Common Adjustment”) equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as adjusted for events such as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (the “Adjustment Number”). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

No Preemptive Rights

The Articles preclude any shareholder of the Company from having preemptive rights. The Common Stock has no sinking fund, conversion or exchange rights. Shares of Series A Preferred Stock are not redeemable but are subject to conversion in the event of certain significant corporate transactions as describe below under "Potential Anti-Takeover Effects." The absence of preemptive rights for both Common Stock and Preferred Stock could result in a dilution of the interest of investors should additional capital stock be issued.

Restrictions on Amendments to the Articles

The Articles may not be amended in any manner that would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of the Series A Preferred Stock, voting separately as a class.

Listing

The Common Stock is currently traded on the Nasdaq Capital Market under the symbol "IMBI."

Potential Anti-Takeover Effects

The Charter Documents and the MBCA contain certain provisions that may discourage an unsolicited takeover of the Company or make an unsolicited takeover of the Company more difficult. The following are some of the more significant anti-takeover provisions that are applicable to the Company:

Automatic Conversion of Series A Preferred Stock into Common Stock

In the event the Company enters into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock will at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment set forth below) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Cumulative Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

The Shareholder Rights Plan

The provisions of the Shareholder Rights Plan could have the effect of delaying, deferring, or preventing a change of control of the Company and could discourage bids for the Common Stock at a premium over the market price of the Common Stock. The Rights initially trade together with the Common Stock and are not exercisable. Subject to certain exceptions specified in the Shareholder Rights Plan, the Rights will separate from the common stock and become exercisable following (i) the tenth calendar day after a public announcement or filing that a person or group has become an "Acquiring Person," which is defined as a person who has acquired, or obtained the right to

acquire, beneficial ownership of 4.99% or more of the Common Stock then outstanding, subject to certain exceptions, or (ii) the tenth calendar day (or such later date as may be determined by the Board) after any person or group commences a tender or exchange offer, the consummation of which would result in a person or group becoming an Acquiring Person. If a person or group becomes an Acquiring Person, each Right will entitle its holders (other than such Acquiring Person) to purchase one Unit at a price of \$90.00 per Unit. A Unit is intended to give the shareholder approximately the same dividend, voting and liquidation rights as would one share of Common Stock, and should approximate the value of one share of Common Stock. At any time after a person becomes an Acquiring Person, the Board may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for shares of Common Stock at an exchange rate of one share of Common Stock (and, in certain circumstances, a Unit) for each Right.

The Rights will expire upon certain events described in the Shareholder Rights Plan, including the close of business on the date of the third annual meeting of shareholders following the Company's last annual meeting of shareholders at which the Shareholder Rights Plan was most recently approved by shareholders, unless the Shareholder Rights Plan is re-approved by shareholders at that third annual meeting of shareholders. However, in no event will the Shareholder Rights Plan expire later than the close of business on July 13, 2025. The Plan was approved by the Company's shareholders at the 2019 annual meeting of shareholders.

Special Meetings of Shareholders; Shareholder Action by Unanimous Written Consent; and Advance Notice of Shareholder Business Proposals and Nominations

Section 302A.433 of the MBCA provides that special meetings of the Company's shareholders may be called by the Company's chief executive officer, chief financial officer, two or more directors, or shareholders holding 10% or more of the voting power of all shares entitled to vote, except that a special meeting demanded by shareholders for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board for that purpose, must be called by 25% or more of the voting power of all shares entitled to vote. Section 302A.441 of the MBCA also provides that action may be taken by shareholders without a meeting only by unanimous written consent. The Bylaws provide an advance written notice procedure with respect to shareholder proposals of business and shareholder nominations of candidates for election as directors. Shareholders at an annual meeting are able to consider only the proposals and nominations specified in the notice of meeting or otherwise brought before the meeting by or at the direction of the Board or by a shareholder that has delivered timely written notice in proper form to the Company's Secretary of the business to be brought before the meeting.

Control Share Provision

Section 302A.671 of the MBCA applies, with certain exceptions, to any acquisition of the Company's voting stock (from a person other than the Company and other than in connection with certain mergers and exchanges to which the Company is a party) resulting in the acquiring person owning 20% or more of the Company's voting stock then outstanding. Section 302A.671 requires approval of any such acquisitions by both (i) the affirmative vote of the holders of a majority of the shares entitled to vote, including shares held by the acquiring person, and (ii) the affirmative vote of the holders of a majority of the shares entitled to vote, excluding all interested shares. In general, shares acquired in the absence of such approval are denied voting rights and are redeemable at their then fair market value by the Company within 30 days after the acquiring person has failed to give a timely information statement to the Company or the date the shareholders voted not to grant voting rights to the acquiring person's shares.

Business Combination Provision

Section 302A.673 of the MBCA generally prohibits the Company or any of its subsidiaries from entering into any merger, share exchange, sale of material assets or similar transaction with a 10% shareholder within four years following the date the person became a 10% shareholder, unless either the transaction or the person's acquisition of shares is approved prior to the person becoming a 10% shareholder by a committee of all of the disinterested members of the Board.

Takeover Offer; Fair Price

Under Section 302A.675 of the MBCA, an offeror may not acquire shares of a publicly held corporation within two years following the last purchase of shares pursuant to a takeover offer with respect to that class, including acquisitions made by purchase, exchange, merger, consolidation, partial or complete liquidation, redemption, reverse stock split, recapitalization, reorganization, or any other similar transaction, unless (i) the acquisition is approved by a committee of the board's disinterested directors before the purchase of any shares by the offeror pursuant to the earlier takeover offer, or (ii) shareholders are afforded, at the time of the proposed acquisition, a reasonable opportunity to dispose of the shares to the offeror upon substantially equivalent terms as those provided in the earlier takeover offer.

Greenmail Restrictions

Under Section 302A.553 of the MBCA, a corporation is prohibited from buying shares at an above-market price from a greater than 5% shareholder who has held the shares for less than two years unless (i) the purchase is approved by holders of a majority of the outstanding shares entitled to vote or (ii) the corporation makes an equal or better offer to all shareholders for all other shares of that class or series and any other class or series into which they may be converted.

Authority of the Board

The Board has the power to issue any or all of the shares of the Company's capital stock, including the authority to establish one or more series of Preferred Stock, setting forth the designation of each such series and fixing the relative rights and preferences for each such series, without seeking shareholder approval in most instances. In addition, under the Bylaws, the Board has the right to fill vacancies of the Board (including a vacancy created by an increase in the size of the Board).

**TWELFTH AMENDMENT TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT**

This Twelfth Amendment to Revolving Credit, Term Loan and Security Agreement (the “Amendment”) is made this 5th day of February, 2021 by and among **iMEDIA BRANDS, INC.** (f/k/a **EVINE LIVE INC.**), a Minnesota corporation (“iMedia”); **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, **NORWELL TELEVISION, LLC**, a Delaware limited liability company, **PW ACQUISITION COMPANY, LLC**, a Minnesota limited liability company, **FL ACQUISITION COMPANY**, a Minnesota corporation, **JWH ACQUISITION COMPANY**, a Minnesota corporation and **867 GRAND AVENUE LLC**, a Minnesota limited liability company (each a “Borrower”, and collectively “Borrowers”); the financial institutions which are now or which hereafter become a party thereto as lenders (the “Lenders”) and **PNC BANK, NATIONAL ASSOCIATION** (“PNC”), as agent for Lenders (PNC, in such capacity, the “Agent”).

BACKGROUND

A. On February 9, 2012, Borrowers, Lenders and Agent entered into, inter alia, that certain Revolving Credit, Term Loan and Security Agreement (as same has been or may be amended, modified, renewed, extended, replaced or substituted from time to time, the “Loan Agreement”) to reflect certain financing arrangements between the parties thereto. The Loan Agreement and all other documents executed in connection therewith to the date hereof are collectively referred to as the “Existing Financing Agreements.” All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Loan Agreement.

B. The Borrowers have informed Agent and Lenders that iMedia intends to form TCO, LLC as a joint venture with LAKR Ecomm Group, LLC for the purpose of owning and operating the existing website, thecloseout.com, pursuant to which iMedia would (a) contribute certain iMedia inventory (that is all considered ineligible by the Lenders due to the age of such inventory) and having a fair market value of approximately \$3,570,000 and (b) provide a line of credit in an amount not to exceed \$1,000,000 to TCO, LLC, in exchange for 51% of the Equity Interests in TCO, LLC (together with all transactions contemplated by such joint venture, the “Joint Venture Transaction”).

C. The Borrowers have requested and Agent and Lenders have agreed to (i) consent to the Joint Venture Transaction, (ii) waive the requirement to add TCO, LLC as a Borrower to the Loan Agreement and (iii) amend certain terms and provisions contained in the Loan Agreement, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, with the foregoing background hereinafter deemed incorporated by reference herein and made part hereof, the parties hereto, intending to be legally bound, promise and agree as follows:

1. Consent.

(a) Notwithstanding anything contrary set forth in the Loan Agreement or any other Document, Agent and Lenders hereby (i) consent to the Joint Venture Transaction so long as no Default or Event of Default shall exist at the time of or after giving effect to the Joint Venture Transaction and (ii) waive the requirement to add TCO, LLC as a Borrower to the Loan Agreement.

(b) The Borrowers acknowledge and agree that, except as expressly set forth herein, the execution and delivery of this Amendment shall in no way affect any of the rights, powers or remedies of Agent or any Lender under the Loan Agreement or any of the Other Documents, constitute a modification or waiver of any term or provision thereof, constitute or establish a course of conduct or dealing among the parties hereto or obligate Agent or any Lender, at any time hereafter, to consent to any other action or inaction by any Borrower, whether of a similar or different nature.

2. Amendment. Upon the Effective Date, the Loan Agreement shall be amended as follows:

(a) Section 1.2 of the Loan Agreement shall be amended by deleting the following definitions in their entirety and replacing them as follows:

“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) (a) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which U.S. 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 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 (a “Eurodollar 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 (x) if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Eurodollar Alternate Source, a comparable replacement rate determined by Agent at such time (which determination shall be conclusive absent manifest error), or (y) if the Eurodollar Rate is unascertainable as set forth in Section 3.8.2 hereof, a comparable replacement rate determined in accordance with Section 3.8.2 hereof), by (b) a number equal to 1.00 minus the Reserve Percentage; provided, however, that if the Eurodollar Rate determined as provided above would be less than 0.25%, such rate shall be deemed to be 0.25% for purposes of this Agreement. 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. Agent shall give

reasonably prompt notice to Borrowing Agent of the Eurodollar Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

“Maximum Revolving Advance Amount” shall mean \$70,000,000, as such amount may be increased (to an amount not to exceed \$90,000,000) from time to time in accordance with Section 2.24 hereof.

(b) Section 1.6 is hereby added to the Loan Agreement after Section 1.5 thereof:

1.6. Eurodollar Notification. Section 3.8.2 of this Agreement provides a mechanism for determining an alternative rate of interest in the event that the London interbank offered rate is no longer available or in certain other circumstances. Agent does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "Eurodollar Rate" or with respect to any alternative or successor rate thereto, or replacement rate therefor.

(c) Section 3.8 of the Loan Agreement shall be deleted in its entirety and replaced as follows:

3.8.1 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; or

(c) the making, maintenance or funding of any Eurodollar Rate Loan has been made impracticable or unlawful by compliance by Agent or such Lender in good faith with any Applicable Law or any interpretation or application thereof by any Governmental Body or with any request or directive of any such Governmental Body (whether or not having the force of law); or

(d) the Eurodollar Rate will not adequately and fairly reflect the cost to such Lender of the establishment or maintenance of any Eurodollar Rate Loan, then Agent shall give Borrowing Agent prompt written or telephonic notice of such determination. If such notice is given prior to a Benchmark Replacement Date (as defined below), (i) any such requested Eurodollar Rate Loan shall be made as a Domestic Rate Loan, unless Borrowing Agent

shall notify Agent no later than 1:00 p.m. 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 1:00 p.m. 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 1:00 p.m. 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 (or sooner, if any Lender cannot continue to lawfully maintain such affected Eurodollar Rate Loan). 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.

3.8.2. Benchmark Replacement Setting.

(a) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any Other Document (and any agreement executed in connection with an Interest Rate Hedge shall be deemed not to be an “Other Document” solely for purposes of this Section 3.8.2), if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Other Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any Other Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Other Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any Other Document so long as Agent has not

received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(b) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any Other Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any Other Document.

(c) Notices; Standards for Decisions and Determinations. Agent will promptly notify Borrowing Agent and Lenders of (i) any occurrence of a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to paragraph (d) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 3.8.2, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any Other Document, except, in each case, as expressly required pursuant to this Section 3.8.2.

(d) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any Other Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR or USD Eurodollar) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then Agent may modify the definition of "Interest Period" for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then Agent may modify

the definition of “Interest Period” for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(e) Benchmark Unavailability Period. Upon Borrowing Agent’s receipt of notice of the commencement of a Benchmark Unavailability Period, Borrowers may revoke any request for an Advance bearing interest based on USD Eurodollar, conversion to or continuation of Advances bearing interest based on USD Eurodollar to be made, converted or continued during any Benchmark Unavailability Period and, failing that, Borrowers will be deemed to have converted any such request into a request for an Advance of or conversion to Advances bearing interest under the Alternate Base Rate. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Alternate Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Alternate Base Rate.

(f) Secondary Term SOFR Conversion. Notwithstanding anything to the contrary herein or in any Other Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (i) the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Other Document in respect of such Benchmark setting (the “Secondary Term SOFR Conversion Date”) and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any Other Document; and (ii) Advances outstanding on the Secondary Term SOFR Conversion Date bearing interest based on the then-current Benchmark shall be deemed to have been converted to Advances bearing interest at the Benchmark Replacement with a tenor approximately the same length as the interest payment period of the then-current Benchmark; provided that, this paragraph (f) shall not be effective unless Agent has delivered to Lenders and Borrowers a Term SOFR Notice.

(g) Certain Defined Terms. As used in this Section 3.8.2:

“*Available Tenor*” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if the then current Benchmark is a term rate or is based on a term rate, any tenor for such Benchmark that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to paragraph (d) of Section 3.8.2, or (y) if the then current Benchmark is not a term rate nor based on a term rate, any payment period for interest calculated with reference to such Benchmark pursuant to this Agreement as of such date.

“Benchmark” means, initially, USD Eurodollar; provided that if a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to USD Eurodollar or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to paragraph (a) of Section 3.8.2.

“Benchmark Replacement” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by Agent for the applicable Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment; or

(3) the sum of: (a) the alternate benchmark rate that has been selected by Agent and Borrowers as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by Agent in its reasonable discretion; provided, further, that, with respect to a Term SOFR Transition Event, on the applicable Benchmark Replacement Date, the “Benchmark Replacement” shall revert to and shall be determined as set forth in clause (1) of this definition. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the Other Documents.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by Agent:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Available Tenor that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor;

(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Available Tenor that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark for the applicable Corresponding Tenor; and

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Agent and Borrowers for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities;

provided that, (x) in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by Agent in its reasonable discretion and (y) if the then-current Benchmark is a term rate, more than one tenor of such Benchmark is available as of the applicable Benchmark Replacement Date and the applicable Unadjusted Benchmark Replacement will not be a term rate, the Available Tenor of such Benchmark for purposes of this definition of “Benchmark Replacement Adjustment” shall be deemed to be the Available Tenor that has approximately the same length (disregarding business day adjustments) as the payment period for interest calculated with reference to such Unadjusted Benchmark Replacement.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency

of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Agent in a manner substantially consistent with market practice (or, if Agent decides that adoption of any portion of such market practice is not administratively feasible or if Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as Agent decides is reasonably necessary in connection with the administration of this Agreement and the Other Documents).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date determined by Agent, which date shall promptly follow the date of the public statement or publication of information referenced therein;
- (3) in the case of a Term SOFR Transition Event, the date that is set forth in the Term SOFR Notice provided to Lenders and Borrowers pursuant to this Section 3.8.2, which date shall be at least 30 days from the date of the Term SOFR Notice; or
- (4) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to Lenders, so long as Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any

Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by an Official Body having jurisdiction over Agent, the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) or an Official Body having jurisdiction over Agent announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means the period (if any): (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no

Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Other Document in accordance with Section 3.8.2 and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Other Document in accordance with Section 3.8.2.

“Corresponding Tenor” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if Agent decides that any such convention is not administratively feasible for Agent, then Agent may establish another convention in its reasonable discretion.

“Early Opt-in Event” means, if the then-current Benchmark is USD Eurodollar, the occurrence of:

- (1) a notification by Agent to (or the request by Borrowing Agent to Agent to notify) each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and
- (2) the joint election by Agent and Borrowing Agent to trigger a fallback from USD Eurodollar and the provision by Agent of written notice of such election to Lenders.

“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD Eurodollar or, if no floor is specified, zero.

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

“Official Body” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or

local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Reference Time” with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD Eurodollar, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not USD Eurodollar, the time determined by Agent in its reasonable discretion.

“Relevant Governmental Body” means the Federal Reserve Board or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York, or any successor thereto.

“SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time. **“Term SOFR”** means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Term SOFR Notice” means a notification by Agent to Lenders and Borrowing Agent of the occurrence of a Term SOFR Transition Event.

“Term SOFR Transition Event” means the determination by Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, and is determinable for each Available Tenor, (b) the administration

of Term SOFR is administratively feasible for Agent and (c) a Benchmark Transition Event has previously occurred resulting in a Benchmark Replacement in accordance with Section 3.8.2.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“USD Eurodollar” means the London interbank offered rate for U.S. Dollars.”

(d) For the avoidance of doubt, Inventory purchased by iMedia from TCO, LLC will be assigned a separate appraised category and will not be eligible in the borrowing base until such Inventory is appraised and a specific category advance rate (the “Initial Advance Rate”) is determined by Agent in its sole discretion. Once the Initial Advance Rate is determined by Agent in its sole discretion, such Inventory shall be eligible in an amount not to exceed \$4,000,000 until Agent has received an appraisal including no less than six months of sales data for such separate appraised category.

3. Representations and Warranties. Each of the Borrowers hereby:

(a) reaffirms all representations and warranties made to Agent and Lenders under the Loan Agreement and all of the other Existing Financing Agreements and confirms that after giving effect to any updated schedules all are true and correct in all material respects as of the date hereof (except to the extent any such representations and warranties specifically relate to a specific date, in which case such representations and warranties were true and correct in all material respects on and as of such other specific date);

(b) reaffirms all of the covenants contained in the Loan Agreement, covenants to abide thereby until all Advances, Obligations and other liabilities of Borrowers and Guarantor to Agent and Lenders under the Loan Agreement of whatever nature and whenever incurred, are satisfied and/or released by Agent and Lenders;

(c) represents and warrants that no Default or Event of Default has occurred and is continuing under any of the Existing Financing Agreements;

(d) represents and warrants that it has the authority and legal right to execute, deliver and carry out the terms of this Amendment, that such actions were duly authorized by all necessary limited liability company or corporate action, as applicable, and that the officers executing this Amendment on its behalf were similarly authorized and empowered, and that this Amendment does not contravene any provisions of its certificate of incorporation or formation, operating agreement, bylaws, or other formation documents, as applicable, or of any contract or agreement to which it is a party or by which any of its properties are bound;

(e) represents and warrants that this Amendment and all assignments, instruments, documents, and agreements executed and delivered in connection herewith, are valid, binding and enforceable in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors’ rights generally; and

(f) represents and warrants that no assets, other than the assets contributed to and/or provided for in connection with the Joint Venture Transaction, shall be contributed to TCO, LLC without the consent of Agent.

4. Conditions Precedent/Effectiveness Conditions. This Amendment shall be effective upon the occurrence of the following conditions precedent, each in form and substance satisfactory to Agent (the "Effective Date"):

(a) Agent's receipt of this Amendment fully executed by the Borrowers;

(b) Agent's receipt, for the benefit of Lenders, of an amendment fee in the amount of \$25,000, in immediately available funds, which fee shall be fully earned as of the date of this Amendment, non-refundable and not subject to pro-ration;

(c) Agent's receipt of all documents related to the Joint Venture Transaction, each of which shall be in form and substance satisfactory to Agent; and

(d) Agent's receipt of the Third Amended and Restated Collateral Pledge Agreement fully executed by the Borrowers;

(e) Agent's receipt of such other documents as Agent or counsel to Agent may reasonably request.

5. Further Assurances. Each of the Borrowers hereby agrees to take all such actions and to execute and/or deliver to Agent and Lenders all such documents, assignments, financing statements and other documents, as Agent and Lenders may reasonably require from time to time, to effectuate and implement the purposes of this Amendment.

6. Payment of Expenses. Borrowers shall pay or reimburse Agent and Lenders for its reasonable attorneys' fees and expenses in connection with the preparation, negotiation and execution of this Amendment and the documents provided for herein or related hereto.

7. Reaffirmation of Loan Agreement. Except as modified by the terms hereof, all of the terms and conditions of the Loan Agreement, as amended, and all other of the Existing Financing Agreements are hereby reaffirmed and shall continue in full force and effect as therein written.

8. Miscellaneous.

(a) Third Party Rights. No rights are intended to be created hereunder for the benefit of any third party donee, creditor, or incidental beneficiary.

(b) Headings. The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(c) Modifications. No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(d) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York applied to contracts to be performed wholly within the State of New York.

(e) Counterparts. This Amendment 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 or PDF shall be deemed to be an original signature hereto.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

BORROWERS:

iMEDIA BRANDS, INC. (f/k/a EVINE LIVE INC.)

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

VALUEVISION INTERACTIVE, INC.

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

VVI FULFILLMENT CENTER, INC.

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

VALUEVISION MEDIA ACQUISITIONS, INC.

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

VALUEVISION RETAIL, INC.

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

NORWELL TELEVISION, LLC

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

PW ACQUISITION COMPANY, LLC

By: /s/ TIM PETERMAN
Name: Tim Peterman
Title: CEO

[SIGNATURE PAGE TO TWELFTH AMENDMENT TO REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT]

FL ACQUISITION COMPANY

By: /s/ TIM PETERMAN

Name: Tim Peterman

Title: CEO

JWH ACQUISITION COMPANY

By: /s/ TIM PETERMAN

Name: Tim Peterman

Title: CEO

867 GRAND AVENUE LLC

By: JWH Acquisition Company

Its: Sole Member

By: /s/ TIM PETERMAN

Name: Tim Peterman

Title: CEO

[SIGNATURE PAGE TO TWELFTH AMENDMENT TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT]

PNC BANK, NATIONAL ASSOCIATION, as
Lender and as Agent

By: /s/ SHERRY WINICK
Sherry Winick, Vice President

Revolving Commitment Percentage: 77.0%
Term Loan Commitment Percentage: 77.0%

**CIBC BANK USA f/k/a THE PRIVATEBANK
AND TRUST COMPANY**, as Lender

By: /s/ RICHARD PIERCE
Name: Richard Pierce
Title: Managing Director

Revolving Commitment Percentage: 23.0%
Term Loan Commitment Percentage: 23.0%

[SIGNATURE PAGE TO TWELFTH AMENDMENT TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT]

SUBSIDIARIES OF THE REGISTRANT

All of the Company's subsidiaries listed below are wholly owned.

Name	State of Incorporation or Organization
ValueVision Interactive, Inc.	Minnesota
VVI Fulfillment Center, Inc.	Minnesota
ValueVision Media Acquisitions, Inc.	Delaware
ValueVision Retail, Inc.	Delaware
Norwell Television, LLC	Delaware
PW Acquisition Company, LLC	Minnesota
FL Acquisition Company	Minnesota
JWH Acquisition Company	Minnesota
867 Grand Avenue, LLC	Minnesota

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-239857, 333-217216, 333-214061, and 333-203209 on Form S-3 and 333-239832, 333-233700, 333-225833, 333-214063, 333-190982, 333-175320, 333-175319, 333-139597, 333-125183 and 333-81438 on Form S-8 of our report dated April 16, 2021, relating to the consolidated financial statements of iMedia Brands, Inc. and subsidiaries (formerly known as EVINE Live Inc.), appearing in this Annual Report on Form 10-K of iMedia Brands, Inc. for the year ended January 30, 2021.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
April 23, 2021

CERTIFICATION

I, Timothy A. Peterman, certify that:

1. I have reviewed this report on Form 10-K of iMedia Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 23, 2021

/s/ TIMOTHY A. PETERMAN

Timothy A. Peterman

Chief Executive Officer & Interim Chief Financial Officer
(Principal Executive Officer)

CERTIFICATION

I, Timothy A. Peterman, certify that:

1. I have reviewed this report on Form 10-K of iMedia Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 23, 2021

/s/ TIMOTHY A. PETERMAN

Timothy A. Peterman

Chief Executive Officer & Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of iMedia Brands, Inc., a Minnesota corporation (the "Company"), for the fiscal year ended January 30, 2021, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned officers of the Company certify pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: April 23, 2021

/s/ TIMOTHY A. PETERMAN

Timothy A. Peterman

Chief Executive Officer & Interim Chief Financial Officer
