

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

FORM 10-Q

R Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended July 30, 2016

Commission File Number 001-37495

**EVINE Live 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)

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 R No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No

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

Large accelerated filer

Accelerated filer R

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

Smaller reporting company

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

As of August 24, 2016, there were 57,335,381 shares of the registrant's common stock, \$.01 par value per share, outstanding.

**EVINE Live Inc. AND SUBSIDIARIES**  
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## PART I — FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

**EVINE Live Inc. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except share and per share data)

	July 30, 2016	January 30, 2016
	(In thousands, except share and per share data)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 39,644	\$ 11,897
Restricted cash and investments	450	450
Accounts receivable, net	93,246	114,949
Inventories	58,789	65,840
Prepaid expenses and other	6,047	5,913
Total current assets	198,176	199,049
<b>Property &amp; equipment, net</b>	50,506	52,629
<b>FCC broadcasting license</b>	12,000	12,000
<b>Other assets</b>	1,661	1,819
	<u>\$ 262,343</u>	<u>\$ 265,497</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 64,423	\$ 77,779
Accrued liabilities	37,142	35,342
Current portion of long term credit facilities	2,993	2,143
Deferred revenue	85	85
Total current liabilities	104,643	115,349
<b>Deferred revenue</b>	121	164
<b>Deferred tax liability</b>	3,129	2,734
<b>Long term credit facilities</b>	83,766	70,271
Total liabilities	191,659	188,518
<b>Commitments and contingencies</b>		
<b>Shareholders' equity:</b>		
Preferred stock, \$.01 per share par value, 400,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, \$.01 per share par value, 100,000,000 shares authorized; 57,335,381 and 57,170,245 shares issued and outstanding	573	571
Additional paid-in capital	424,202	423,574
Accumulated deficit	(354,091)	(347,166)
Total shareholders' equity	<u>70,684</u>	<u>76,979</u>
	<u>\$ 262,343</u>	<u>\$ 265,497</u>

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

**EVINE Live Inc. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except share and per share data)

	For the Three-Month		For the Six-Month	
	Periods Ended		Periods Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
<b>Net sales</b>	\$ 157,139	\$ 161,061	\$ 324,059	\$ 319,512
<b>Cost of sales</b>	97,311	102,205	202,783	203,351
Gross profit	59,828	58,856	121,276	116,161
<b>Operating expense:</b>				
Distribution and selling	51,605	51,357	105,030	102,156
General and administrative	5,878	6,391	11,647	12,103
Depreciation and amortization	1,977	2,107	4,084	4,238
Executive and management transition costs	242	205	3,843	2,795
Distribution facility consolidation and technology upgrade costs	300	972	380	972
Total operating expense	60,002	61,032	124,984	122,264
<b>Operating loss</b>	(174)	(2,176)	(3,708)	(6,103)
<b>Other income (expense):</b>				
Interest income	2	2	4	4
Interest expense	(1,606)	(669)	(2,811)	(1,267)
Total other expense, net	(1,604)	(667)	(2,807)	(1,263)
<b>Loss before income taxes</b>	(1,778)	(2,843)	(6,515)	(7,366)
Income tax provision	(205)	(205)	(410)	(410)
<b>Net loss</b>	\$ (1,983)	\$ (3,048)	\$ (6,925)	\$ (7,776)
<b>Net loss per common share</b>	\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.14)
<b>Net loss per common share — assuming dilution</b>	\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.14)
Weighted average number of common shares outstanding:				
Basic	57,258,672	57,092,654	57,219,914	56,866,711
Diluted	57,258,672	57,092,654	57,219,914	56,866,711

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

**EVINE Live Inc. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED JULY 30, 2016**

(Unaudited)

(In thousands, except share data)

	<u>Common Stock</u>				
	<u>Number of Shares</u>	<u>Par Value</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
<b>BALANCE, January 30, 2016</b>	57,170,245	\$ 571	\$ 423,574	\$ (347,166)	\$ 76,979
Net loss	—	—	—	(6,925)	(6,925)
Common stock issuances pursuant to equity compensation plans	165,136	2	(7)	—	(5)
Share-based payment compensation	—	—	635	—	635
<b>BALANCE, July 30, 2016</b>	<u>57,335,381</u>	<u>\$ 573</u>	<u>\$ 424,202</u>	<u>\$ (354,091)</u>	<u>\$ 70,684</u>

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

**EVINE Live Inc. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	For the Six-Month Periods Ended	
	July 30, 2016	August 1, 2015
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (6,925)	\$ (7,776)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	6,111	4,707
Share-based payment compensation	635	1,376
Amortization of deferred revenue	(43)	(42)
Amortization of deferred financing costs	262	144
Deferred income taxes	395	394
Changes in operating assets and liabilities:		
Accounts receivable, net	21,703	20,321
Inventories	7,051	2,145
Prepaid expenses and other	(134)	(1,122)
Accounts payable and accrued liabilities	(11,597)	(20,709)
Net cash provided by (used for) operating activities	17,458	(562)
<b>INVESTING ACTIVITIES:</b>		
Property and equipment additions	(3,892)	(13,628)
Net cash used for investing activities	(3,892)	(13,628)
<b>FINANCING ACTIVITIES:</b>		
Payments for deferred financing costs	(1,432)	(186)
Payments on capital leases	(27)	(27)
Proceeds from issuance of term loans	17,000	2,849
Payments on term loans	(1,355)	(1,004)
Proceeds from exercise of stock options	—	2,503
Payments for issuance of common stock	(5)	—
Proceeds from issuance of revolving loans	—	4,300
Net cash provided by financing activities	14,181	8,435
Net increase (decrease) in cash	27,747	(5,755)
<b>BEGINNING CASH</b>	11,897	19,828
<b>ENDING CASH</b>	\$ 39,644	\$ 14,073
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 2,136	\$ 1,084
Income taxes paid	\$ 51	\$ 33
<b>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Property and equipment purchases included in accounts payable	\$ 190	\$ 1,100
Deferred issuance costs included in accrued liabilities	\$ 15	\$ 12

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

**EVINE Live Inc. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**July 30, 2016**  
(Unaudited)

**(1) General**

EVINE Live Inc. and its subsidiaries ("we," "our," "us," or the "Company") are collectively a digital commerce company that offers a mix of proprietary, exclusive and name brand merchandise directly to consumers in an engaging and informative shopping experience through TV, online and mobile devices. The Company operates a 24-hour television shopping network, EVINE, which is distributed primarily on cable and satellite systems, through which it offers proprietary, exclusive and name brand merchandise in the categories of jewelry & watches; home & consumer electronics; beauty; and fashion & accessories. Orders are taken via telephone, online and mobile channels. The television network is distributed into approximately 87 million homes, primarily through cable and satellite affiliation agreements and agreements with telecommunications companies such as AT&T and Verizon. Programming is also streamed live online at evine.com and is also available on mobile channels. Programming is also distributed through a Company-owned full power television station in Boston, Massachusetts and through leased carriage on a full power television station in Seattle, Washington.

The Company also operates evine.com, a comprehensive digital commerce platform that sells products which appear on its television shopping network as well as an extended assortment of online-only merchandise. The live programming and products are also marketed via mobile devices, including smartphones and tablets, and through the leading social media channels.

On November 18, 2014, the Company announced that it had changed its corporate name to EVINE Live Inc. from ValueVision Media, Inc. Effective November 20, 2014, the Company's NASDAQ trading symbol also changed to EVLV from VVTV. The Company transitioned from doing business as "ShopHQ" to "EVINE Live" and evine.com on February 14, 2015.

**(2) Basis of Financial Statement Presentation**

***Principles of Consolidation***

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America have been condensed or omitted in accordance with these rules and regulations. The accompanying condensed consolidated balance sheet as of January 30, 2016 has been derived from the Company's audited financial statements for the fiscal year ended January 30, 2016. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of these financial statements. Although management believes the disclosures and information presented are adequate, these interim condensed consolidated financial statements should be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its annual report on Form 10-K for the fiscal year ended January 30, 2016. Operating results for the six-month period ended July 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending January 28, 2017.

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

***Fiscal Year***

The Company's fiscal year ends on the Saturday nearest to January 31. References to years in this report relate to fiscal years, rather than to calendar years. The Company's most recently completed fiscal year, fiscal 2015, ended on January 30, 2016, and consisted of 52 weeks. Fiscal 2016 will end on January 28, 2017, and will contain 52 weeks. The quarters ended July 30, 2016 and August 1, 2015 each consisted of 13 weeks.

***Recently Adopted Accounting Standard Updates***

In April 2015, the Financial Accounting Standards Board issued Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30 (Accounting Standards Update ("ASU") No. 2015-03). ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. The Company adopted this standard in the first quarter of fiscal 2016, applying it retrospectively. The consolidated balance sheet as

of January 30, 2016 reflects the reclassification of debt issuance costs of \$266,000 from other assets to long term credit facilities. The amount of debt issuance costs included in long term credit facilities as of July 30, 2016 was \$1.6 million . In August 2015, the FASB issued Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, Subtopic 835-30 (ASU No. 2015-15), which clarifies that absent authoritative guidance in ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the staff of the Securities and Exchange Commission would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the revolving line of credit arrangement, regardless of whether there are any outstanding borrowings on the revolving line of credit arrangement. As of January 30, 2016, debt issuance costs of \$694,000 related to our PNC Credit Agreement, revolving line of credit were included within other assets. We continue to include these costs within other assets, amortizing them over the term of the PNC Credit Agreement.

### ***Recently Issued Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board issued Revenue from Contracts with Customers, Topic 606 (ASU No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. The guidance, also includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers. In July 2015, the Financial Accounting Standards Board approved a one year deferral of the effective date of ASU 2014-09. The standard will now become effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09 on our consolidated financial statements.

In July 2015, the Financial Accounting Standards Board issued Simplifying the Measurement of Inventory, Topic 330 (ASU No. 2015-11). ASU 2015-11 changes the measurement principle for inventory from the lower of cost or market to lower of cost or net realizable value. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2015-11 on our consolidated financial statements.

In November 2015, the Financial Accounting Standards Board issued Balance Sheet Classification of Deferred Taxes, Topic 740 (ASU No. 2015-17). ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted and applied either prospectively or retrospectively. We are currently evaluating the impact of adopting ASU 2015-17 on our consolidated financial statements.

In February 2016, the Financial Accounting Standards Board issued Leases, Topic 842 (ASU No. 2016-02). ASU 2016-02 establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective retrospectively for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements.

In March 2016, the Financial Accounting Standards Board issued Compensation-Stock Compensation, Topic 718 (ASU No. 2016-09). This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. In addition, the ASU also clarifies the statement of cash flows presentation for certain components of share-based awards. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the impact of adopting ASU 2016-09 on our consolidated financial statements.

### **(3) 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 July 30, 2016 and January 30, 2016 the Company had \$ 450,000 in Level 2 investments in the form of bank certificates of deposit. The Company's investments in certificates of deposits were measured using inputs based upon quoted prices for similar instruments in active markets and, therefore, were classified as Level 2 investments. As of July 30, 2016 and January 30, 2016 the Company also had long-term variable rate Credit Facilities with carrying values of \$86,759,000 and \$72,414,000 , respectively.

As of July 30, 2016 and January 30, 2016 , respectively, \$2,993,000 and \$2,143,000 was classified as current. The fair value of the variable rate Credit Facilities approximates and is based on its carrying value. The Company has no Level 3 investments that use significant unobservable inputs.

**(4) Intangible Assets**

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

	Weighted Average Life (Years)	July 30, 2016		January 30, 2016	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:					
EVINE trademark	15	\$ 1,103,000	\$ (123,000)	\$ 1,103,000	\$ (80,000)
Total finite-lived intangible assets		<u>\$ 1,103,000</u>	<u>\$ (123,000)</u>	<u>\$ 1,103,000</u>	<u>\$ (80,000)</u>
Indefinite-lived intangible assets:					
FCC broadcast license		<u>\$ 12,000,000</u>		<u>\$ 12,000,000</u>	

As of January 30, 2016 , the Company had an intangible FCC broadcasting license with a carrying value of \$12,000,000 and an estimated fair value of \$12,900,000 . The Company annually reviews its FCC television broadcast license for impairment in the fourth quarter, or more frequently if an impairment indicator is present. The Company estimates the fair value of its FCC television broadcast license primarily by using income-based discounted cash flow models with the assistance of an independent outside fair value consultant. The discounted cash flow models utilize a range of assumptions including revenues, operating profit margin, projected capital expenditures and an unobservable discount rate. The Company also considers comparable asset market and sales data for recent comparable market transactions for standalone television broadcasting stations to assist in determining fair value. The Company concluded that the inputs used in its intangible FCC broadcasting license asset valuation are Level 3 inputs related to this valuation.

While the Company believes that its estimates and assumptions regarding the valuation of the license are reasonable, different assumptions or future events could materially affect its valuation. In addition, due to the illiquid nature of this asset, the Company's valuation for this license could be materially different if it were to decide to sell it in the short term which, upon revaluation, could result in a future impairment of this asset.

The EVINE trademark asset is included in Other Assets in the accompanying balance sheets. Amortization expense related to the EVINE trademark license was \$25,000 and \$18,000 for the three-month periods ended July 30, 2016 and August 1, 2015, respectively. Amortization expense related to the EVINE trademark license was \$43,000 and \$25,000 for the six-month periods ended July 30, 2016 and August 1, 2015, respectively. Estimated amortization expense for fiscal 2016 and each of the subsequent fiscal years is \$80,000 and \$74,000 , respectively.

**(5) Credit Agreements**

The Company's long-term credit facilities consist of:

	<u>July 30, 2016</u>	<u>January 30, 2016</u>
<b><u>PNC Credit Facility</u></b>		
PNC revolving loan due May 1, 2020, principal amount	\$ 59,900,000	\$ 59,900,000
PNC term loan due May 1, 2020, principal amount	11,709,000	12,780,000
Less unamortized debt issuance costs	(222,000)	(266,000)
PNC term loan due May 1, 2020, carrying amount	11,487,000	12,514,000
<b><u>GACP Credit Agreement</u></b>		
GACP term loan due March 9, 2021, principal amount	16,717,000	—
Less unamortized debt issuance costs	(1,345,000)	—
GACP term loan due March 9, 2021, carrying amount	15,372,000	—
Total long-term credit facilities	86,759,000	72,414,000
Less current portion of long-term credit facilities	(2,993,000)	(2,143,000)
Long-term credit facilities, excluding current portion	<u>\$ 83,766,000</u>	<u>\$ 70,271,000</u>

***PNC Credit Facility***

On February 9, 2012, the Company entered into a credit and security agreement (as amended on March 10, 2016, 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 The Private Bank as part of the facility, provides a revolving line of credit of \$90.0 million and provides for a \$15.0 million term loan on which the Company has drawn to fund improvements at the Company's distribution facility in Bowling Green, Kentucky. 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 \$25.0 million at the discretion of the lenders and upon certain conditions being met.

All borrowings under the PNC Credit Facility mature and are payable on May 1, 2020. 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. Maximum borrowings and available capacity under the revolving line of credit under the PNC Credit Facility are equal to the lesser of \$90.0 million or a calculated borrowing base comprised of eligible accounts receivable and eligible inventory. 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 up to \$13 million. 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 LIBOR plus a margin of between 3% and 4.5% based on the Company's trailing twelve-month reported EBITDA (as defined in the PNC Credit Facility) measured quarterly in fiscal 2016 and semi-annually thereafter as demonstrated in its financial statements. The term loan bears interest at either a LIBOR rate or a base rate plus a margin consisting of between 4% and 5% on Base Rate term loans and 5% to 6% on LIBOR rate loans based on our annual leverage ratio as demonstrated in its audited financial statements.

As of July 30, 2016, the Company had borrowings of \$59.9 million under its revolving credit facility. Remaining available capacity under the revolving credit facility as of July 30, 2016 is approximately \$11.1 million, and provides liquidity for working capital and general corporate purposes. The PNC Credit Facility also provides for a \$15.0 million term loan on which the Company has drawn to fund an expansion at the Company's distribution facility in Bowling Green, Kentucky. As of July 30, 2016, there was approximately \$11.7 million outstanding under the PNC Credit Facility term loan of which \$2.1 million was classified as current in the accompanying balance sheet.

Principal borrowings under the term loan are to be payable in monthly installments over an 84 month amortization period commencing on January 1, 2015 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 starting in the fiscal year ended January 30, 2016 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 3.0% if terminated on or before October 8, 2016; 1.0% if terminated on or before October 8, 2017, 0.5% if terminated on or before October 8, 2018; and no fee if terminated after October 8, 2018. As of July 30, 2016, the imputed effective interest rate on the PNC term loan was 7.3%.

Interest expense recorded under the PNC Credit Facility for the three- and six-month periods ended July 30, 2016 was \$1,010,000 and \$1,867,000, respectively, and \$668,000 and \$1,260,000 for the three- and six-month periods ended August 1, 2015, respectively.

The PNC Credit Facility contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility availability of \$10.0 million at all times and limiting annual capital expenditures. As our unused line availability was greater than \$10.0 million at July 30, 2016, no additional cash was required to be restricted. 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 facility availability falls below \$18.0 million. As of July 30, 2016, the Company's unrestricted cash plus facility availability was \$50.7 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.

Costs incurred to obtain amendments to the PNC Credit Facility totaling \$1,181,000 and unamortized costs incurred to obtain the original PNC Credit Facility totaling \$466,000 have been deferred and are being expensed as additional interest over the five -year term of the PNC Credit Facility.

#### ***Great American Capital Partners Credit Agreement***

On March 10, 2016, the Company entered into a term loan credit and security agreement (the "GACP Credit Agreement") with GACP Finance Co., LLC ("GACP") for a term loan of \$17.0 million. Proceeds from the GACP Credit Agreement will be used to provide for working capital and general corporate purposes and to help strengthen the Company's total liquidity position. The term loan under the GACP Credit Agreement (the "GACP Term Loan") is secured on a first lien priority basis by the proceeds of any sale of the Company's Boston television station FCC license and on a second lien priority basis by the Company's accounts receivable, equipment, inventory and certain real estate as well as other assets as described in the GACP Credit Agreement. The Company has also pledged the stock of certain subsidiaries to secure such obligations on a second lien priority basis.

The GACP Credit Agreement matures on March 9, 2021. The GACP Term Loan bears interest at either (i) a fixed rate based on the greater of LIBOR for interest periods of one, two or three months or 1% plus a margin of 11.0%, or (ii) a daily floating Alternate Base Rate plus a margin of 10.0%. As of July 30, 2016, the imputed effective interest rate on the GACP term loan was 14.0%.

Principal borrowings under the GACP Term Loan are to be payable in consecutive monthly installments of \$70,833 each, commencing on April 1, 2016, with a final installment due at the end of the five - year term equal to the aggregate principal amount of all loans outstanding on such date. The GACP Term Loan is also subject to mandatory prepayment in certain circumstances, including, but without limitation, from the proceeds of the sale of collateral assets and from 50% of annual excess cash flow as defined in the GACP Credit Agreement. The GACP Term Loan can be prepaid voluntarily at any time and, if terminated prior to maturity, the Company would be required to pay an early termination fee of 3.0% if terminated on or before March 10, 2017; 2.0% if terminated on or before March 10, 2018; 1.0% if terminated on or before March 10, 2019; and no fee if terminated after March 10, 2019. Interest expense recorded under the GACP Credit Agreement was \$592,000 and \$934,000 for the three and six-month periods ended July 30, 2016.

The GACP Credit Agreement contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus revolving line of credit availability under the PNC Credit Facility of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the GACP Credit Agreement) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus revolving line of credit availability under the PNC Credit Facility falls below \$18.0 million. In addition, the GACP Credit Agreement 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.

Costs incurred to obtain the GACP Credit Agreement totaling \$1,476,000 have been deferred and are being expensed as additional interest over the five -year term of the GACP Credit Agreement.

The aggregate maturities of the Company's long-term credit facilities as of July 30, 2016 are as follows:

Fiscal year	PNC Credit Facility		GACP Term Loan	Total
	Term loan	Revolving loan		
2016	\$ 1,072,000	\$ —	\$ 424,000	\$ 1,496,000
2017	2,321,000	—	921,000	3,242,000
2018	2,143,000	—	850,000	2,993,000
2019	1,964,000	—	780,000	2,744,000
2020	4,209,000	59,900,000	850,000	64,959,000
2021	—	—	12,892,000	12,892,000
	<u>\$ 11,709,000</u>	<u>\$ 59,900,000</u>	<u>\$ 16,717,000</u>	<u>\$ 88,326,000</u>

#### (6) Stock-Based Compensation - Stock Option Awards

Compensation is recognized for all stock-based compensation arrangements by the Company. Stock-based compensation expense for the second quarters of fiscal 2016 and fiscal 2015 related to stock option awards was \$135,000 and \$326,000, respectively. Stock-based compensation expense for the first six months of fiscal 2016 and fiscal 2015 related to stock option awards was \$255,000 and \$587,000, respectively. The Company has not recorded any income tax benefit from the exercise of stock options due to the uncertainty of realizing income tax benefits in the future.

As of July 30, 2016, the Company had one omnibus stock plan for which stock awards can be currently granted: the 2011 Omnibus Incentive Plan that provides for the issuance of up to 9,500,000 shares of the Company's stock. The 2004 Omnibus Stock Plan expired on June 22, 2014. No further awards may be made under the 2004 Omnibus Plan, but any award granted under the 2004 Omnibus Plan and outstanding on June 22, 2014 will remain outstanding in accordance with its terms. The 2001 Omnibus Stock Plan expired on June 21, 2011. No further awards may be made under the 2001 Omnibus Plan, but any award granted under the 2001 Omnibus Plan and outstanding on June 21, 2011 will remain outstanding in accordance with its terms. The 2011 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 plan. The types of awards that may be granted under this plan include restricted and unrestricted stock, restricted stock units, incentive and nonstatutory stock options, stock appreciation rights, performance units, and other stock-based awards. Incentive stock options may be granted to employees at such exercise prices as the human resources and compensation committee may determine but not less than 100% of the fair market value of the underlying stock as of the date of grant. No incentive stock option may be granted more than 10 years after the effective date of the respective plan's inception or be exercisable more than 10 years after the date of grant. Options granted to outside directors are nonstatutory stock options with an exercise price equal to 100% of the fair market value of the underlying stock as of the date of grant. With the exception of 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 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.

	Fiscal 2016	Fiscal 2015
Expected volatility	84%	76% - 82%
Expected term (in years)	5 - 6 years	5 - 6 years
Risk-free interest rate	1.6% - 1.7%	1.7% - 1.9%

A summary of the status of the Company's stock option activity as of July 30, 2016 and changes during the six months then ended is as follows:

	2011 Incentive Stock Option Plan	Weighted Average Exercise Price	2004 Incentive Stock Option Plan	Weighted Average Exercise Price	2001 Incentive Stock Option Plan	Weighted Average Exercise Price
Balance outstanding, January 30, 2016	1,555,000	\$ 4.30	670,000	\$ 6.18	399,000	\$ 7.78
Granted	1,126,000	\$ 1.21	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —	—	\$ —
Forfeited or canceled	(609,000)	\$ 4.73	(83,000)	\$ 6.93	(47,000)	\$ 11.19
Balance outstanding, July 30, 2016	2,072,000	\$ 2.49	587,000	\$ 6.07	352,000	\$ 7.33
Options exercisable at July 30, 2016	747,000	\$ 3.53	578,000	\$ 6.09	352,000	\$ 7.33

The following table summarizes information regarding stock options outstanding at July 30, 2016 :

Option Type	Options Outstanding				Options Vested or Expected to Vest			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
2011 Incentive:	2,072,000	\$ 2.49	8.5	\$ 765,000	1,958,000	\$ 2.55	8.4	\$ 693,000
2004 Incentive:	587,000	\$ 6.07	2.9	\$ 4,200	586,000	\$ 6.07	2.9	\$ 4,200
2001 Incentive:	352,000	\$ 7.33	1.8	\$ —	352,000	\$ 7.33	1.8	\$ —

The weighted average grant-date fair value of options granted in the first six-months of fiscal 2016 and fiscal 2015 was \$0.86 and \$4.10 , respectively. The total intrinsic value of options exercised during the first six-months of fiscal 2016 and fiscal 2015 was \$0 and \$1,441,000 , respectively. As of July 30, 2016 , total unrecognized compensation cost related to stock options was \$948,000 and is expected to be recognized over a weighted average expected life of approximately 2.4 years .

#### (7) Stock-Based Compensation - Restricted Stock Awards

Compensation expense recorded for the second quarter of fiscal 2016 and fiscal 2015 relating to restricted stock grants was \$263,000 and \$442,000 , respectively. Compensation expense recorded for the first six months of fiscal 2016 and fiscal 2015 relating to restricted stock grants was \$380,000 and \$789,000 , respectively. As of July 30, 2016 , there was \$1,216,000 of total unrecognized compensation cost related to non-vested restricted stock grants. That cost is expected to be recognized over a weighted average expected life of 1.7 years . The total fair value of restricted stock vested during the first six months of fiscal 2016 and fiscal 2015 was \$269,000 and \$249,000 , respectively.

During the second quarter of fiscal 2016, the Company granted a total of 167,142 shares of restricted stock to six board members as part of the Company's annual director compensation program. Each restricted stock award vests on the day immediately preceding the next annual meeting of shareholders following the date of grant. The aggregate market value of the restricted stock at the date of the award was \$292,000 and is being amortized as director compensation expense over the twelve -month vesting period. During the second quarter of fiscal 2016, the Company also granted a total of 60,916 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning in July 2017. The aggregate market value of the restricted stock at the date of the award was \$78,000 and is being amortized as compensation expense over the three -year vesting period.

During the first quarter of fiscal 2016, the Company granted a total of 188,991 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning March 28, 2017. The aggregate market value of the restricted stock at the date of the award was \$187,101 and is being amortized as compensation expense over the three -year vesting period.

During the first quarter of fiscal 2016, the Company also granted a total of 179,156 shares of market-based restricted stock performance units to certain executives as part of the Company's long-term incentive program. 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. The total grant date fair value was estimated to be \$223,571, or \$0.98 - \$1.72 per share and is being amortized over the three-year performance period. Grant date fair values were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 0.9% - 1.0%, a weighted average expected life of three years and an implied volatility of 71% - 73%. 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:

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

During the second quarter of fiscal 2015, the Company granted a total of 182,334 shares of restricted stock to eight non-management board members as part of the Company's annual director compensation program. Each restricted stock award vests on the day immediately preceding the next annual meeting of shareholders following the date of grant. The aggregate market value of the restricted stock at the date of the award was \$520,000 and is being amortized as director compensation expense over the twelve-month vesting period. During the second quarter of fiscal 2015, the Company also granted a total of 26,810 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning in May 2016. The aggregate market value of the restricted stock at the date of the award was \$158,000 and is being amortized as compensation expense over the three-year vesting period.

During the first quarter of fiscal 2015, the Company granted a total of 67,786 shares of time-based restricted stock awards to certain key employees as part of the Company's long-term incentive program. The restricted stock will vest in three equal annual installments beginning March 20, 2016. The aggregate market value of the restricted stock at the date of the award was \$417,593 and is being amortized as compensation expense over the three-year vesting period.

During the first quarter of fiscal 2015, the Company also granted a total of 106,963 shares of market-based restricted stock performance units to certain executives as part of the Company's long-term incentive program. 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. The total grant date fair value was estimated to be \$776,865, or \$7.26 per share and is being amortized over the three-year performance period. Grant date fair values were determined using a Monte Carlo valuation model based on assumptions, which included a weighted average risk-free interest rate of 0.9%, a weighted average expected life of three years and an implied volatility of 54% - 55%. 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:

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

A summary of the status of the Company's non-vested restricted stock activity as of July 30, 2016 and changes during the six-month period then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding, January 30, 2016	861,000	\$4.46
Granted	596,000	\$1.31
Vested	(171,000)	\$3.43
Forfeited	(276,000)	\$5.61
Non-vested outstanding, July 30, 2016	<u>1,010,000</u>	<u>\$2.46</u>

#### (8) Net Loss Per Common Share

Basic net loss per share is computed by dividing reported loss by the weighted average number of shares of common stock outstanding for the reported period. Diluted 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.

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

	Three-Month Periods Ended		Six-Month Periods Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
Net loss (a)	\$ (1,983,000)	\$ (3,048,000)	\$ (6,925,000)	\$ (7,776,000)
Weighted average number of shares of common stock outstanding — Basic	57,258,672	57,092,654	57,219,914	56,866,711
Dilutive effect of stock options, non-vested shares and warrants (b)	—	—	—	—
Weighted average number of shares of common stock outstanding — Diluted	57,258,672	57,092,654	57,219,914	56,866,711
Net loss per common share	\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.14)
Net loss per common share — assuming dilution	\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.14)

(a) The net loss for the three and six-month periods ended July 30, 2016 includes costs related to executive and management transition of \$242,000 and \$3,843,000, respectively, and distribution facility consolidation and technology upgrade costs totaling \$300,000 and \$380,000, respectively. The net loss for the three and six-month periods ended August 1, 2015 includes costs related to executive and management transition of \$205,000 and \$2,795,000, respectively, and distribution facility consolidation and technology upgrade costs totaling \$972,000 for the three and six month periods ending August 1, 2015.

(b) For the three and six-month periods ended July 30, 2016, approximately 162,000 and - 0 -, respectively, incremental in-the-money potentially dilutive common shares have been excluded from the computation of diluted earnings per share, as the effect of their inclusion would be antidilutive. For the three and six-month periods ended August 1, 2015, approximately - 0 - and 148,000, respectively, incremental in-the-money potentially dilutive common shares have been excluded from the computation of diluted earnings per share, as the effect of their inclusion would be antidilutive.

#### (9) Business Segments and Sales by Product Group

The Company has one reporting segment, which encompasses its digital commerce retailing. The Company markets, sells and distributes its products to consumers primarily through its digital commerce television, online website evine.com and mobile platforms. The Company's television shopping, online and mobile platforms have similar economic characteristics with respect to products, product sourcing, vendors, marketing and promotions, gross margins, customers, and methods of distribution. In addition, the Company believes that its television shopping program is a key driver of traffic to both the evine.com website and mobile applications whereby many of the online sales originate from customers viewing the Company's television program and

then place their orders online or through mobile devices. All of the Company's sales are made to customers residing in the United States. The chief operating decision maker is the Chief Executive Officer of the Company. Information on net sales by significant product groups are as follows (in thousands):

	Three-Month Periods Ended		Six-Month Periods Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
Jewelry & Watches	\$ 57,972	\$ 62,044	\$ 122,146	\$ 127,852
Home & Consumer Electronics	28,918	31,682	64,564	68,793
Beauty	23,124	22,640	46,364	42,165
Fashion & Accessories	30,991	30,714	58,519	54,042
All other (primarily shipping & handling revenue)	16,134	13,981	32,466	26,660
Total	\$ 157,139	\$ 161,061	\$ 324,059	\$ 319,512

#### (10) Income Taxes

At January 30, 2016, the Company had federal net operating loss carryforwards ("NOLs") of approximately \$312 million, and state NOLs of approximately \$200 million which are available to offset future taxable income. The Company's federal NOLs expire in varying amounts each year from 2023 through 2035 in accordance with applicable federal tax regulations and the timing of when the NOLs were incurred.

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 is limited. In addition, if the Company were to experience another ownership change, as defined by Sections 382 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. The Company currently has recorded a full valuation allowance for its net deferred tax assets. The ultimate realization of these deferred tax assets and related limitations depend on the ability of the Company to generate sufficient taxable income in the future, as well as the timing of such income.

For the second quarters of fiscal 2016 and fiscal 2015, the income tax provision included a non-cash tax charge of approximately \$198,000 and \$197,000, respectively, relating to changes in the Company's long-term deferred tax liability related to the tax amortization of the Company's indefinite-lived intangible FCC license asset that is not available to offset existing deferred tax assets in determining changes to our income tax valuation allowance. For the first six-months of fiscal 2016 and fiscal 2015, the income tax provision included a non-cash charge of approximately \$395,000 and \$394,000, respectively. The Company expects the continued tax amortization of its indefinite-lived intangible asset and resulting book versus tax asset carrying value difference to result in approximately \$394,000 of additional non-cash income tax expense over the remainder of fiscal 2016.

#### *Shareholder Rights Plan*

During the second quarter of 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, and on July 13, 2015, the Company entered into a Shareholder Rights Plan (the "Plan") with Wells Fargo Bank, N.A., a national banking association, with respect to the Rights. Except in certain circumstances set forth in the 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 \$9.00 per Unit.

The Rights initially trade together with the common stock and are not exercisable. Subject to certain exceptions specified in the 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 \$9.00 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).

The Rights will expire upon certain events described in the 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 Plan was most recently approved by shareholders, unless the Plan is re-approved by shareholders at that third annual meeting of shareholders. However, in no event will the Plan expire later than the close of business on July 13, 2025. The Plan was approved by the Company's shareholders at the 2016 annual meeting of shareholders.

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 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 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 Plan or in any other manner that does not adversely affect the interests of holders of the Rights. No amendment of the Plan may extend its expiration date.

## **(11) Litigation**

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

## **(12) Related Party Transactions**

### ***Relationship with GE Equity, Comcast and NBCU***

Until April 29, 2016 the Company was a party to an amended and restated shareholder agreement, dated February 25, 2009 (the "GE/NBCU Shareholder Agreement"), with GE Capital Equity Investments, Inc. ("GE Equity") and NBCUniversal Media, LLC ("NBCU"), which provided for certain corporate governance and standstill matters (as described further below). NBCU is an indirect subsidiary of Comcast Corporation ("Comcast"). The Company believes that as of July 30, 2016, the direct equity ownership of NBCU in the Company consists of 7,141,849 shares of common stock, or approximately 12.5% of the Company's outstanding common stock. The Company has a significant cable distribution agreement with Comcast and believe that the terms of the agreement are comparable to those with other cable system operators.

In an SEC filing made on August 18, 2015, GE Equity disclosed that on August 14, 2015, it and ASF Radio, L.P. ("ASF Radio"), an independent third party to us, entered into a Stock Purchase Agreement pursuant to which GE Equity agreed to sell 3,545,049 shares of the Company's common stock, which is all of the shares GE Equity currently owns, to ASF Radio for \$2.15 per share. According to the SEC filing, ASF Radio is an affiliate of Ardian, an independent private equity investment company. The closing of this sale (the "GE/ASF Radio Sale") occurred on April 29, 2016. In connection with the GE/ASF Radio Sale, the GE/NBCU Shareholder Agreement was terminated and the Company and NBCU entered into a new Shareholder Agreement (the "NBCU Shareholder Agreement") described below.

### ***GE/NBCU Shareholder Agreement***

The GE/NBCU Shareholder Agreement that was terminated April 29, 2016 provided that GE Equity was entitled to designate nominees for three members of our Board of Directors so long as the aggregate beneficial ownership of GE Equity and NBCU (and their affiliates) was at least equal to 50% of their beneficial ownership as of February 25, 2009 (i.e., beneficial ownership of approximately 8.7 million common shares) (the "50% Ownership Condition"), and two members of our Board of Directors so long as their aggregate beneficial ownership was at least 10% of the shares of "adjusted outstanding common stock," as defined in the GE/NBCU Shareholder Agreement (the "10% Ownership Condition"). In addition, the GE/NBCU Shareholder Agreement provided that GE Equity may designate any of its director-designees to be an observer of the audit, human resources and compensation, and corporate governance and nominating committees of our Board of Directors. Neither GE Equity nor NBCU currently has, or during fiscal 2015 had, any designees serving on our Board of Directors or committees.

The GE/NBCU Shareholder Agreement required that the Company obtain the consent of GE Equity before the Company (i) exceeded certain thresholds relating to the issuance of securities, the payment of dividends, the repurchase or redemption of common stock, acquisitions (including investments and joint ventures) or dispositions, and the incurrence of debt; (ii) entered into any business different than the business in which the Company and our subsidiaries are currently engaged; and (iii) amended our articles of incorporation to adversely affect GE Equity and NBCU (or their affiliates); provided, however, that these restrictions would no longer apply when both (1) GE Equity is no longer entitled to designate three director nominees, and (2) GE Equity and NBCU no longer hold any Series B preferred stock. The Company was also prohibited from taking any action that would cause any ownership interest by us in television broadcast stations from being attributable to GE Equity, NBCU or their affiliates.

#### ***NBCU Shareholder Agreement***

On April 29, 2016, the Company entered into the NBCU Shareholder Agreement with NBCU. The NBCU Shareholder Agreement replaced the GE/NBCU Shareholder Agreement. The NBCU Shareholder Agreement provides that as long as NBCU or its affiliates beneficially own at least 5% of our outstanding common stock, NBCU will be entitled to designate one individual to be nominated to the Company's Board of Directors. In addition, the NBCU Shareholder Agreement provides that NBCU may designate its director designee to be an observer of the audit, human resources and compensation, and corporate governance and nominating committees of our Board of Directors. In addition, the NBCU Shareholder Agreement requires the Company to obtain the consent of NBCU prior to our adoption or amendment of any shareholder's rights plan or certain other actions that would impede or restrict the ability of NBCU to acquire our voting stock or our taking any action that would result in NBCU being deemed to be in violation of the Federal Communications Commission multiple ownership regulations.

Unless NBCU beneficially own less than 5% or more than 90% of the adjusted outstanding shares of common stock, NBCU may not sell, transfer or otherwise dispose of any securities of the Company subject to limited exceptions for (i) transfers to affiliates, (ii) third party tender offers, (iii) mergers, consolidations and reorganizations and (iv) transfers pursuant to underwritten public offerings or transfers exempt from registration under the Securities Act (provided, in the case of (iv), such transfers do not result in the transferee acquiring beneficial ownership in excess of 20% ).

#### ***Registration Rights Agreement***

On February 25, 2009, the Company entered into an amended and restated registration rights agreement that, as further amended, provided GE Equity, NBCU and their affiliates and any transferees and assigns, an aggregate of five demand registrations and unlimited piggy-back registration rights. In connection with the GE/ASF Radio Sale, an amendment to the Amended and Restated Registration Rights Agreement was entered into removing GE Equity as a party and adding ASF Radio, L.P. as a party.

#### ***2015 Letter Agreement with GE Equity***

On July 9, 2015, the Company entered into a letter agreement with GE Equity pursuant to which GE Equity consented to our adoption of a Shareholder Rights Plan in consideration for our agreement to provide GE Equity, NBCU and certain of their respective affiliates with exemptions from the Shareholder Rights Plan. GE Equity's consent was required pursuant to the terms of the GE/NBCU Shareholder Agreement. This discussion is a summary of the terms of the letter agreement. In the letter agreement, the Company agreed that if any of GE Equity, NBCU or any of their respective affiliates that holds shares of our common stock from time to time (each a "Grandfathered Investor") sells or otherwise transfers shares of our common stock currently owned by such Grandfathered Investor to any third party identified to us in writing (any such third party, an "Exempt Purchaser"), the Company will take all actions necessary under the Shareholder Rights Plan so that such third party will not be deemed an Acquiring Person (as defined in the Shareholder Rights Plan) by virtue of the acquisition of such shares. The Company further agreed that, subject to certain limitations, upon request of any Grandfathered Investor or Exempt Purchaser, and in connection with a transfer by such Grandfathered Investor or Exempt Purchaser of shares of our common stock to an Exempt Purchaser, the Company will enter into an agreement with the acquiring Exempt Purchaser granting such acquiring Exempt Purchaser substantially the same rights as set forth above with respect to any sale of our outstanding shares of common stock to any other third party. Additionally, the Company agreed that without the consent of any Grandfathered Investor that is an affiliate of GE Equity and any Grandfathered Investor that is an affiliate of NBCU, the Company will not (i) amend the Shareholder Rights Plan in any material respect, other than to accelerate the Expiration Date or the Final Expiration Date, (ii) adopt another shareholders' rights plan or (iii) amend the letter agreement.

#### ***Director Relationships***

The Company entered into a service agreement with Newgistics, Inc. ("Newgistics") in fiscal 2004. Newgistics provides offsite customer returns consolidation and delivery services to the Company. The Company's Chief Executive Officer, Robert Rosenblatt, is a member of Newgistics Board of Directors. The Company made payments to Newgistics totaling approximately \$1,069,000 and \$2,534,000 during the three and six -month periods ended July 30, 2016, respectively and payments totaling approximately \$1,101,000 and \$2,411,000 during the three and six -month periods ended August 1, 2015, respectively.

One of the Company's directors, Thomas Beers, has a minority interest in one of the Company's on air food suppliers. The Company made inventory payments, to this supplier, totaling approximately \$354,000 and \$1,223,000 during the three and six -month periods ended July 30, 2016, respectively and payments totaling approximately \$681,000 and \$764,000 during the three and six -month periods ended August 1, 2015, respectively.

### **(13) Distribution Facility Expansion, Consolidation & Technology Upgrade**

During fiscal 2014, the Company began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, the Company finished the building expansion and moved out of its leased satellite warehouse space. The updated facilities and technology upgrade includes a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and a new call center facility to better serve our customers. The new sortation and warehouse management system were phased into production through the first half of fiscal 2016. Total cost of the physical building expansion, new sortation equipment and call center facility was approximately \$25 million and was financed with our expanded PNC revolving line of credit and a \$15 million PNC term loan.

As a result of our distribution facility expansion, consolidation and technology upgrade initiative, the Company incurred approximately \$300,000 and \$380,000 in incremental expenses during the three and six month periods ended July 30, 2016, relating primarily to increased labor and training costs associated with the Company's warehouse management system migration.

For the three and six month periods ending August 1, 2015, we incurred approximately \$972,000 , primarily related to increased labor, inventory and other warehousing transportation costs, training costs and increased equipment rental costs associated with: the move into the new expanded warehouse building, the move out of previously leased warehouse space and the preparation of the Company's expanded facility for the new high-speed parcel shipping and item sortation system and upgraded warehouse management system.

### **(14) Executive and Management Transition Costs**

On February 8, 2016, the Company announced the resignation of two executive officers, namely its Chief Executive Officer, and its Executive Vice President - Chief Strategy Officer & Interim General Counsel. In addition, on March 23, 2016, the Company also announced additional actions taken to reduce corporate overhead and other operating costs. In conjunction with these executive changes as well as other executive and management terminations made during the first half of fiscal 2016, the Company recorded charges to income totaling \$242,000 and \$3,843,000 for the three and six-months ended July 30, 2016, respectively, which relate primarily to severance payments to be made as a result of the executive officer terminations and other direct costs associated with the Company's 2016 executive and management transition.

On March 26, 2015, the Company announced the termination and departure of three executive officers, namely its Chief Financial Officer, its Senior Vice President and General Counsel, and President. In addition, during the first quarter of fiscal 2015, the Company also announced the hiring of a new Chief Financial Officer and a new Chief Merchandising Officer. In conjunction with these executive changes as well as other management terminations made during the first half of fiscal 2015, the Company recorded charges to income of \$205,000 and \$2,795,000 for the three and six-months ended August 1, 2015, respectively, which related primarily to severance payments to be made as a result of the executive officer resignations, management terminations and other direct costs associated with the Company's 2015 executive and management transition.

### **(15) Subsequent Event**

On August 18, 2016, the Company announced that Bob Rosenblatt, was appointed permanent Chief Executive Officer, effective immediately and entered into an executive employment agreement with Mr. Rosenblatt. Among other things, the employment agreement provides for a two-year initial term, followed by automatic one-year renewals, an initial base salary of \$750,000 , annual bonus stipulations, a temporary living expense allowance and participation in the Company's executive relocation program. In conjunction with the employment agreement, the Company granted Mr. Rosenblatt an award of restricted stock units, performance restricted stock units and incentive stock options under the Company's 2011 Omnibus Incentive Plan with an aggregate fair value of \$1.8 million . The chief executive officer's employment agreement also provides for severance in the event of

employment termination of 1.5 times the sum of his (i) base salary plus (ii) 1 times his target bonus. In the event of a change of control, as defined in the agreement, the multiplier shall be 2 times and 2 times his target bonus.

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

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 accompanying unaudited condensed consolidated financial statements and notes included herein and the audited consolidated financial statements and notes included in our annual report on Form 10-K for the fiscal year ended January 30, 2016 .

### **Cautionary Statement Regarding Forward-Looking Statements**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations and other materials we file with the Securities and Exchange Commission (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. Such statements may be identified by words such as anticipate, believe, estimate, expect, intend, predict, hope, should, plan, will or similar expressions. Any statements contained herein that are not statements of historical fact may be deemed 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, including (but not limited to): consumer preferences, 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; 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 relationships and develop key partnerships and proprietary brands; our ability to manage our operating expenses successfully and our working capital levels; our ability to remain compliant with our credit facilities covenants; customer acceptance of our branding strategy and our repositioning as a digital commerce company; the market demand for television station sales; 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, and adverse outcomes from regulatory proceedings; litigation or governmental proceedings affecting our operations; significant public events that are difficult to predict, or other significant television-covering events causing an interruption of television coverage or that directly compete with the viewership of our programming; our ability to obtain and retain key executives and employees; our ability to attract new customers and retain existing customers; changes in shipping costs; our ability to offer new or innovative products and customer acceptance of the same; changes in customer viewing habits or television programming; and the risks identified under "Risk Factors" in our recently filed Form 10-K and any additional risk factors identified in our periodic reports since the date of such report. More detailed information about those factors is set forth in our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-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.

### **Overview**

#### ***Our Company***

We are a digital commerce company that offers a mix of proprietary, exclusive and name brands directly to consumers in an engaging and informative shopping experience through TV, online and mobile devices. We operate a 24-hour television shopping network, EVINE, which is distributed primarily on cable and satellite systems, through which we offer proprietary, exclusive and name brand merchandise in the categories of jewelry & watches; home & consumer electronics; beauty; and fashion & accessories. We also operate evine.com, a comprehensive digital commerce platform that sells products which appear on our television shopping network as well as an extended assortment of online-only merchandise. Our programming and products are also marketed via mobile devices, including smartphones and tablets, and through the leading social media channels.

Our investor relations website address is evine.com/ir. Our goal is to maintain the investor relations website as a way for investors to find information about us easily, including press releases, announcements of investor conferences, investor and analyst presentations and corporate governance. We also make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to these filings as soon as practicable after that material is electronically filed with or furnished to the SEC. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

### **Corporate Name and Branding**

On November 18, 2014, we announced that we had changed our corporate name to EVINE Live Inc. from ValueVision Media, Inc. Effective November 20, 2014, our NASDAQ trading symbol also changed to EVLV from VVTV. We transitioned from doing business as "ShopHQ" to "EVINE Live" and evine.com on February 14, 2015.

### **Products and Customers**

Products sold on our media channel platforms include jewelry & watches, home & consumer electronics, beauty, 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 in the first half of fiscal 2016. We are focused on diversifying our merchandise assortment both among our existing product categories as well as with potentially new product categories, including proprietary, exclusive and name brands, in an effort to increase revenues and to grow our new and active customer base. The following table shows our merchandise mix as a percentage of television shopping and online net merchandise sales for the three month and six month periods indicated by product category group.

<b>Merchandise Category</b>	<b>For the Three-Month</b>		<b>For the Six-Month</b>	
	<b>Periods Ended</b>		<b>Periods Ended</b>	
	<b>July 30, 2016</b>	<b>August 1, 2015</b>	<b>July 30, 2016</b>	<b>August 1, 2015</b>
Jewelry & Watches	41%	42%	42%	44%
Home & Consumer Electronics	21%	22%	22%	24%
Beauty	16%	15%	16%	14%
Fashion & Accessories	22%	21%	20%	18%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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 digital commerce customers — those who interact with our network and transact through TV, online and mobile device — are primarily women between the ages of 40 and 70. We also have a strong presence of male customers of similar age. We believe our customers make purchases based on our unique products, quality merchandise and value.

### **Company Strategy**

As a digital commerce company, our strategy includes offering exciting proprietary, exclusive and name brand merchandise using online, mobile, social media and our commerce infrastructure, which includes television access to approximately 87 million cable and satellite homes in the United States. We believe our greatest growth opportunity lies in leveraging these digital commerce platforms in a way that engages customers far more often than just when they are in the mood to shop.

By investing in new brands and offering a more diverse assortment of proprietary, exclusive (i.e., brands that are not readily available elsewhere) and name brand merchandise, presented in an engaging, entertaining, shopping-centric format, we believe we will attract a larger customer base targeting a broader demographic. At the root of our efforts to attract a larger customer base is a focus on expanding and strengthening our relationships with the brands, personalities and vendors with whom we do business.

In addition to offering our customers a more diverse assortment of proprietary, exclusive and name brand merchandise, we are focusing on increasing awareness of the EVINE Live brand while at the same time augmenting our distribution footprint, with the goal of expanding our customer base. Properly executed, we believe these initiatives may provide us a greater opportunity to grow our top and bottom lines in a more meaningful and competitive way.

Priorities for fiscal 2016 that we believe will ultimately drive sustainable profitability are: improving our discipline around offering the most popular and profitable merchandise mix that our customers prefer; careful attention to gross profit and our cost structure; capitalizing on our expertise in video-based e-commerce; sensibly broadening our distribution base; improving channel adjacencies and placement; exploiting new technologies in mobile and logistics; increasing customer penetration, improving customer and partner relationship management; process improvements; brand building and delivering value to our customers and business partners. We believe that our new brand identity coupled with a fresh focus on existing as well as emerging platforms and technologies and the development of proprietary and exclusive brands along with an improved program distribution footprint will begin repositioning our Company as a digital commerce company that delivers a more engaging and enjoyable customer experience with sales and service that exceed expectations.

### ***Our Competition***

The 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 (owned by Liberty Interactive Corporation), and HSN, Inc. (in whom Liberty Interactive Corporation also has a substantial interest, according to public filings), both of whom are substantially larger than we are in terms of annual revenues and customers, and whose programming is carried more broadly to U.S. households, 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. Furthermore, on March 8, 2016, Amazon announced the premiere of a live television program, *Style Code Live*, which features products that viewers can order online. This program, and any additional similar programs that Amazon may offer in the future, may compete with us. In addition, there are a number of smaller niche players and startups in the television shopping arena who compete with us. We believe that our major competitors incur cable and satellite distribution fees representing a significantly lower percentage of their sales attributable to their television programming than 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, one of our strategies is to maintain our fixed distribution cost structure in order to leverage our profitability.

We anticipate continued competition for viewers and customers, for experienced television shopping 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 digital commerce industry will be dependent on a number of key factors, including continuing to expand our digital footprint to meet our customers' "watch and shop anytime, anywhere" needs, increasing the number of customers who purchase products from us and increasing the dollar value of sales per customer from our existing customer base.

### ***Summary Results for the Second Quarter and First Half of Fiscal 2016***

Consolidated net sales for our fiscal 2016 second quarter were approximately \$157.1 million compared to \$161.1 million for our fiscal 2015 second quarter, which represents a 2% decrease. We reported an operating loss of approximately \$174,000 and a net loss of approximately \$2.0 million for our fiscal 2016 second quarter. The operating and net loss for the fiscal 2016 second quarter included charges relating to executive and management transition costs totaling \$242,000 and distribution facility consolidation and technology upgrade costs totaling \$300,000. We had an operating loss of \$2.2 million and a net loss of \$3.0 million for our fiscal 2015 second quarter. The operating and net loss for the fiscal 2015 second quarter included charges relating to executive and management transition costs totaling \$205,000 and distribution facility consolidation and technology upgrade costs totaling \$972,000.

Consolidated net sales for the first six months of fiscal 2016 were approximately \$324.1 million compared to \$319.5 million for the first six months of fiscal 2015, which represents a 1% increase. We reported an operating loss of approximately \$3.7 million and a net loss of \$6.9 million for the first six months of fiscal 2016. The operating and net loss for the first six months of fiscal 2016 included charges relating to executive and management transition costs totaling \$3.8 million and distribution facility consolidation and technology upgrade costs totaling \$380,000. We had an operating loss of \$6.1 million and a net loss of \$7.8 million for the first six months of fiscal 2015. The operating and net loss for the first six months of fiscal 2015 included charges relating to executive and management transition costs totaling \$2.8 million and distribution facility consolidation and technology upgrade costs totaling \$972,000.

### ***GACP Credit Agreement & PNC Credit Facility Amendment***

On March 10, 2016, the Company entered into a five-year term loan credit and security agreement (the "GACP Credit Agreement") with GACP Finance Co., LLC ("GACP") for a term loan of \$17 million. Proceeds from the term loan under the GACP Credit Agreement (the "GACP Term Loan") are being used to provide for working capital and for general corporate purposes of the Company. The GACP Credit Agreement matures on March 9, 2021. The GACP Term Loan bears interest at a fixed rate based on the greater of LIBOR for interest periods of one, two or three months or 1% plus a margin of 11.0%. On the same day, we entered into the sixth amendment to the PNC Credit Facility authorizing the Company to enter into the GACP Credit Agreement.

***Executive and Management Transition Costs***

On February 8, 2016, we announced the termination and departure of two executive officers, namely our Chief Executive Officer, and our Executive Vice President - Chief Strategy Officer & Interim General Counsel. In addition, on March 23, 2016, we also announced additional actions taken to reduce overhead and other operating costs. In conjunction with these executive changes as well as other executive and management terminations made during the first half of fiscal 2016, we recorded charges to income totaling \$242,000 and \$3.8 million for the three and six-months ended July 30, 2016, respectively, which relate primarily to severance payments to be made as a result of the executive officer terminations and other direct costs associated with our 2016 executive and management transition.

On March 26, 2015, we announced the termination and departure of three executive officers, namely our Chief Financial Officer, our Senior Vice President and General Counsel, and President. In addition, during the first quarter of fiscal 2015, we also announced the hiring of a new Chief Financial Officer and a new Chief Merchandising Officer. In conjunction with these executive changes as well as other management terminations made during the first half of fiscal 2015, we recorded charges to income of \$205,000 and \$2.8 million for the three and six-months ended August 1, 2015, respectively, which related primarily to severance payments to be made as a result of the executive officer terminations and other direct costs associated with our 2015 executive and management transition.

***Distribution Facility Expansion, Consolidation and Technology Upgrade Costs***

During fiscal 2014, we began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and we expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, we finished the building expansion and moved out of our expired leased satellite warehouse space. The updated facilities and technology upgrade includes a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and a new call center facility to better serve our customers. The new sortation and warehouse management system were phased into production through the first half of fiscal 2016. The total cost of the physical building expansion, new sortation equipment and call center facility was approximately \$25 million and was financed with our expanded PNC revolving line of credit and a \$15 million PNC term loan.

As a result of our distribution facility expansion, consolidation and technology upgrade initiative, we incurred approximately \$300,000 and \$380,000 in incremental expenses during the three and six month periods ended July 30, 2016, relating primarily to increased labor and training costs associated with our warehouse management system migration.

For the three and six month periods ending August 1, 2015, we incurred approximately \$972,000, primarily related to increased labor, inventory and other warehousing transportation costs, training costs and increased equipment rental costs associated with: the move into the new expanded warehouse building, the move out of previously leased warehouse space and the preparation of our expanded facility for the new high-speed parcel shipping and item sortation system and upgraded warehouse management system.

**Results of Operations**
**Selected Condensed Consolidated Financial Data  
Operations**

	Dollar Amount as a Percentage of Net Sales for the		Dollar Amount as a Percentage of Net Sales for the	
	Three-Month Periods Ended		Six-Month Periods Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
<b>Net sales</b>	100.0%	100.0%	100.0%	100.0%
<b>Gross margin</b>	38.1%	36.5%	37.4%	36.4%
<b>Operating expenses:</b>				
Distribution and selling	32.8%	31.9%	32.4%	32.0%
General and administrative	3.7%	4.0%	3.6%	3.8%
Depreciation and amortization	1.3%	1.3%	1.3%	1.3%
Executive and management transition costs	0.2%	0.1%	1.2%	0.9%
Distribution facility consolidation and technology upgrade costs	0.2%	0.6%	0.1%	0.3%
	38.2%	37.9%	38.6%	38.3%
<b>Operating loss</b>	(0.1)%	(1.4)%	(1.2)%	(1.9)%

**Key Performance Metrics**

	For the Three-Month Periods Ended			For the Six-Month Periods Ended		
	July 30, 2016	August 1, 2015	Change	July 30, 2016	August 1, 2015	Change
	<b>Program Distribution</b>					
Total homes (average 000's)	87,417	88,334	(1)%	87,589	88,307	(1)%
<b>Merchandise Metrics</b>						
Gross margin %	38.1%	36.5%	160 bps	37.4%	36.4%	100 bps
Net shipped units (000's)	2,461	2,434	1%	4,878	4,664	5%
Average selling price	\$57	\$60	(5)%	\$59	\$62	(5)%
Return rate	19.8%	21.4%	(160) bps	19.4%	20.9%	(150) bps
Online net sales % (a)	47.9%	45.9%	200 bps	48.4%	45.6%	280 bps
Total Customers - 12 Month Rolling (000's)	1,447	1,439	0.6%	N/A	N/A	

(a) Online net sales percentage is calculated based on net sales that are generated from our evine.com website and mobile platforms, which are primarily ordered directly online.

### ***Program Distribution***

Average homes reached, or full time equivalent ("FTE") subscribers, decreased 1% in the second quarter of fiscal 2016 over the comparable prior year quarter, resulting in a 917,000 decrease in average homes reached during that same period. Average homes reached decreased 1% on a fiscal 2016 year-to-date basis resulting in a 718,000 decrease in average homes reached during the comparable period of fiscal 2015. The decreases were primarily driven by fluctuations in the multi video distribution industry. We believe that our distribution strategy of pursuing additional channels in productive homes we are already in is a more balanced approach compared to our historical focus on just securing new untested homes. We continue to increase the number of channels on existing distribution platforms, alternative distribution methods and part-time carriage in strategic markets. This multi-platform distribution approach, complimented by our strong mobile and online efforts, will ensure that EVINE is available wherever and whenever our customers choose to shop.

In addition, we have made low-cost infrastructure investments that have enabled us to launch an up-converted version of our digital signal in a high definition ("HD") format and that improved the appearance of our primary network feed. We believe that having an HD feed of our service allows us to attract new viewers and customers. Our television home shopping programming is also simulcast 24 hours a day, 7 days a week on our online website, evine.com, and is also available on all mobile channels and on various video applications, such as Roku and Apple TV, which are not included in the foregoing data on homes reached.

### ***Cable and Satellite Distribution Agreements***

We have entered into distribution agreements with cable operators, direct-to-home satellite providers and telecommunications companies to distribute our television network over their systems. The terms of the affiliation agreements typically range from one to five years. During the fiscal year, certain agreements with cable, satellite or other distributors may expire. Under certain circumstances, the cable operators or we 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. If the operator drops our service or if either we or the operator fails to reach mutually agreeable business terms concerning the distribution of our service so that the agreements are terminated, our business may be materially adversely affected. Failure to maintain our distribution agreements covering a material portion of our existing households on acceptable financial and other terms could materially and adversely affect our future growth, sales revenues and earnings unless we are able to arrange for alternative means of broadly distributing our television programming.

As of July 30, 2016, we believe the direct ownership of NBCU (which is indirectly owned by Comcast) in the Company consisted of 7,141,849 shares of common stock. The Company has a significant cable distribution agreement with Comcast and believes that the terms of this agreement are comparable to those with other cable system operators.

### ***Net Shipped Units***

The number of net shipped units (shipped units less units returned) during the fiscal 2016 second quarter increased 1% from the prior year comparable quarter to approximately 2.5 million from 2.4 million. For the six months ended July 30, 2016, net shipped units increased 5% from the prior year's comparable period to 4.9 million from 4.7 million. We believe the increase in net shipped units during the second quarter and first six months of fiscal 2016 reflects the continued broadening of our merchandising assortment, driven by strong performance in our fashion & accessories and beauty product categories. Net shipped units also increased during fiscal 2016 due to a decline in our average selling price (as discussed below).

### ***Average Selling Price***

The average selling price ("ASP") per net unit was \$57 in the fiscal 2016 second quarter, a 5% decrease from the prior year quarter. For the six months ended July 30, 2016, the ASP was \$59, a 5% decrease from the prior year's comparable period. The decrease in the ASP was primarily driven by strong sales growth within our fashion & accessories and beauty product categories, which typically have lower average selling prices. These ASP decreases contributed to our increase in net shipped units by 1% and 5% for the three and six months ended July 30, 2016, respectively. Decreasing our ASP has been a key component in our customer acquisition efforts. We are, however, planning to adjust our merchandising mix to achieve a more ideal balance between ASP and gross margin productivity.

### ***Return Rates***

For the three months ended July 30, 2016, our return rate was 19.8% compared to 21.4% for the comparable prior year quarter, a 160 basis point decrease. For the six months ended July 30, 2016, our return rate was 19.4% compared to 20.9% for the prior year comparable period, a 150 basis point decrease. The decrease in the return rates were driven primarily by rate decreases across all our merchandise categories. We believe that the decreases in the category return rates were driven by the decreases in ASP as described above, improved quality of merchandise and improvements in the execution of our returns policy.

We continue to monitor our return rates in an effort to keep our overall return rates commensurate with our current product mix and our average selling price levels.

### ***Total Customers***

Total customers who have purchased over the last twelve months increased 0.6% over prior year to approximately 1.4 million . We believe the recent increase in total customers is primarily due to continued broadening of our product assortment at lower price points, strong growth in our beauty and fashion & accessories product categories, as well as increases achieved in our customer retention.

### ***Net Sales***

Consolidated net sales for the fiscal 2016 second quarter were approximately \$157.1 million as compared with \$161.1 million for the comparable prior year quarter, a 2% decrease. Consolidated net sales for the first six months ended July 30, 2016 were approximately \$324.1 million as compared with \$319.5 million for the comparable prior year period, a 1% increase. The decrease in quarterly consolidated net sales was driven primarily by decreases in our home & consumer electronics and jewelry & watches categories as we continue to shift our airtime and product mix from home & consumer electronics to beauty and fashion & accessories, partially offset by growth in our fashion & accessories and beauty product categories. In addition, we also experienced an increase in shipping and handling revenue in the second quarter of fiscal 2016 compared to fiscal 2015 as a result of more disciplined shipping promotions during the quarter. The increase in year-to-date consolidated net sales was driven primarily by strong growth in our fashion & accessories and beauty product categories, offset by decreases in our home & consumer electronics and jewelry & watches categories as we continue to shift our airtime and product mix from home & consumer electronics to beauty and fashion & accessories. In addition, we also experienced an increase in shipping and handling revenue in the first six months of fiscal 2016 compared to fiscal 2015 as a result of more disciplined shipping promotions during the first half of fiscal 2016. Our online sales penetration, that is, the percentage of net sales that are generated from our evine.com website and mobile platforms, which are primarily ordered directly online, was 47.9% and 48.4% compared to 45.9% and 45.6% , respectively, for the second quarter and first six months of fiscal 2016 compared to fiscal 2015 . Overall, we continue to deliver strong online sales penetration. We believe the increase in penetration during the period was driven by our recent digital marketing initiatives and the strong performance of online promotions. Our mobile penetration increased to 45.2% and 45.4% of total online orders in the second quarter and first six months of fiscal 2016, versus 42.4% and 41.7% of total online orders for the comparable prior year periods.

### ***Gross Profit***

Gross profit for the fiscal 2016 second quarter and fiscal 2015 second quarter was approximately \$59.8 million and \$58.9 million , respectively, an increase of \$1.0 million , or 2% . Gross profit for the first six months ended July 30, 2016 was approximately \$121.3 million , an increase of \$5.1 million or 4.4% , from \$116.2 million for the comparable prior year period, respectively, an increase of \$1.0 million , or 2% . The increase in gross profits experienced during the second quarter and first six months of fiscal 2016 was primarily driven by higher gross margin percentages experienced. Gross margin percentages for the second quarters and first six months of fiscal 2016 and fiscal 2015 were 38.1% and 37.4% , compared to 36.5% and 36.4% , respectively, a 160 and 100 basis point increase, respectively. The increase in gross margin percentages reflects increased margins due to a shift in product mix into fashion & accessories, and beauty, which have higher margin percentages. Gross margin percentages have also increased as a result of higher shipping and handling margins achieved during the second quarter and first six months of fiscal 2016 as a result of more disciplined shipping promotions.

### ***Operating Expenses***

Total operating expenses for the fiscal 2016 second quarter were approximately \$60.0 million compared to \$61.0 million for the comparable prior year period, a decrease of 2% . Total operating expenses for the six months ended July 30, 2016 were approximately \$125.0 million compared to \$122.3 million for the comparable prior year period, an increase of 2% . Total operating expenses as a percentage of net sales were 38.2% and 38.6% , compared to 37.9% and 38.3% , during the second quarters and first six months of fiscal 2016 and fiscal 2015 , respectively. Total operating expenses for the second quarter includes executive and management transition costs of \$242,000 and distribution facility consolidation and technology upgrade costs of \$300,000 , while total operating expenses for the second quarter of fiscal 2015 includes executive and management transition costs of \$205,000 and distribution facility consolidation and technology upgrade costs of \$972,000 . Total operating expenses for the six months ended July 30, 2016 includes executive and management transition costs of \$3.8 million and distribution facility consolidation and technology upgrade costs of \$380,000 , while total operating expenses for the first six months ended August 1, 2015 includes executive and management transition costs of \$2.8 million and distribution facility consolidation and technology upgrade costs of \$972,000 . Excluding executive and management transition costs and distribution facility consolidation and technology upgrade costs, total operating expenses as a percentage of net sales for the second quarters and first six months of fiscal 2016 and fiscal 2015 were 37.8% and 37.3% , compared to 37.2% and 37.1% .

Distribution and selling expense increased \$248,000, or 0.5%, to \$51.6 million, or 32.8% of net sales during the fiscal 2016 second quarter compared to \$51.4 million, or 31.9% of net sales for the comparable prior year fiscal quarter. Distribution and selling expense increased during the quarter due in part to increased program distribution expense of \$445,000 relating to the launch of EVINE Too and broadened HD carriage. The increase over the prior year quarter was also due to increased accrued incentive compensation of \$712,000, partially offset by decreased salaries and benefits of \$551,000, decrease in variable costs of \$265,000 and decreased share-based compensation expense of \$149,000. The decrease in variable costs was primarily driven by decreased customer services telecommunications service expense of \$934,000, decreased Bowling Green rent expense of \$85,000, partially offset by increased variable fulfillment and customer service salaries and wages of \$782,000. Total variable expenses during the second quarter of fiscal 2016 were approximately 9.6% of total net sales versus 9.5% of total net sales for the prior year comparable period. The increase in variable expenses as a percentage of net sales during the first quarter of fiscal 2016 was primarily due to a 1% increase in net shipped units compared with a 2% decrease in consolidated net sales and the decline in our average selling price during the quarter.

Distribution and selling expense increased \$2.9 million, or 3%, to \$105.0 million, or 32.4% of net sales during the six months ended July 30, 2016 compared to \$102.2 million, or 32.0% of net sales for the comparable prior year period. Distribution and selling expense increased during the first six months due in part to increased program distribution expense of \$1.1 million relating to the launch of EVINE Too and broadened HD carriage. The increase over the prior year period was also due to an increase in variable costs of \$1.0 million, increased accrued incentive compensation of \$1.7 million and increased online selling and search fees of \$449,000, partially offset by decreased salaries and benefits of \$912,000, decreased share-based compensation expense of \$245,000 and decreased rebranding expense of \$260,000. The increase in variable costs was primarily driven by increased variable fulfillment and customer service salaries and wages of \$1.5 million and increased variable credit card processing fees and credit expenses of \$708,000, partially offset by decreased customer services telecommunications service expense of \$1.0 million and decreased Bowling Green rent expense of \$247,000. Total variable expenses during the first six months of fiscal 2016 were approximately 9.8% of total net sales versus 9.6% of total net sales for the prior year comparable period. The increase in variable expenses as a percentage of net sales during the first six months of fiscal 2016 was primarily due to a 5% increase in net shipped units compared with a 1% increase in consolidated net sales and the decline in our average selling price during the first six months.

To the extent that our average selling price continues to decline, our variable expense as a percentage of net sales could continue to increase as the number of our shipped units increase. Program distribution expense is primarily a fixed cost per household, however, this expense may be impacted by growth in the number of average homes or channels reached or by rate changes associated with improvements in our channel position.

General and administrative expense for the fiscal 2016 second quarter decreased \$513,000, or 8% to approximately \$5.9 million or 3.7% of net sales, compared to \$6.4 million or 4.0% of net sales for the comparable prior year fiscal quarter. General and administrative expense decreased during the second quarter primarily driven by a decrease in costs incurred for the implementation of our Shareholder Rights Plan of \$364,000 and decreased share-based compensation expense of \$221,000. For the six months ended July 30, 2016, general and administrative expense decreased \$456,000, or 4% to approximately \$11.6 million or 3.6% of net sales, compared to \$12.1 million or 3.8% of net sales for the comparable prior year fiscal period. For the six months ended July 30, 2016, general and administrative expense decreased primarily as a result of decreased share-based compensation expense of \$496,000, a decrease in costs incurred for the implementation of our Shareholder Rights Plan of \$364,000 and decreased rebranding expense of \$115,000, partially offset by an increase in salary and accrued incentive compensation of \$593,000.

Depreciation and amortization expense for the fiscal 2016 second quarter was approximately \$2.0 million compared to \$2.1 million for the comparable prior year period, representing a decrease of \$130,000 or 6%. Depreciation and amortization expense as a percentage of net sales for the three-month periods ended July 30, 2016 and August 1, 2015 was 1.3%. The decrease in the quarterly depreciation and amortization expense was primarily due to decreased depreciation expense of \$136,000 as a result of a reduction in our non-fulfillment depreciable asset base year over year, partially offset by increased amortization expense related to the trademark and brand name intangible asset, "EVINE Live", of \$6,000. Depreciation and amortization expense for the six months ended July 30, 2016 was approximately \$4.1 million compared to \$4.2 million for the comparable prior year period, representing a decrease of \$154,000 or 4%. Depreciation and amortization expense as a percentage of net sales for the six month periods ended July 30, 2016 and August 1, 2015 was 1.3%. The marginal decrease in the year to date depreciation and amortization expense was primarily due to decreased depreciation expense of \$173,000 as a result of a reduction in our non-fulfillment depreciable asset base year over year, partially offset by increased amortization expense related to the trademark and brand name intangible asset, "EVINE Live", of \$18,000.

### ***Operating Loss***

For the fiscal 2016 second quarter, we reported an operating loss of approximately \$174,000 compared to an operating loss of \$2.2 million for the fiscal 2015 second quarter, an operating loss reduction of \$2.0 million. For the six months ended July 30, 2016 we reported an operating loss of \$3.7 million compared to an operating loss of \$6.1 million for the comparable prior year period, representing a decrease of \$2.4 million. For the second quarter and first six months of fiscal 2016, our operating loss

improved primarily as a result of increased gross profit and decreases in general and administrative, depreciation and amortization and distribution facility consolidation and technology upgrade costs, partially offset by increases in distribution and selling and executive and management transition costs (as noted above).

#### ***Net Loss***

For the fiscal 2016 second quarter, we reported a net loss of approximately \$2.0 million or \$0.03 per share on 57,258,672 weighted average basic common shares outstanding compared with a net loss of \$3.0 million or \$0.05 per share on 57,092,654 weighted average basic common shares outstanding in the fiscal 2015 second quarter. For the first six months of fiscal 2016, we reported a net loss of approximately \$6.9 million or \$0.12 per share on 57,219,914 weighted average basic common shares outstanding compared with a net loss of \$7.8 million or \$0.14 per share on 56,866,711 weighted average basic common shares outstanding in the first six months of fiscal 2015. Net loss for the second quarter of fiscal 2016 includes executive and management transition costs of \$242,000, distribution facility consolidation and technology upgrade costs of \$300,000, and interest expense of \$1.6 million. Net loss for the second quarter of fiscal 2015 includes distribution facility consolidation and technology upgrade costs of \$972,000, executive and management transition costs of \$205,000 and interest expense of \$669,000.

Net loss for the first six months of fiscal 2016 includes executive and management transition costs of \$3.8 million, distribution facility consolidation and technology upgrade costs of \$380,000, and interest expense of \$2.8 million, offset by interest income totaling \$4,000 earned on our cash. Net loss for the first six months of fiscal 2015 includes executive and management transition costs of \$2.8 million, distribution facility consolidation and technology upgrade costs of \$972,000 and interest expense of \$1.3 million, partially offset by interest income totaling \$4,000 earned on our cash.

For the second quarter and first six months of fiscal 2016, net loss reflects an income tax provision of \$205,000 and \$410,000, respectively. The fiscal 2016 second quarter and first half tax provision included a non-cash expense charge of approximately \$198,000 and \$395,000, respectively, relating to changes in our long-term deferred tax liability related to the tax amortization of our indefinite-lived intangible FCC license asset that is not available to offset existing deferred tax assets in determining changes to our income tax valuation allowance. As we continue to amortize the carrying value of our indefinite-lived intangible asset for tax purposes, we expect to record additional non-cash income tax expense of approximately \$394,000 over the remainder of fiscal 2016.

For the second quarter and first six months of fiscal 2015, net loss reflects an income tax provision of \$205,000 and \$410,000, respectively, which included a non-cash expense charge of \$197,000 and \$394,000, respectively, relating to changes in our long-term deferred tax liability related to the tax amortization of our indefinite-lived intangible FCC license asset as discussed above.

We have not recorded any income tax benefit on previously recorded net losses 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 carry-forwards, until we believe it is more likely than not that these assets will be realized in the future.

#### ***Adjusted EBITDA Reconciliation***

Adjusted EBITDA (as defined below) for the fiscal 2016 second quarter was \$3.8 million compared with Adjusted EBITDA of \$2.5 million for the fiscal 2015 second quarter. For the six-months ended July 30, 2016, Adjusted EBITDA was \$7.3 million compared with Adjusted EBITDA of \$4.1 million for the comparable prior year period.

A reconciliation of Adjusted EBITDA to its comparable GAAP measurement, net loss, follows, in thousands:

	For the Three-Month		For the Six-Month	
	Periods Ended		Periods Ended	
	July 30, 2016	August 1, 2015	July 30, 2016	August 1, 2015
<b>Adjusted EBITDA (a)</b>	\$ 3,836	\$ 2,532	\$ 7,261	\$ 4,111
Less:				
Executive and management transition costs	(242)	(205)	(3,843)	(2,795)
Distribution facility consolidation and technology upgrade costs	(300)	(972)	(380)	(972)
Shareholder Rights Plan costs	—	(364)	—	(364)
Non-cash share-based compensation expense	(398)	(768)	(635)	(1,376)
<b>EBITDA (as defined)</b>	<u>\$ 2,896</u>	<u>\$ 223</u>	<u>\$ 2,403</u>	<u>\$ (1,396)</u>
A reconciliation of EBITDA to net loss is as follows:				
EBITDA (as defined)	\$ 2,896	\$ 223	\$ 2,403	\$ (1,396)
Adjustments:				
Depreciation and amortization	(3,070)	(2,399)	(6,111)	(4,707)
Interest income	2	2	4	4
Interest expense	(1,606)	(669)	(2,811)	(1,267)
Income taxes	(205)	(205)	(410)	(410)
<b>Net loss</b>	<u>\$ (1,983)</u>	<u>\$ (3,048)</u>	<u>\$ (6,925)</u>	<u>\$ (7,776)</u>

(a) EBITDA as defined for this statistical presentation represents net 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), executive and management transition costs, distribution facility consolidation and technology upgrade costs, Shareholder Rights Plan costs and non-cash share-based compensation expense.

We have included the term "Adjusted EBITDA" in our EBITDA reconciliation in order to adequately assess the operating performance of our television and online 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 more 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, net income 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 the same or similarly entitled measures reported by other companies.

### Seasonality

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. Additionally, our television audience (and therefore sales revenue) can be significantly impacted by major world or domestic events which attract television viewership and divert audience attention away from our programming.

### Critical Accounting Policies and Estimates

A discussion of the critical accounting policies related to accounting estimates and assumptions are discussed in detail in our fiscal 2015 annual report on Form 10-K under the caption entitled "Critical Accounting Policies and Estimates."

### Recently Issued Accounting Pronouncements

See Note 2 of Notes to Condensed Consolidated Financial Statements.

## **Financial Condition, Liquidity and Capital Resources**

As of July 30, 2016, we had cash of \$39.6 million and had restricted cash and investments of \$450,000. Our restricted cash and investments are generally restricted for a period ranging from 30-60 days. In addition, under the PNC Credit Facility and GACP Credit Agreement, we are required to maintain a minimum of \$10 million of unrestricted cash and unused line availability at all times. As our unused line availability is greater than \$10 million at July 30, 2016, no additional cash is required to be restricted. As of January 30, 2016, we had cash of \$11.9 million and had restricted cash and investments of \$450,000. For the first six months of fiscal 2016, working capital increased \$9.8 million to \$93.5 million. Our current ratio (our total current assets over total current liabilities) was 1.9 at July 30, 2016 and 1.7 at January 30, 2016.

### ***Sources of Liquidity***

Our principal source of liquidity is our available cash of \$39.6 million as of July 30, 2016, which 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 on March 10, 2016, 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 The Private Bank as part of the facility, provides a revolving line of credit of \$90.0 million and provides for a \$15.0 million term loan on which we have drawn to fund improvements at our distribution facility in Bowling Green, Kentucky. 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 \$25.0 million at the discretion of the lenders and upon certain conditions being met.

All borrowings under the PNC Credit Facility mature and are payable on May 1, 2020. 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. Maximum borrowings and available capacity under the revolving line of credit under the PNC Credit Facility are equal to the lesser of \$90.0 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 LIBOR plus a margin of between 3% and 4.5% based on our trailing twelve-month reported EBITDA (as defined in the Credit Facility) measured quarterly in fiscal 2016 and semi-annually thereafter as demonstrated in our financial statements. The term loan bears interest at either a LIBOR rate or a base rate plus a margin consisting of between 4% and 5% on base rate loans and 5% to 6% on LIBOR rate loans based on our leverage ratio as demonstrated in our audited financial statements.

As of July 30, 2016, the Company had borrowings of \$59.9 million under its revolving line of credit. As of July 30, 2016, the term loan under the PNC Credit Facility had \$11.7 million outstanding and was used to fund our expansion initiative of which \$2.1 million was classified as current in the accompanying balance sheet. Remaining available capacity under the revolving credit facility as of July 30, 2016 was approximately \$11.1 million, and provides liquidity for working capital and general corporate purposes. In addition, as of July 30, 2016, our unrestricted cash plus facility availability was \$50.7 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.

Principal borrowings under the term loan are to be payable in monthly installments over an 84 month amortization period commencing on January 1, 2015 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 starting in the current fiscal year ending January 30, 2016 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 contains customary covenants and conditions, including, among other things, maintaining a minimum of unrestricted cash plus facility 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 facility availability falls below \$18.0 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.

#### **GACP Term Loan**

On March 10, 2016, we entered into a term loan credit and security agreement (the "GACP Credit Agreement") with GACP Finance Co., LLC ("GACP") for a term loan of \$17 million. Proceeds from the GACP Term Loan will be used for working capital and general corporate purposes and to help strengthen our total liquidity position. The term loan under the GACP Credit Agreement

(the "GACP Term Loan") is secured on a first lien priority basis by the proceeds of any sale of our Boston television station FCC license and on a second lien priority basis by our accounts receivable, equipment, inventory and certain real estate as well as other assets as described in the GACP Credit Agreement. The GACP Credit Agreement matures on March 9, 2021. The GACP Term Loan bears interest at either (i) a fixed rate based on the greater of LIBOR for interest periods of one, two or three months or 1% plus a margin of 11.0%, or (ii) a daily floating Alternate Base Rate plus a margin of 10.0%. Principal borrowings under the GACP Term Loan are to be payable in consecutive monthly installments of \$70,833 each, commencing on April 1, 2016, with a final installment due at the end of the five-year term equal to the aggregate principal amount of all loans outstanding on such date. The GACP Term Loan is also subject to mandatory prepayment in certain circumstances, including, but without limitation, from the proceeds of the sale of collateral assets and from 50% of annual excess cash flow as defined in the GACP Credit Agreement.

The GACP Credit Agreement contains customary covenants and conditions, which are consistent with the covenants and conditions under the PNC Credit Agreement, including, among other things, maintaining a minimum of unrestricted cash plus revolving line of credit availability under the PNC Credit Facility of \$10.0 million at all times and limiting annual capital expenditures. Certain financial covenants, including minimum EBITDA levels (as defined in the GACP Credit Agreement) and a minimum fixed charge coverage ratio of 1.1 to 1.0, become applicable only if unrestricted cash plus revolving line of credit availability under the PNC Credit Facility falls below \$18 million. In addition, the GACP Credit Agreement 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.

#### Other

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 accounts receivable growth through the use of our ValuePay installment program in support of sales growth, 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. Our ValuePay installment program entitles customers to purchase merchandise and generally make payments in two or more equal monthly credit card installments. 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.

During fiscal 2014, we began a significant operational expansion initiative with respect to overall warehousing capacity and new equipment and system technology upgrades at our Bowling Green, Kentucky distribution facility. During the first quarter of fiscal 2015 the new building was substantially completed and we expanded our 262,000 square foot facility to an approximately 600,000 square foot facility. Subsequently, during the second quarter of fiscal 2015, we completed the building expansion and moved out of our expired leased satellite warehouse space. The updated facilities and technology upgrade includes a new high-speed parcel shipping and item sortation system coupled with a new warehouse management system to support our increased level of shipments and a new call center facility to better serve our customers. The new sortation and warehouse management system were phased into production through the first half of fiscal 2016. The total cost of the physical building expansion, new sortation equipment and call center facility was approximately \$25 million and was financed with our expanded PNC revolving line of credit and a \$15 million PNC term loan.

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 facilities. We believe that our existing cash balances will be sufficient to maintain liquidity to fund our normal business operations over the next twelve months. As of January 30, 2016 we had contractual cash obligations and commitments, primarily with respect to our cable and satellite agreements and payments required under our PNC Credit Facility and operating leases, totaling approximately \$330.0 million over the next five fiscal years.

For the six months ended July 30, 2016, net cash provided by operating activities totaled approximately \$17.5 million compared to net cash used for operating activities of approximately \$562,000 for the comparable fiscal 2015 period. Net cash provided by (used for) operating activities for the fiscal 2016 and 2015 periods reflects net loss, as adjusted for depreciation and

amortization, share-based payment compensation, deferred taxes and the amortization of deferred revenue and deferred financing costs. In addition, net cash provided by operating activities for the six months ended July 30, 2016 reflects a decrease in accounts receivable and inventory, partially offset by a decrease in accounts payable and accrued liabilities and an increase in prepaid expenses.

Accounts receivable decreased as a result of collections made on outstanding receivables balances resulting from our seasonal high fourth quarter. Inventories decreased as a result of disciplined management of overall working capital components commensurate with sales. Accounts payable and accrued liabilities decreased during the first six months of fiscal 2016 primarily driven by a decrease in accrued inventory due to lower inventory levels and the timing of payments to vendors, partially offset by an increase in accrued cable distribution fees and accrued incentive compensation.

Net cash used for investing activities totaled approximately \$3.9 million for the first six months of fiscal 2016 compared to net cash used for investing activities of \$13.6 million for the comparable fiscal 2015 period. For the six months ended July 30, 2016 and August 1, 2015, expenditures for property and equipment were approximately \$3.9 million and \$13.6 million, respectively. The decrease in the capital expenditures from fiscal 2015 to fiscal 2016 primarily relates to expenditures totaling \$6.4 million made during the first half of fiscal 2015 in connection with our distribution facility expansion. Additional capital expenditures made during the periods presented relate primarily to expenditures made for 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 and digitalization of television production and transmission equipment; and related computer equipment associated with the expansion of our television shopping business and digital commerce initiatives.

Net cash provided by financing activities totaled approximately \$14.2 million for the six months ended July 30, 2016 and related primarily to proceeds from the GACP term loan of \$17.0 million, partially offset by payments for deferred financing costs of \$1.4 million, principal payments on the term loans of \$1.4 million and capital lease payments of \$27,000. Net cash provided by financing activities totaled \$8.4 million for the six months ended August 1, 2015 and related primarily to proceeds from the revolving loan under the PNC Credit Facility of \$4.3 million, proceeds from the term loan under the PNC Credit Facility of \$2.8 million and proceeds from the exercise of stock options of \$2.5 million, partially offset by payments on the term loan of \$1.0 million, payments for deferred financing costs of \$186,000 and capital lease payments of \$27,000.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We do not enter into financial instruments for trading or speculative purposes and do not currently utilize derivative financial instruments as a hedge to offset market risk. Our operations are conducted primarily in the United States and are not subject to foreign currency exchange rate risk. Some of our products are sourced internationally and may fluctuate in cost as a result of foreign currency swings; however, we believe these fluctuations have not been significant. Our credit facilities have exposure to interest rate risk; changes in market interest rates could impact the level of interest expense and income earned on our cash portfolio.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

As of the end of the period covered by this report, management conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC'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.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

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

**ITEM 1A. RISK FACTORS**

See Part I. Item 1A., "Risk Factors," of EVINE Live Inc.'s Annual Report on Form 10-K for the year ended January 30, 2016, for a detailed discussion of the risk factors affecting the Company. There have been no material changes from the risk factors described in the annual report with the exception of the item noted below.

*We may be subject to product liability claims if people or properties are harmed by products sold by us, or we may be subject to voluntary or involuntary product recalls.*

Products sold 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. There can be no assurance that we will maintain this coverage or obtain additional coverage on acceptable terms, or that this insurance will provide adequate coverage against all potential claims or even be available with respect to any particular claim. There also can be no assurance that our suppliers will continue to maintain this insurance or that this coverage will be adequate or available with respect to any particular claims. We also require that our vendors fully indemnify us for such claims. 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 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.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****(c) Issuer Purchases of Equity Securities**

The following table presents information with respect to purchases of common stock of the Company made during the three months ended July 30, 2016, by the Company or on behalf of the Company or any "affiliated purchaser" of the Company, as defined in Rule 10b-18(a)(3) under the Exchange Act.

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share (1)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs</b>
May 1, 2016 through May 28, 2016	803	\$ 1.54	—	\$ —
May 29, 2016 through July 2, 2016	—	N/A	—	\$ —
July 3, 2016 through July 30, 2016	—	N/A	—	\$ —
Total	803	\$ 1.54	—	\$ —

(1) The purchases in this column include 803 shares that were repurchased by the Company to satisfy tax withholding obligations related to the vesting of restricted stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The exhibits filed with this Quarterly Report on Form 10-Q are set forth on the Exhibit Index filed as a part of this report beginning immediately following the signatures.

**SIGNATURES**

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

**EVINE Live Inc.**

August 26, 2016

/s/ ROBERT ROSENBLATT

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Robert Rosenblatt  
Chief Executive Officer  
(Principal Executive Officer)

August 26, 2016

/s/ TIMOTHY A. PETERMAN

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Timothy A. Peterman  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer)

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>	<b>Manner of Filing</b>
3.1	Amended and Restated Articles of Incorporation of the Registrant	Incorporated by reference (1)
3.2	Amended and Restated By-Laws, as amended	Incorporated by reference (2)
3.3	Certificate of Designation of Series A Junior Participating Cumulative Preferred Stock of the Registrant	Incorporated by reference (3)
10.1	Executives' Severance Benefit Plan	Incorporated by reference (4)†
10.2	Form of Restricted Stock Award Agreement under 2011 Omnibus Stock Plan	Filed herewith †
10.3	Executive Employment Agreement by and between the Registrant and Robert Rosenblatt dated August 18, 2016	Incorporated by reference (5)†
31.1	Certification	Filed herewith
31.2	Certification	Filed herewith
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	XBRL Instance 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

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† Management compensatory plan/arrangement.

- (1) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on November 18, 2014, File No. 000-20243.  
(2) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on July 7, 2016, File No. 001-37495.  
(3) Incorporated herein by reference to the Registrant's Current Report on Form 8-K filed on July 13, 2015, File No. 000-20243.  
(4) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on July 27, 2016, File No. 001-37495.  
(5) Incorporated herein by reference to the Registrant's Current Report on Form 8-K, filed on August 24, 2016, File No. 001-37495.

EVINE LIVE INC.

**Restricted Stock Award Agreement  
Under the 2011 Omnibus Incentive Plan**

EVINE Live Inc. (the "Company"), pursuant to its 2011 Omnibus Incentive Plan (the "Plan"), hereby grants to you, the Grantee named below, the number of shares of the Company's common stock set forth in the table below (the "Restricted Shares"). This Award of Restricted Shares ("Restricted Stock Award") shall be subject to the terms and conditions set forth in this Agreement, consisting of this cover page and the Restricted Stock Terms and Conditions on the following pages, and in the attached Plan document. Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

Name of Grantee:	
No. of Shares Granted:	Grant Date:
Vesting Schedule:	
<u>Dates</u>	<u>Number of Shares as to Which the Award Vests</u>
<Grant Date>	[ ]
Date Average Closing Price equals or exceeds \$___ following <First Anniversary of Grant Date>, as further explained below*	[ ]
Date Average Closing Price equals or exceeds \$___ following <Second Anniversary of Grant Date>, as further explained below *	[ ]

\*The restricted stock grant shall vest \_\_\_\_\_ upon the Effective Date, \_\_\_\_\_ when the per-share closing price of the Company's common stock reaches or exceeds an average trading price of \$\_\_ for twenty consecutive trading days and Executive has been continuously employed for at least one year from the Effective Date, and the remaining shares when the per-share closing price of the Company's stock reaches or exceeds an average trading price of \$\_\_ for twenty consecutive trading days and Executive has been continuously employed for at least two years after the Effective Date.

By signing below or otherwise evidencing your acceptance of this Agreement in a manner approved by the Company, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have reviewed these documents and that they set forth the entire agreement between you and the Company regarding your rights and obligations in connection with this Restricted Stock Award.

GRANTEE: EVINE LIVE INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EVINE Live Inc.**  
**2011 Omnibus Incentive Plan**  
**Restricted Stock Award Agreement**

**Restricted Stock Terms and Conditions**

1. **Award of Restricted Stock** . The Company hereby confirms the grant to you, as of the Grant Date, of the number of Restricted Shares identified on the cover page of this Agreement, subject to the restrictions and other terms and conditions set forth herein and in the Plan.
  2. **Delivery of Restricted Shares** . As soon as practicable after the Grant Date, the Company will issue one or more certificates for, or cause its transfer agent to maintain a book entry account reflecting the issuance of, the Restricted Shares in your name. The Secretary of the Company, or the Company's transfer agent, will hold the certificates for the Restricted Shares, or cause such Restricted Shares to be maintained as restricted shares in a book entry account, until the Restricted Shares either vest as provided in Section 4 or are forfeited as provided in Section 6. Any certificate(s) issued for Restricted Shares will bear an appropriate legend referring to the restricted nature of the Restricted Shares evidenced thereby, and any book entry accounts that reflect the issuance of such Restricted Shares will be accompanied by a comparable notation regarding applicable restrictions. Your right to receive this Restricted Stock Award is conditioned upon your execution and delivery to the Company of all stock powers or other instruments of assignment that may be necessary to permit transfer to the Company of all or a portion of the Restricted Shares if such Restricted Shares are forfeited in whole or in part.
  3. **Applicable Restrictions** .
    - (a) Beginning on the Grant Date, you shall have all rights and privileges of a stockholder of the Company with respect to the Restricted Shares except as follows (the "Restrictions"):
      - (i) dividends and other distributions declared and paid with respect to the Restricted Shares before they vest shall be subject to Paragraph 3(c);
      - (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of before they vest other than a transfer upon your death in accordance with your will, by the laws of descent and distribution or pursuant to a beneficiary designation submitted in accordance with Section 6(d) of the Plan; and
      - (iii) all or a portion of the Restricted Shares may be forfeited in accordance with Section 6.
    - (b) Any attempt to dispose of Restricted Shares in a manner contrary to the Restrictions shall be void and of no effect.
    - (c) If the Company declares and pays a dividend or other distribution on its common stock, the Company shall retain custody of all such dividends and distributions made or declared with respect to any unvested Restricted Shares. The Company shall not be required to segregate any such retained dividends or distributions. At the time Restricted Shares vest, the Company shall pay to you (without interest) the portion of such retained dividends and distributions that relate to the Restricted Shares that vest.
  4. **Vesting Schedule** . The Restrictions will lapse and the Restricted Shares will vest and become non-forfeitable, in the amounts and on the dates specified in the Vesting Schedule on the cover page to this Agreement, so long as your Service to the Company and its Affiliates has not previously ended. The vesting of the Restricted Shares may be accelerated under the circumstances described in Section 12 of the Plan, and at the discretion of the Committee in accordance with Section 3(b)(2) of the Plan, except as otherwise provided for in the Employment Agreement.
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5. **Release of Unrestricted Shares**. Upon the vesting of Restricted Shares and the corresponding lapse of the Restrictions, and after the Company has determined that all conditions to the release of unrestricted Shares, including Section 8 of this Agreement, have been satisfied, it shall release to you the unrestricted Shares, as evidenced by issuance of a stock certificate without restrictive legend, by electronic delivery of such Shares to a brokerage account designated by you, or by an unrestricted book-entry registration of such Shares with the Company's transfer agent.
6. **Termination of Service**. If your Service to the Company and its Affiliates is terminated before all of the Restricted Shares have vested, you will immediately forfeit all unvested Restricted Shares, which shall be returned to the Company, except as otherwise provided for in the Employment Agreement.
7. **83(b) Election**. You may make and file with the Internal Revenue Service an election under Section 83(b) of the Code with respect to the grant of the Restricted Shares hereunder, electing to include in your gross income as of the Grant Date the Fair Market Value of the Restricted Shares as of the Grant Date. You shall promptly provide a copy of such election to the Company. If you make and file such an election, you shall make such arrangements in accordance with Section 8 as are satisfactory to the Committee to provide for the timely payment of all applicable withholding taxes.
8. **Withholding Taxes**. You hereby authorize the Company (or any Affiliate) to withhold from payroll or other amounts payable to you any sums required to satisfy any federal, state, local or foreign withholding taxes that may be due as a result of the receipt or vesting of Restricted Shares, and the Company may defer the release to you of any and all unrestricted Shares until you have made arrangements acceptable to the Company for payment of all such withholding taxes in accordance with the provisions of Section 14 of the Plan. If you wish to satisfy some or all of such withholding tax obligations by delivering Shares you already own or by having the Company retain a portion of the unrestricted Shares that would otherwise be released to you, you must make such a request which shall be subject to approval by the Company.
9. **Governing Plan Document**. This Agreement and the Restricted Stock Award are subject to all the provisions of the Plan, and to all interpretations, rules and regulations which may, from time to time, be adopted and promulgated by the Committee pursuant to the Plan. If there is any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan will govern.
12. **Choice of Law**. This Agreement will be interpreted and enforced under the laws of the state of Minnesota (without regard to its conflicts or choice of law principles).
13. **Binding Effect**. This Agreement will be binding in all respects on your heirs, representatives, successors and assigns, and on the successors and assigns of the Company.
14. **Discontinuance of Service**. This Agreement does not give you a right to continued Service with the Company or any Affiliate, and the Company or any such Affiliate may terminate your Service at any time and otherwise deal with you without regard to the effect it may have upon you under this Agreement.
15. **Notices**. Every notice or other communication relating to this Agreement shall be in writing and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided. Unless and until some other address is so designated, all notices or communications by you to the Company shall be mailed or delivered to the Company at its office at 6740 Shady Oak Road, Eden Prairie, MN 55344, fax 952-943-6111, and all notices or communications by the Company to you may be given to you personally or may be mailed to you at the address indicated in the Company's records as your most recent mailing address.

***By signing the cover page of this Agreement or otherwise accepting this Award in a manner approved by the Company, you agree to all the terms and conditions contained in this Agreement and in the Plan document.***

## CERTIFICATION

I, Robert Rosenblatt, certify that:

1. I have reviewed this report on Form 10-Q of EVINE Live 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: August 26, 2016

/s/ Robert Rosenblatt

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Robert Rosenblatt

Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATION

I, Timothy Peterman, certify that:

1. I have reviewed this report on Form 10-Q of EVINE Live 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: August 26, 2016

/s/ Timothy Peterman

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Timothy Peterman

Executive Vice President and 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 Quarterly Report on Form 10-Q of EVINE Live Inc., a Minnesota corporation (the "Company"), for the quarter ended July 30, 2016, 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: August 26, 2016

*/s/ Robert Rosenblatt*

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Robert Rosenblatt  
Chief Executive Officer

Date: August 26, 2016

*/s/ Timothy Peterman*

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Timothy Peterman  
Executive Vice President and Chief Financial Officer