FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-04-20** | Period of Report: **1994-01-31**
SEC Accession No. 0000950115-94-000102

FILER

QVC NETWORK INC

CIK:**797565**| IRS No.: **232414041** | State of Incorp.:**DE** | Fiscal Year End: **0131**
Type: **10-K** | Act: **34** | File No.: **000-14999** | Film No.: **94523351**
SIC: **5961** Catalog & mail-order houses

Business Address
GOSHEN CORPORATE PARK
WEST CHESTER PA 19380
2154301000

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED JANUARY 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 0-14999

QVC NETWORK, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C>

DELAWARE	23-2414041
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</TABLE>

<TABLE>
<S> <C>

GOSHEN CORPORATE PARK WEST CHESTER, PENNSYLVANIA	19380
(Address of principal executive offices)	(Zip Code)

</TABLE>

Registrant's telephone number, including area code: (610) 430-1000

Securities registered pursuant to Section 12(b) of the Act: None

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

COMMON STOCK
(Title of class)

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 and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

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

The aggregate market value of voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold as of the close of trading on March 31, 1994, was $839,806,539.

The number of shares outstanding of the registrant's Common Stock (net of shares held in treasury), as of March 31, 1994 was:

Common Stock ($.01 par value) -- 39,904,097 shares

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant's definitive proxy statement in connection with the 1994 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission (the 'Commission') within 120 days after the end of the fiscal year ended January 31, 1994, is incorporated by reference in Part III of the Annual

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PART I

ITEM 1 -- BUSINESS

QVC Network, Inc. ('QVC,' 'QVC, Inc.,' or the 'Company,' which terms, as used herein, include its consolidated subsidiaries unless the context indicates otherwise) is a Delaware corporation with principal and executive offices at Goshen Corporate Park, West Chester, Pennsylvania, 19380, telephone (610) 430-1000. The Company was incorporated on June 13, 1986.

RECENT DEVELOPMENTS

On September 20, 1993, the Company made a letter proposal to Paramount Communications Inc. ('Paramount') to combine Paramount and QVC in a cash and stock-for-stock exchange. On October 27, 1993, the Company commenced a cash tender offer for 51% of the outstanding common shares of Paramount, at a price of $80 per share. If QVC's tender offer was successful, the Company then planned to begin a second-step merger under which each remaining Paramount share would be exchanged for QVC Common Stock. Viacom Inc. ('Viacom'), which had previously made a proposal to Paramount to combine Paramount and Viacom in a cash and stock-for-stock exchange, announced a matching cash tender offer for 51% of the outstanding common shares of Paramount, at a price of $80 per share. On or about November 6, 1993, Viacom increased to $85 per share its cash tender offer for 51% of the outstanding common shares of Paramount. On November 12, 1993, the Company announced an increase to $90 per share of its cash tender offer for 51% of the outstanding common shares of Paramount. Each increased cash bid was accompanied by a revised mixture of the securities to be issued in exchange for each remaining Paramount share in the proposed second-step merger. The Company and Viacom extended the initial expiration dates of their tender offers until December 1, 1993, and November 24, 1993, respectively.

On November 24, 1993, the Court of Chancery of the State of Delaware in and for New Castle County (the 'Delaware Chancery Court') granted the Company's motion for preliminary injunction, thereby preventing Viacom from completing its tender offer on that date. The Company had commenced a legal action on October 21, 1993, against Viacom, Paramount and certain Paramount directors, seeking to compel Paramount's Board of Directors to give QVC's proposed merger with Paramount equal consideration with Viacom's proposed merger with Paramount. See 'ITEM 3 -- LEGAL PROCEEDINGS.' On appeal by Paramount and Viacom, the Supreme Court of the State of Delaware (the 'Delaware Supreme Court'), on December 9, 1993, upheld the lower court's injunction order.

On December 23, 1993, the Company announced an increase to $92 per share of its cash tender offer for 50.1% of the outstanding common shares of Paramount. QVC's further amended tender offer was due to expire on January 7, 1994. On or about January 7, 1994, Viacom increased to $107 per share its cash tender offer

for 50.1% of the outstanding common shares of Paramount. On February 1, 1994, the Company announced an increase to $104 per share of its cash tender offer for 50.1% of the outstanding common shares of Paramount. Each increased cash bid was accompanied by a revised mixture of the securities to be issued in exchange for each remaining Paramount share in the proposed second-step merger. The expiration date (as extended) for each party's final tender offer was February 14, 1994.

On February 15, 1994, the Company had not received the minimum condition in its tender offer for 50.1% of the outstanding common stock of Paramount as of the expiration of its tender offer. Upon Paramount informing the Company that Viacom had received the minimum condition in its tender offer prior to the expiration date, had taken the action required by its merger agreement with Paramount and had delivered to Paramount a completion certificate pursuant to its bidding procedures, the Company, pursuant to its obligations under the QVC-Paramount Exemption Agreement, terminated its own tender offer. The heretofore described proposed mergers and tender offers for Paramount gave rise to litigation. For a description of the litigation involving the Company, Paramount and Viacom, see 'ITEM 3 -- LEGAL PROCEEDINGS.'

In connection with the financing of the Company's proposed acquisition of Paramount, the Company and BellSouth Corporation ('BellSouth') entered into a Memorandum of Understanding, dated as of November 11, 1993, pursuant to which, among other things, if the Company's efforts to acquire Paramount were terminated or abandoned, BellSouth would have an option to purchase directly from the Company, during the six-month period following such termination or abandonment, 8,627,934 shares of Common Stock of the Company for an aggregate purchase price of $517,676,040. The Company also entered into a Commitment Letter, dated November 11, 1993, with Comcast Corporation ('Comcast'), Cox Enterprises, Inc. ('Cox') and Advance Publications, Inc., ('Advance'), pursuant to which, among other things, if the Company terminated or abandoned its interest in pursuing the acquisition of Paramount, then each of Cox and Advance would be entitled to purchase 2,833,333 shares of QVC Common Stock for an aggregate purchase price of $170,000,000. In accordance with the foregoing terms, the Company, BellSouth, Advance and Cox entered into a Stock Option Agreement, dated as of February 15, 1994, pursuant to which the Company granted to BellSouth, Cox and Advance the above-described options to purchase QVC Common Stock. These options will be exercisable during the period (the 'Option Period') commencing on the date of the Company's public announcement of termination (February 15, 1994) and will end on the later of the date that is (i) August 15, 1994, or (ii) if approval of the stockholders of the Company of the issuance of these options to BellSouth, Advance and Cox is required, ten (10) business days after the stockholders vote with respect to such matter (whether or not such approval is received). The options will be exercisable by BellSouth, Cox and Advance in whole only at any time during the Option Period.

On November 5, 1993, the Company announced that Home Shopping Network, Inc. ('HSN') and the Company agreed to terminate negotiations on a proposed merger of HSN and the Company. The Company had made a letter proposal to HSN on July 12, 1993, to combine HSN and the Company in a stock-for-stock transaction. See 'Competition.' The proposed merger with HSN gave rise to litigation. For a description of the litigation involving the Company and HSN, see 'ITEM 3 -- LEGAL PROCEEDINGS.'

During the fiscal year ended January 31, 1994, the Company formed joint ventures to bring electronic retailing to the United Kingdom and Mexico. In the United Kingdom, 'QVC--The Shopping Channel' was launched on October 1, 1993, by the Company and British Sky Broadcasting Limited ('BSkyB'). British subscribers receive QVC programming 24 hours a day, seven days a week, 364 days a year. In Mexico, 'CVC Telemercado Alameda' (home shopping channel) was launched on November 15, 1993, by the Company and Grupo Televisa, S.A. de C.V. ('Grupo Televisa'). Unlike the QVC programming in the United States, CVC, a Spanish language program, is primarily distributed through broadcast channels (as opposed to cable or satellite).

On February 17, 1994, the Company announced a proposed major corporate restructuring in order to better accommodate the Company's current and future growth. The Company further announced plans, subject to shareholder approval, to change its corporate name to 'QVC, Inc.' and in the interim, that name is used by the Company as a registered trade name. Under the new corporate structure, the Company will provide managerial and financial support for all of the Company's operating groups. Tax planning, bank relationships, financial statement preparation, investor relations and monetary controls, as well as legal services and corporate communications, will all be managed internally. The Company will be the corporate structure to oversee the development of a variety of divisions, all of which will contribute to the previously established goal of creating a multimedia company. The principal operating unit under QVC, Inc. will be QVC-Electronic Retailing. The Company also announced the appointment of Douglas S. Briggs to the new position of President -- QVC Electronic Retailing and the retirement of Michael C. Boyd as President of the Company.

GENERAL

QVC is a nationwide general merchandise retailer, operating as one of the two leading televised shopping retailers in the United States. Through its merchandise-focused television programs (the 'QVC Service'), QVC sells a wide variety of products directly to consumers. The products are

described and demonstrated live by program hosts, and orders are placed directly with QVC by viewers who call a toll-free '800' telephone number. QVC television programming is produced at the Company's facilities and is broadcast nationally via satellite to affiliated local cable system operators ('Program Carriers') who have entered into carriage agreements (the 'Affiliation Agreements') with the Company and who retransmit the QVC programming to their subscribers.

The QVC Service currently reaches approximately 80% of all cable television subscribers in the United States. QVC's main channel (the 'Primary Channel'), as of January 31, 1994, is transmitted live on a 7-day-a-week, 24-hour-a-day basis, to approximately 44 million cable television homes and on a part-time basis to approximately 3 million additional cable television homes. In addition, the QVC Service can be received at any time by approximately 3 million home satellite dish users.

Program Carriers receive monthly cash payments from the Company equal to 5% of the net sales generated from the Program Carriers' respective service areas and, in the past, have been issued substantial equity securities by the Company in return for commitments to carry the QVC Service. QVC has also developed certain incentive programs, including various forms of marketing, launch and equipment purchase support, that are directed toward Program Carriers.

The number of homes receiving the QVC Service has grown from an average of approximately 11 million in fiscal 1987 (the first full year of operations) to an average of approximately 49.3 million in fiscal 1993. In addition, the approximate net sales per Full-Time Equivalent home has increased from $13 in fiscal 1987 to $27 in fiscal 1993. Full-Time Equivalent homes equal the total number of cable homes receiving the QVC Service 24-hours-a-day plus one-third of the part-time cable homes plus one-half of the satellite dish homes. A major portion of the growth in the Company's cable television homes and revenues in fiscal 1989, 1990 and 1991 was due to the Company's acquisition of CVN Companies, Inc. ('CVN') in October 1989. While the Company continues to seek further opportunities to increase the number of subscribers receiving the QVC Service, it is unlikely that the number of subscribers receiving the QVC Service will continue to grow at rates comparable to prior periods. Continued growth in the Company's revenue will increasingly depend on greater penetration (i.e., the addition of new customers from homes already reached by the QVC Service), as well as continued growth in repeat sales to existing customers. To a lesser extent, some revenue growth will be derived from an increase in the number of homes receiving the QVC Service. The historical growth in the Company's revenue and net sales per Full-Time Equivalent subscriber has been achieved over a relatively short operating history. No assurance can be given that continued growth of comparable levels can be achieved or that the Company's historical levels of repeat sales can be maintained.

The QVC program schedule consists of one-hour and multi-hour program segments. Each program segment has a theme devoted to a particular category of product or lifestyle. From time to time, QVC broadcasts special program segments devoted to merchandise associated with a particular celebrity, geographical region or seasonal interest. During both regular and special program segments, program hosts talk to viewers live on the air, and viewers are also given opportunities to win prizes in the form of credits which may be applied toward future purchases. Each QVC product presentation averages approximately five minutes, resulting in approximately 80,000 merchandise presentations annually on the Primary Channel.

The QVC Service provides viewers with the convenience of shopping at home combined with a broad range of products priced to represent good value. QVC selects all products presented on its programs, stocks the merchandise, processes all orders and ships from its own distribution centers. Merchandise offered by QVC includes jewelry, housewares, apparel, electronics, collectibles, toys and cosmetics. During the fiscal year ended January 31, 1994, jewelry accounted for approximately 42% of the Company's sales. Unlike some retailers which focus primarily on national brands, a majority of the Company's revenue is generated from sales of private brand or non-branded products. QVC's use of live television enables program hosts to actively describe and demonstrate QVC's merchandise, which the Company believes is more effective than the static display of products used by traditional retailers and the still photographs used by catalog retailers. In addition, the Company is able to introduce

products on a nationwide basis more quickly than most retailers because the QVC Service is broadcast nationally and customer response is immediate.

During the fiscal year ended January 31, 1994, approximately 89% of all payments for purchases were made with a major credit card or the Company's private label credit card. The Company's policy is to ship merchandise promptly, typically within two to three days after receipt of an order. The Company offers a return policy which permits customers to return within 30 days any merchandise purchased from the Company for a full refund of the purchase price and original shipping charges. During the fiscal year ended January 31, 1994, the Company experienced an average return rate of approximately 21% of gross sales. An integrated data-processing system maintains customer records, controls inventory, facilitates credit checks and payments, and processes customer orders.

CVN, which the Company acquired in October 1989, produced a televised home-shopping program that was transmitted to approximately 23 million cable television subscribers. In March 1990, the CVN program was discontinued and the QVC Service was transmitted in its place on those cable systems not already transmitting the QVC Service to their subscribers. By consolidating the two televised-shopping operations, the Company has been able to achieve certain economies in the combined companies' administrative and service functions, including data processing, merchandising and general corporate functions.

THE QVC SERVICE

The QVC Service is designed to create a friendly sales environment. The Company utilizes a number of sets and props to create settings in keeping with the themes of the various segments. The sets include living room, kitchen, outdoor and multi-purpose sets. Typically, only one product is displayed at a

time. The program host describes the use, quality, features and price of the product. Program host dialogue is relaxed and attempts to avoid high-pressure sales tactics. While the product is being displayed, the retail value or manufacturer's suggested price of the product and the lower price at which a viewer may purchase the product are both shown. From time to time, an introductory or special price may be displayed. The shipping and handling charges are also shown. Viewers place orders to purchase merchandise by calling a toll-free telephone number. The Company maintains approximately 2,300 WATS telephone lines at its Pennsylvania, Virginia and Texas order-taking and customer service facilities. The Company uses automatic call distributing equipment to distribute calls to its operators.

Millions of the cable television subscribers who receive the QVC Service have been sent membership cards and promotional materials. Each person placing an order with the Company is also given a membership number as is each person requesting such a number. Membership numbers are used to speed order-taking and credit authorization.

The Company has experienced greater sales growth in the fashion segment than in most other product categories. Accordingly, in October 1991, the Company introduced The Fashion Channel program on its secondary channel (the 'Secondary Channel'). The Fashion Channel features fashion apparel, jewelry, cosmetics and accessories, and, as of January 31, 1994, is transmitted on a full-time basis to approximately 6.1 million cable television homes and on a part-time basis to an additional 3.7 million cable television homes, nearly all of whom also receive the Primary Channel.

The Company plans to launch a shopping channel, 'Q2,' in late spring, 1994. Q2 will initially begin service on the weekends, targeting busy, active people who want information and products to make the most of their leisure time. Q2 will be a strong editorial authority, featuring experts in each category, with regularly scheduled programs. Q2 is aimed at active men as well as women. Products will be offered in seven categories: sports, health and beauty, family life, the home, entertainment, style, and travel. Over 32 million homes will be able to receive Q2 under the terms of pre-existing carriages commitments, current carriage and new contracts with cable television system operators. Approximately half of these homes are expected to get Q2 by the end of 1994 and a large majority will receive the service by the end of 1996.

The Company also plans to launch 'On Q.' Initially running during weekdays, On Q will focus on current trends. In addition to adult and children's clothing, On Q will also offer accessories, jewelry and cosmetics. On Q will feature current designers, affordable and disposable clothes, and cutting edge products.

Q2 and On Q will replace The Fashion Channel on the Secondary Channel.

During the fiscal year ended January 31, 1994, approximately 3.7 million viewers made purchases from QVC, of which approximately 2.1 million made multiple purchases.

During the fiscal year ended January 31, 1994, the Company launched two

international shopping channels, 'QVC--The Shopping Channel' in the United Kingdom and 'CVC Telemercado Alameda' in Mexico. See 'Recent Developments'.

MARKETING

The QVC Service employs a variety of interrelated techniques for marketing the products sold on the air, including, among others, segmentation, special programming, 'on the air' conversations and games, introductory pricing for new products and different credit plans.

Program Segments. The core of the Primary Channel programming consists of hourly program segments during which merchandise fitting within the theme of the program segment is displayed, described and demonstrated by a program host. Among the more than 100 program segments that regularly appear on the Primary Channel are program segments based on themes such as 'Look your Best,' 'Collector's Corner,' 'Fun and Leisure,' 'Now You're Cooking,' 'Around the House,' 'The QVC Fashion Fair' and 'Make Life Easier.' QVC program segments are generally life-style oriented. QVC informs its viewers of the schedule for particular program segments by publishing a weekly schedule, as well as with cable guide listings and on-air announcements. By providing viewers with a weekly schedule, QVC allows viewers to tune in during program segments of particular interest to them. The weekly schedule also allows viewers the option of videotaping QVC program segments for viewing and shopping at a more convenient time, during which customers may order any item still in stock.

Special Program Segments. The Primary Channel also broadcasts special program segments from time to time as part of its programming schedule. These program segments may be devoted to celebrity marketing, such as 'Baseball Collectibles with Hank Aaron,' 'Joan Rivers Classics Collection' or 'Marie Osmond's Collector Dolls,' or concentrate on a specialized theme, such as 'Back to School Special,' 'The Gold Rush' and 'Gifts for Mother's Day.'

Games and Promotion. During regular and special program segments, in addition to displaying and describing products, program hosts engage in 'on the air' telephone conversations with viewers. For example, from time to time, callers are selected to play a word game in order to win merchandise credits and viewers are encouraged to send in postcards to enter a weekly sweepstakes. The Company believes that 'on the air' conversations and games increase viewer interest in the QVC Service in a cost efficient manner.

Introductory Pricing. Another element of QVC's marketing approach is introductory pricing for new products. Approximately 200 new products are introduced each week on the Primary Channel, many of which are offered to customers at an initial discount to their regular prices to encourage customers to place orders during the introductory period.

Credit Programs. The Company believes that the QVC Easy-Pay Plan and the Company's revolving credit card program, both introduced in 1990, have contributed to the Company's increased sales. The Company offers customers the Easy-Pay Plan option only on selected items. The Easy-Pay Plan permits customers to pay for such selected items in several monthly installments. When the Easy-Pay Plan is selected by the customer, the item purchased is shipped after the first payment is billed to the customer's credit card. The customer's credit card is subsequently billed up to four additional monthly installments until the total purchase price of the product has been received by the Company.

QVC's revolving credit card program permits customers to charge purchases to the Company's own credit card. The accounts receivable from the revolving credit card program are purchased (with recourse) and serviced by an unrelated third party.

PRODUCTS

The Company sells a variety of consumer products and accessories including jewelry, apparel and accessories, housewares, collectibles, electronics, toys and cosmetics. The Company obtains products from domestic and foreign manufacturers and wholesalers and is often able to make purchases on favorable terms based on the volume of the transactions. One of the Company's strategies is to have products produced to its specifications or designed exclusively for sale by the Company. In addition, the Company intends to continue introducing new products and product lines. The Company is not dependent upon any one particular supplier for any significant portion of its inventory. For the fiscal year ended January 31, 1994, jewelry, apparel and accessories, housewares, electronics, collectibles and other products accounted for approximately 42%, 18%, 12%, 9%, 8% and 11%, respectively, of the Company's sales.

DIAMONIQUE

The Company manufactures a proprietary line of simulated gemstone jewelry sold under the trademark 'Diamonique.' For the fiscal year ended January 31,

1994, sales of Diamonique products manufactured by the Company were approximately $59.8 million, or 4.9% of net revenue for such period. Because the Company manufactures Diamonique products, profit margins on that product line are substantially higher than the margins resulting from the sale of the Company's products as a whole.

AGREEMENT WITH JCPENNEY TELEVISION SHOPPING CHANNEL, INC.

On May 16, 1991, the Company and JCPenney Television Shopping Channel, Inc. ('JCPTV') entered into an agreement (the 'JCPenney Agreement') which granted to QVC a renewable one-year license of JCPTV's right to use the cable channel time provided to JCPTV under JCPTV's affiliation agreements with its Program Carriers and terminated a prior arrangement with JCPTV which authorized JCPTV to distribute its programming to Program Carriers under certain of QVC's Affiliation Agreements. As a result of the JCPenney Agreement, the Company acquired the ability to transmit the Primary Channel to 3.5 million additional cable television homes and to transmit the Secondary Channel to 5.9 million cable television homes. In return for the licenses granted under the JCPenney Agreement, QVC is obligated to pay JCPTV a fee based on net sales to subscribers covered by JCPTV's affiliation agreements. The JCPenney Agreement was the subject of litigation, which was settled by the parties in July, 1993. For a description of this litigation, see 'ITEM 3 -- LEGAL PROCEEDINGS.'

The JCPenney Agreement may be terminated by JCPTV upon 60 days' notice prior to each anniversary date and in the event JCPTV sells its interests in the affiliation agreements. Under the JCPenney Agreement, QVC has a right of first refusal to acquire JCPTV's interests in such affiliation agreements, subject to

any rights that may be accorded to Shop Television Network, Inc. ('STN'), either by judicial action or agreement with JCPTV. See 'ITEM 3 -- LEGAL PROCEEDINGS.'

DISTRIBUTION AND DATA PROCESSING

QVC ships merchandise to its customers promptly from its distribution centers at West Chester, Pennsylvania, Lancaster, Pennsylvania and Suffolk, Virginia, typically within two to three working days after receipt of an order for which payment is made by credit card and within two to three working days after receipt of a check for orders paid by check. Delivery is usually made by United Parcel Service or, for certain lightweight packages, by the United States Postal Service. The Company currently ships selected products having a purchase price greater than $200 by Federal Express, with the customer paying only the normal shipping and handling charge. For an additional charge, a

customer may have most other products shipped by Federal Express or United Parcel Service's air service.

The Company has several interconnected computer systems. The input from approximately 880 order entry terminals and approximately 360 customer service terminals in the Pennsylvania, Virginia and Texas facilities is processed by a fault-tolerant Stratus computer system. Purchasing, receiving, inventory management, order fulfillment and financial reporting functions are performed by multi-processor IBM and Teradata computer systems.

QVC SERVICE TRANSMISSION

The QVC Service signal is transmitted via two exclusive, protected, non-preemptible transponders on communications satellites. Each communications satellite has a number of separate transponders. 'Protected' status means that, in the event of transponder failure, QVC's signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same lessor if one is available at the time of the failure. 'Non-preemptible' status means that the transponder cannot be preempted in favor of a user of a 'protected' transponder that has failed. The Company has never had an interruption in programming due to transponder failure and believes that because it has the exclusive use of two protected, non-preemptible transponders, such interruption is unlikely to occur. There can be no assurance, however, that there will not be an interruption or termination of satellite transmission due to transponder failure. Such interruption or termination could have a material adverse effect on QVC.

PROGRAM CARRIERS

QVC's business is highly dependent on its affiliation with Program Carriers for the transmission of the QVC Service to cable television homes.

QVC has entered into Affiliation Agreements with Program Carriers to carry the QVC Service on their cable systems generally as part of the basic cable television service. There are no additional charges to the subscribers for distribution of the QVC Service except in an insignificant number of cases. In

return for carrying the QVC Service on their cable systems, each Program Carrier

receives five percent (5%) of the net sales of merchandise sold to customers located in the Program Carrier's service area. QVC paid commissions to Program Carriers of $9.0 million in the fiscal year ended January 31, 1989, $19.9 million in the fiscal year ended January 31, 1990 (including three months of payments on sales by CVN), $36.0 million in the fiscal year ended January 31, 1991, $46.8 million in the fiscal year ended January 31, 1992, $57.7 million in the fiscal year ended January 31, 1993, and $65.4 million in the fiscal year ended January 31, 1994. If not renewed, Affiliation Agreements (not including JCPTV's affiliation agreements) covering approximately 44% of the homes to which the QVC Service is transmitted will expire by the year 1995, approximately 13% will expire between 1996 and 2000, and the balance will expire between 2001 and 2005. The terms of most Affiliation Agreements are automatically renewable for one-year terms unless terminated by either party on at least 90 days' notice prior to the end of the term. Affiliation Agreements covering most of the Company's cable television homes can be terminated in the sixth year of their respective terms by the Program Carrier unless the Program Carrier earns a specified minimum level of sales commissions. The Company's sales are currently at levels that would meet such minimum requirements. The Affiliation Agreements provide for the Program Carrier to broadcast commercials regarding the QVC Service on other channels and to distribute the Company's advertising material to subscribers.

Renewal of these Affiliation Agreements on favorable terms is dependent upon QVC's ability to negotiate successfully with Program Carriers. The QVC Service competes for cable channels with competitive programming as well as alternative programming supplied by a variety of other well-established sources, including news, public affairs, entertainment and sports programmers. The loss of a significant number of cable television homes because of termination or non-renewal of Affiliation Agreements would have a material adverse effect on the Company. To induce Program Carriers to

enter into or extend Affiliation Agreements or to increase the number of cable television homes under existing Affiliation Agreements, the Company has developed other incentive programs, including various forms of marketing, launch and equipment purchase support, and has in the past issued to Program Carriers substantial equity securities at nominal prices. The Company will attempt to continue to recruit additional Program Carriers and seek to enlarge the audience for the QVC Service.

Program Carriers and their affiliates own in the aggregate almost half of the Company's outstanding Common Stock. Liberty Media Corporation ('Liberty'), Comcast, Time Warner Inc. ('Time Warner'), and their respective affiliates, in addition to being major Program Carriers, are significant shareholders of the Company. In addition, two representatives of Liberty and one representative of Time Warner served on QVC's Board of Directors for part of the fiscal year ended January 31, 1994, and two representatives of Comcast currently serve on QVC's Board of Directors. Moreover, pursuant to a July 16, 1993 Stockholders' Agreement, Liberty and Comcast, together with Mr. Barry Diller, Chairman and Chief Executive Officer of the Company, are part of a group formed to control the future direction of the Company and the scope of its business. Because Program Carriers, in addition to their share ownership, are and will continue to

be the suppliers of an essential service to QVC and thus have contractual and business relationships with QVC, their interests may not always coincide with the interests of other shareholders of the Company.

GOVERNMENT REGULATIONS

The Federal Communications Commission (the 'FCC') does not directly regulate programming services like those offered by the Company, which are provided by means of certain types of satellites such as those used by the Company. The FCC does, however, exercise regulatory authority over the satellites and uplink facilities which transmit programming.

The FCC grants licenses to construct and operate uplink equipment, which transmits signals to satellites. The FCC has granted permanent licenses subject to periodic reviews to the Company for its uplink facilities (and for backup equipment of certain of these facilities) at sufficient power levels for transmission of the QVC Service.

The FCC has jurisdiction over satellite service and facility providers. Regarding the satellites from which the Company obtains transponder capacity, the FCC presently exercises licensing authority but does not regulate the rates, terms or conditions of service provided by these facilities. Pursuant to its residual statutory authority, the FCC could, however, alter the regulatory obligations applicable to satellite service providers.

On October 4, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the 'Cable Act'). Pursuant to the Cable Act, the FCC made a determination that broadcast television stations that are predominantly utilized for the transmission of sales presentations or program length commercials serve the public interest, convenience and necessity and are,

therefore, eligible for mandatory carriage ('must carry') by cable systems. A United States District Court has held that the must carry provisions of the Cable Act are constitutional. This decision has been appealed to the United States Supreme Court. The Company has experienced increased competition on those cable systems that have limited channel capacity as a result of the must-carry legislation.

In accordance with the Cable Act's directive to establish reasonable limits on the number of channels on a cable system that can be occupied by a video programmer in which a cable operator has an attributable interest, the FCC recently adopted vertical ownership restrictions which, effective January 10, 1994, prohibit (subject to certain exemptions) a cable system operator from holding attributable interests in video programmers collectively occupying more than 40% of the channel capacity of its cable system. The restrictions on channel occupancy do not apply to channel capacity in excess of 75 channels. For purposes of calculating the 40% benchmark, the FCC defines 'attributable interest' as it defines the term for purposes of applying its broadcast cross-ownership restrictions.

TRADEMARKS, SERVICE MARKS AND TRADENAMES

The Company has registered its trademarks and service marks and will continue to do so as they are developed or acquired. The Company vigorously protects such marks and believes that there is substantial goodwill associated with them. Among these marks, the most important are the service mark 'QVC' and the trademark 'Diamonique.' However, the Company believes that the loss of either or both of these marks would not have a material adverse effect on the business of QVC.

COMPETITION

The Company operates in a highly competitive environment. As a general merchandise retailer, the Company competes for consumer expenditures and interest with the entire retail industry, including department, discount, warehouse and specialty stores, mail order and other direct sellers, shopping center and mall tenants and conventional free-standing stores, many of which are connected in chain or franchise systems. On television, it is also in competition with other satellite-transmitted programs, especially televised-shopping programs, for channel space and viewer loyalty. The Company believes that most Program Carriers will not be willing to devote more than two channels to televised shopping and may allocate only one until digital compression is utilized on a large-scale basis several years in the future. Many systems have limited channel capacity and may be precluded from adding any new programs at the present time. The development and utilization of digital compression is expected to provide Program Carriers with greater channel capacity thereby increasing the opportunity for the QVC Service, in addition to other home shopping programs, to be broadcast on additional channels.

The Company's principal competition in the televised-shopping field is HSN. The sales of the Company and HSN, when added together, account for substantially all televised-shopping sales. On February 12, 1993, Liberty, which is a significant shareholder of the Company as well as part of a group formed to control the future direction of the Company and the scope of its business, consummated a transaction pursuant to which Liberty acquired a controlling interest in HSN. Immediately following the closing, Liberty delivered a merger proposal to the HSN Board of Directors. Subsequently, Liberty withdrew that proposal. On April 19, 1993, Liberty announced its intention to commence a cash tender offer to purchase up to 15 million shares of HSN common stock at a price of $7.00 per share. See 'ITEM 3 -- LEGAL PROCEEDINGS.'

During the fiscal year ended January 31, 1994, merger discussions between the Company and HSN were initiated and subsequently terminated. See 'Recent Developments.'

The Company's principal competitors in the general retailing field are larger or more diversified than the Company. The Company believes that it is able to compete effectively by offering its customers a wide range of quality merchandise at a savings with a high degree of convenience and customer service.

SEASONALITY

The Company's business is seasonal in nature, with its major selling season during the last quarter of the calendar year. Net revenue for the fourth quarter of the fiscal year ended January 31, 1994 accounted for approximately 30% of the Company's annual net revenue.

EMPLOYEES

As of January 31, 1994, the Company had approximately 3,700 full-time employees and 800 part-time employees. None of the Company's employees are

covered by a collective bargaining agreement. The Company considers its employee relations to be good.

BUSINESS DEVELOPMENT

The Company is considering further development of activities in which it is now engaged and investment in and development of activities in which it is not currently engaged. These activities may include expansion of the Company's existing lines of business and service, exploring new lines of

business outside the scope of the Company's present televised shopping services, participation in emerging new technologies and possible new businesses. See 'Recent Developments' and 'The QVC Service.'

ITEM 2 -- PROPERTIES

In 1986, the Company purchased a building situated on 21 acres of land in West Chester, Pennsylvania, which now consists of approximately 266,000 square feet. This facility contains the television studios for production and transmission of the QVC Service, telecommunications center, general offices, and the Company's jewelry warehouse and shipping facilities. The Company also leases an approximately 38,000 square foot building in West Chester, Pennsylvania, as additional office space. The lease expires in June 1995 and is subject to one five-year renewal option.

The Company owns an approximately 200,000 square foot warehouse in Lancaster, Pennsylvania. The Company owns approximately eight acres of unimproved land adjoining the warehouse location. In 1989, QVC leased a 130,000 square foot warehouse in Lancaster, Pennsylvania, for the processing and storage of returned products. The lease expires in August 1995. In 1994, the Company renewed a five-year lease for a 30,000 square foot facility in Horsham, Pennsylvania, for a new jewelry production facility.

The Company owns a 782,000 square foot distribution facility in Suffolk, Virginia. Such facility is subject to a first mortgage granted to Northwestern National Life Insurance Company.

The Company also owns a 70,000 square foot telecommunications facility in San Antonio, Texas, and a 50,000 square foot, state-of-the-art telecommunications center in Chesapeake, Virginia, which was officially opened on October 17, 1993.

The Company leases an approximately 2,600 square foot facility in Englewood, Colorado, for use by its Affiliate Relations Department. The lease expires in June 1995.

The Company also has an exclusive license to use and occupy, on a full-time basis, a portion of certain television programming facilities (two studios,

control, edit and graphics rooms, and dressing rooms) and certain office space and a nonexclusive license to use all common areas thereof, in Long Island City, New York. The license agreement expires in September 1995, unless extended by the Company.

The Company operates four retail outlet stores located in shopping centers in Frazer, Drexel Hill and Lancaster, Pennsylvania, and Wilmington, Delaware, for the sale of excess merchandise. The Company leases the store premises under operating lease agreements expiring at various dates through 1998.

The Company leases certain of its data processing equipment and some of its telecommunications and warehouse equipment. In addition, the Company has service agreements for its satellite transponders.

ITEM 3 -- LEGAL PROCEEDINGS

On March 28, 1991, STN filed an action against J.C. Penney Company, Inc. ('JCP'), JCPTV and the Company in the Superior Court of the State of California for the County of Los Angeles. The action purportedly arose out of the negotiation and execution of the JCPenney Agreement. See 'Agreement with JCPenney Television Shopping Channel, Inc.' Pursuant to a second amended complaint, STN alleged, among other things, that JCPTV breached a separate agreement between STN and JCPTV by, among other things, licensing JCPTV's affiliation agreements to the Company via the JCPenney Agreement. STN also alleged that the Company, in connection with the alleged breaches by JCPTV, tortuously interfered with contract, engaged in unfair competition and committed violations of California's Cartwright Act. The second amended complaint sought specific performance of contract, declaratory and injunctive relief and damages in excess of $200.0 million, as well as unspecified punitive and exemplary damages, treble damages, interest and attorneys' fees from JCP, JCPTV and the Company. JCP and JCPTV filed a related cross-action against STN and Michael Rosen ('Rosen').

In February 1992, STN filed a Voluntary Petition for Bankruptcy under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Central District of California (the 'Bankruptcy Court'). On or about July 9, 1993, STN, JCP, JCPTV, Rosen and the Company executed a Settlement Agreement and Mutual Release, pursuant to which the parties agreed to settle all pending litigation between them. The settlement required dismissal of all pending litigation, payment of approximately $8.8 million to STN, and repurchase by STN of all its shares held by JCP for an agreed price, and was subject to the approval of the Bankruptcy Court. On or about August 3, 1993, the Bankruptcy Court entered an order approving the settlement agreement (the 'Bankruptcy Order'). The Bankruptcy Order also provided that if the STN bankruptcy is dismissed, the Bankruptcy Order would remain in full force and effect as a final order of the Bankruptcy Court. JCPTV and the Company executed an Amendment to the JCPenney Agreement, pursuant to which (1) JCPTV and the Company divided the payment of the approximately $8.8 million to STN between them and (2) certain termination rights of JCPTV were eliminated. This Amendment became effective upon the signing of the Bankruptcy Order. Under the terms of an agreement between the Company and JCPTV, the Company was responsible for the payment of approximately $3.8 million of the settlement payment to STN.

On or about July 19, 1993, the Company was served with a copy of a Third Consolidated Amended and Supplemental Class Action Complaint ('Third Complaint') in certain litigation pending in the Delaware Chancery Court ('HSN State Action'). That litigation was purportedly instituted in February of 1993 as a class action by certain current and former shareholders of HSN, against HSN, Liberty, Liberty Program Investments, Inc. ('Liberty Program Investments'), Roy Speer ('Speer'), RMS Limited Partnership ('RMS'), John C. Malone ('Malone'), Peter R. Barton ('Barton'), Robert R. Bennett ('Bennett'), John M. Draper, Gerald F. Hogan ('Hogan'), Anthony Forstmann ('Forstmann'), John J. McNamara ('McNamara') and Les R. Wandler ('Wandler'). The litigation challenges Liberty's purchase, in February of 1993, of RMS's 20 million shares of HSN Class B common stock for $58 million in cash and 4 million shares of Liberty Class A common stock (the 'RMS Sale'), and Liberty's April 19, 1993 tender offer for 15 million shares of HSN common stock at a price of $7 per share (the 'Liberty Tender Offer'). Plaintiffs allege, among other things, violations of Delaware corporate law, breaches of fiduciary duties to minority shareholders, inadequate and misleading disclosure of information to HSN's public shareholders, and unfairness of stock sale prices, in connection with the RMS Sale and the Liberty Tender Offer. The Third Complaint joined the Company as an additional defendant, alleging only that the Company had aided and abetted Liberty's breaches of fiduciary duties to HSN's public shareholders in connection with the Company's July 12, 1993 letter proposal to HSN to combine HSN and the Company in a stock-for-stock transaction (the 'Proposed HSN Merger'). The Third Complaint seeks class certification, declaratory and injunctive relief, compensatory damages in an amount to be determined upon proof submitted to the court, an accounting of benefits and profits, costs and disbursements, counsel and expert fees, and interest. Plaintiffs seek to rescind the Liberty Tender Offer, to impose a constructive trust for the benefit of the alleged class on the proceeds from the RMS Sale, and to enjoin consummation of the Proposed HSN Merger. Prior to the filing of the Third Complaint (and before QVC was named as a defendant), plaintiffs had moved for a preliminary injunction against the Liberty Tender Offer, which motion was denied on May 19, 1993. None of the prior claims on which plaintiffs had moved for a preliminary injunction (which raised questions of tender offer disclosure and compliance with the Delaware state anti-takeover statute) involved QVC. After the Third Complaint was filed, plaintiffs issued document requests to the defendants, including QVC. The Company responded by producing a limited number of publicly available documents and objecting to further document production as premature. The Company's time to respond to the Third Complaint has been extended indefinitely.

On or about July 21, 1993, the Company was served with a copy of a Summons and Complaint that was filed by Gerda Bartnik, Gerda Bartnik as attorney-in-fact for Christa Weckermann, Gerda Bartnik as custodian for minor Richard Bartnik, Michael Feder, David Arazie and Jonathan Greenwald, against HSN, Liberty, the Company, Speer, Wandler, Malone, Barton, Bennett, Hogan, Forstmann and McNamara, in the United States District Court for the District of Delaware (the 'Delaware Federal Court'). On or about July 26, 1993, and in mid-August, 1993, the Company was served with Complaints that were separately filed by Meny Beriro and Lawrence G. Metzger, respectively, against

HSN, Liberty, the Company, Speer, Wandler, Malone, Barton, Bennett, Hogan,

Forstmann and McNamara, in the Delaware Federal Court. In these three shareholder actions in Delaware Federal Court (collectively, the 'HSN Federal Action'), the plaintiffs claim to be former HSN shareholders who sold their HSN stock in the Liberty Tender Offer. The lawsuits challenge the RMS Sale and the Liberty Tender Offer, and allege violations of Section 10(b) and Rule 10b-5, as well as Sections 20, 20A and 14(e), of the Securities Exchange Act, and

negligent misrepresentation. The Company was named as a defendant in all three actions only for allegedly aiding and abetting Liberty's violations of Section 10(b) and Rule 10b-5. Plaintiffs in the HSN Federal Action seek class certification, declaratory relief, compensatory damages, counsel fees, interests and costs. The parties jointly filed a motion to consolidate the HSN Federal Action, along with a scheduling order similar to the one filed in the HSN State Action. The Delaware Federal Court signed both orders on or about September 3, 1993, and the HSN Federal Action became a consolidated action captioned under the Bartnik complaint. A scheduling conference was held on December 16, 1993, and the court subsequently entered a scheduling order on December 29, 1993 (the 'Scheduling Order'). Pursuant to the Scheduling Order, the plaintiffs filed a consolidated amended complaint on February 15, 1994. On March 15, 1994, the Company filed a motion to dismiss the complaint as to QVC for failure to state a claim on which relief may be granted. In light of settlement-related negotiations (discussed below), the Company and the named plaintiffs in the HSN Federal Action entered into a stipulation, which was entered as an order of the court on or about April 15, 1994, extending plaintiffs' time to respond to QVC's motion to dismiss.

Management believes that the allegations against the Company in the HSN State Action and the HSN Federal Action (collectively, the 'HSN Shareholder Actions') are unfounded and intends to defend against the HSN Shareholder Actions vigorously.

On November 5, 1993, the Company announced that HSN and the Company agreed to terminate negotiations on the Proposed HSN Merger.

Plaintiffs in the HSN Shareholder Actions and the Liberty defendants (Liberty, Liberty Program Investments, Malone, Barton, Bennett and Draper) executed a Memorandum of Understanding dated as of December 31, 1993, and amended February 7, 1994 (the 'MOU'), setting forth an agreement in principle regarding a global settlement of the HSN Shareholder Actions for a total consideration of $13,000,000 (plus $200,000 to cover the expenses of administering the settlement). Pursuant to the MOU, the settlement would be funded by Liberty, who would still have the right to seek contribution from any of the defendants in the HSN Shareholder Actions. The Company did not have an opportunity by December 31, 1993, to consider whether to join the settlement. The parties to the MOU and QVC are currently negotiating with respect to a revised MOU pursuant to which, among other things, QVC would join in the proposed settlement of the HSN Shareholder Actions.

On or about September 8, 1993, the Federal Trade Commission ('FTC') requested additional information on the Proposed HSN Merger. Such request extended the waiting period under the Hart-Scott-Rodino antitrust law until 20 days after the requested information was provided. On November 5, 1993 (after the Company and HSN ended their merger discussions), the Company withdrew the Premerger Notification and Report Form it had previously filed with the Antitrust Division of the Department of Justice and the FTC pursuant to the

Hart-Scott-Rodino antitrust law with respect to the Proposed HSN Merger.

In September, 1993, the Company was named a defendant in an action commenced by Viacom International Inc. ('Viacom International'), a subsidiary of Viacom, in the United States District Court for the Southern District of New York (the 'Viacom Action'). Viacom International also named Tele-Communications, Inc. ('TCI'), Liberty, Satellite Services, Inc., Encore Media Corp., and Netlink USA as defendants. An amended complaint was filed on November 9, 1993, which added Comcast as a defendant. Comcast was subsequently dismissed as a defendant. As it relates to QVC, the Viacom Action challenges the Company's bid to acquire Paramount, alleging that a QVC acquisition of Paramount would substantially lessen competition in violation of the Clayton Act and would constitute tortious interference with agreements between Paramount and Viacom. (As previously set forth, Viacom acquired Paramount in a cash and stock-for-stock exchange.) The Company filed an answer to the amended complaint denying the complaint's material allegations and asserting various

affirmative defenses. Management believes that these claims are without merit and intends to defend against such action vigorously.

On October 21, 1993, the Company commenced legal action in the Delaware Chancery Court against Viacom, Paramount and certain Paramount directors for breach of fiduciary duty in failing to give fair treatment to QVC's proposed merger with Paramount, while granting undue advantages to Viacom and Viacom's proposed merger with Paramount (the 'QVC Action'). The Company sought to compel Paramount's Board of Directors to give QVC's proposal equal consideration with Viacom's proposal. The Company also sought to invalidate certain 'lockup' agreements and share purchase options given by Paramount to Viacom, which would make a merger with anyone other than Viacom more costly and difficult. On November 16, 1993, the Delaware Chancery Court held a hearing on the QVC Action. On November 24, 1993, the court issued a Memorandum Opinion granting the Company's motion for a preliminary injunction against Paramount's poison pill rights plan and other anti-takeover mechanisms being used to preclude the

Paramount shareholders from accepting the Company's then $90 cash tender offer for approximately 51% of Paramount's shares. See 'Recent Developments.' The court also struck down the stock option lock-up (currently worth approximately $500 million) granted by the Paramount Board of Directors to Viacom on September 12, 1993. The court found that the Paramount directors had failed to discharge their fiduciary duties (a) to seek the best available transaction under applicable case law and (b) to adequately inform themselves as to the QVC offer. The court did not enjoin the $100 million termination fee; however, the Company waived the condition to its offer requiring that such fee be enjoined. The Delaware Chancery Court's decision was appealed by Paramount and Viacom to the Delaware Supreme Court. The Delaware Supreme Court held a hearing on December 9, 1993, and, on the same day, affirmed the injunction granted by the Delaware Chancery Court against the Paramount Board of Directors prohibiting the directors from favoring the management-sponsored Viacom bid for Paramount. The injunction affirmed by the appellate court prohibited the Paramount directors from using the anti-takeover poison pill rights plan in favor of Viacom and enjoined the lock-up stock option that the Paramount directors gave to Viacom. On February 4, 1994, the Delaware Supreme Court issued a formal opinion in support of its December 9, 1993 order. On December 21, 1993, Viacom filed a

motion to dismiss the Company's complaint against it.

On November 5, 1993, the FTC requested additional information on the Company's proposed business combination with Paramount. Such request extended the waiting period under the Hart-Scott-Rodino antitrust law until 10 days after the requested information was provided. On November 15, 1993, the FTC accepted for public comment a proposed consent order with TCI and Liberty and granted termination of the Hart-Scott-Rodino waiting period applicable to the Company's proposed acquisition of Paramount.

On February 15, 1994, the Company terminated its tender offer for 50.1% of the outstanding common stock of Paramount because it did not receive the minimum condition in such tender offer by the February 14, 1994 deadline and because Viacom had received the minimum condition in its tender offer by that deadline, had taken the action required by its merger agreement with Paramount and had delivered to Paramount a completion certificate pursuant to its bidding procedures. See 'Recent Developments.'

The Company has also been named as a defendant in various legal proceedings arising in the ordinary course of business. Although the outcome of these matters cannot be determined, in the opinion of management, disposition of these proceedings will not have a material effect on the Company's financial position.

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

No matters were submitted during the fourth quarter of the fiscal year ended January 31, 1994, to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5 -- MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company is traded on the National Association of Securities Dealers, Inc. ('NASD') Automated Quotation National Market System under the symbol 'QVCN.' The following table sets forth the high and low bid information of the Company's Common Stock as reported by the NASD for each quarter of the past two fiscal years.

<TABLE>
<CAPTION>
FOR THE YEAR ENDED
JANUARY 31, 1993

<S>	<C>	<C>
February 1, 1992 -- April 30, 1992	$ 20 1/2	$ 16 1/2
May 1, 1992 -- July 31, 1992	24 1/4	16 1/4
August 1, 1992 -- October 31, 1992	24 1/4	16 1/4
November 1, 1992 -- January 31, 1993	42 1/4	20 1/8

</TABLE>

<TABLE>

<CAPTION>
FOR THE YEAR ENDED
JANUARY 31, 1994

<S>	<C>	<C>
February 1, 1993 -- April 30, 1993	$ 60 1/2	$ 38 1/4
May 1, 1993 -- July 31, 1993	73	51 3/4
August 1, 1993 -- October 31, 1993	70 1/4	52 3/4
November 1, 1993 -- January 31, 1994	58 3/4	37

</TABLE>

On March 31, 1994, the closing sales price of the Company's Common Stock was $36 3/8. There is no established market for the Series B Preferred Stock, the Series C Preferred Stock or the Series D Preferred Stock of the Company. For the purposes of determining the market value of voting securities held by non-affiliates as of the close of business on March 31, 1994, it has been assumed that the market value of shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock is the market price of the number of shares into which such Preferred Stock will be convertible.

As of March 31, 1994, there were approximately 4,600 holders of record of the Company's Common Stock, 4 holders of the Company's Series B Preferred Stock, 10 holders of the Company's Series C Preferred Stock and 2 holders of Series D Preferred Stock. There are also 10,000 shares of Series A Preferred Stock designated but, as of March 31, 1994, none were outstanding. All shares of the Class B Common Stock of the Company previously outstanding have been redeemed or converted into shares of Common Stock.

On April 18, 1989, the Board of Directors of the Company established a quarterly cash dividend policy for shares of QVC Common Stock. At that time, the Board declared an initial dividend of $.10 per share of Common Stock to stockholders of record as of May 26, 1989. On June 23, 1989, September 26, 1989 and January 22, 1990 dividends of $.10 per share of Common Stock were paid to holders of record on May 26, 1989, September 12, 1989, and January 2, 1990, respectively. On March 13, 1990, the Board of Directors of the Company suspended the quarterly cash dividend policy.

ITEM 6 -- SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED JANUARY 31,				
	1994	1993	1992	1991	1990
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Summary Statements of Operations Data					
Net revenue	$ 1,222,104	$ 1,070,587	$ 921,804	$ 776,029	$ 453,325
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle	$ 55,311	$ 56,588	$ 21,733	$ (16,985)	$ 6,347
Net income (loss)	$ 59,301	$ 55,092	$ 19,625	$ (16,985)	$ 6,347
Income (loss) per share:					
Primary:					
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle	$ 1.10	$ 1.32	$ .68	$ (.98)	$ .35
Net income (loss)	$ 1.18	$ 1.29	$ .61	$ (.98)	$ .35
Fully diluted:					
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle	$ 1.10	$ 1.27	$ .67	$ (.98)	$ .35
Net income (loss)	$ 1.18	$ 1.24	$ .61	$ (.98)	$ .35
Cash dividends per Common share	$ --	$ --	$ --	$ --	$ .30

</TABLE>

<TABLE>
<CAPTION>

	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
Summary Balance Sheet Data at January 31,					
Total assets	$ 878,160	$ 699,695	$ 714,539	$ 740,183	$ 768,221
Long-term debt	$ 7,044	$ 7,586	$ 152,461	$ 366,688	$ 396,233

</TABLE>

ITEM 7 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

GENERAL

The Company is a retailer of a wide range of consumer products which are marketed and sold primarily by merchandise-focused televised-shopping programs. The average number of homes receiving the QVC Service was:

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
	(IN MILLIONS, EXCEPT DOLLAR AMOUNTS)		
<S>	<C>	<C>	<C>
Cable homes -- 24 hours per day	43.3	40.4	36.4
Cable homes -- part-time	3.0	2.9	3.8
Satellite dish homes (estimated)	3.0	3.0	3.0
Total	49.3	46.3	43.2
Full-time equivalent homes ('FTE')	45.8	42.9	39.2
QVC net sales per FTE home	$ 26.56	$ 24.85	$ 23.37

</TABLE>

FTE homes equal the total number of cable homes receiving the QVC Service 24 hours per day plus one-third of the part-time cable homes plus one-half of the satellite dish homes. This calculation reflects the Company's estimate of the relative value to the Company of part-time homes and satellite dish homes compared to full-time homes. QVC net sales excludes non-merchandise revenue.

The increase in the number of homes receiving the QVC Service in fiscal 1993 is due to growth in the number of homes in existing cable systems. In fiscal 1992, the growth in the number of homes reflects the full year's effect of the homes obtained under a license agreement with JCPenney Television Shopping Channel, Inc. ('JCPTV') in 1991 and growth in the number of homes in existing cable systems.

Net revenue and operating income have increased since 1991 due to the increase in the number of homes receiving the QVC Service and, to a lesser extent, an increase in net sales to existing subscribers. It is unlikely that the number of homes receiving the QVC Service will continue to grow at rates comparable to prior periods, given that the QVC Service is already received by approximately 80% of all of the cable television homes in the United States. As relative growth in the number of homes declines, future growth in sales will depend increasingly on continued additions of new customers from homes already receiving the QVC Service and continued growth in repeat sales to existing customers.

Operating profit margins have improved since fiscal 1991 largely as a result of variable costs not growing in proportion to increases in revenue, general and administrative costs not increasing as much as the revenue increase and the relatively fixed nature of depreciation and amortization.

RESULTS OF OPERATIONS

The following table sets forth the Company's statements of operations expressed as a percentage of net revenue:

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Net revenue	100.0%	100.0%	100.0%
Cost of goods sold	59.2	58.1	58.0
Gross profit	40.8	41.9	42.0
Operating expenses:			
Variable costs	14.0	15.0	15.8
General and administrative	10.9	11.5	12.0

Depreciation	1.4	1.6	1.8
Amortization of intangible assets	2.1	2.8	3.2
	28.4	30.9	32.8
Operating income	12.4	11.0	9.2
Other income (expense):			
Costs of Paramount tender offer	(2.8)	--	--
Losses from joint ventures	(0.9)	--	--
Interest expense	(0.1)	(1.7)	(4.2)
Interest income	0.9	0.8	0.8
	(2.9)	(0.9)	(3.4)
Income before income taxes, extraordinary item and cumulative effect of a change in accounting principle	9.5	10.1	5.8
Income tax provision	(4.9)	(4.9)	(3.4)
Income before extraordinary item and cumulative effect of a change in accounting principle	4.6	5.2	2.4
Extraordinary item, net of tax benefit	--	(0.1)	(0.3)
Cumulative effect of a change in accounting for income taxes	0.3	--	--
Net income	4.9%	5.1%	2.1%

</TABLE>

NET REVENUE AND GROSS PROFIT

Net revenue in 1993 was $1.22 billion, an increase of 14.2% over the net revenue in the prior year. Net revenue in 1992 of $1.07 billion was 16.1% over the $921.8 million in net revenue in 1991. In 1993, the sales increase was due to the 6.8% increase in the average number of homes receiving the QVC Service as well as the 6.9% increase in net sales per FTE home. The sales increase in 1992 was due to the 9.4% increase in the average number of homes receiving the QVC Service and the 6.3% increase in net sales per FTE home.

Net revenue in 1993 included $26.2 million of net sales from The QVC Fashion Channel to 8.1 million FTE homes compared to $29.7 million of net sales to 7.3 million FTE homes in 1992. In 1991, net revenue included $7.9 million of net sales from the secondary channel to 8.1 million FTE homes.

The Company is starting a new shopping service, consisting of On Q and Q2, which are scheduled to be launched in the spring of 1994 to replace The QVC Fashion Channel. On Q will be QVC's new fashion service for younger adults and will broadcast weekdays. Q2 is being designed for the audience that has not yet purchased from traditional home-shopping formats and will broadcast on weekends.

The Company has two credit programs, the QVC Easy-Pay Plan and the QVC revolving credit card program. The Company offers customers the Easy-Pay Plan option only on selected items. The Easy-Pay Plan permits customers to pay for such selected items in several monthly installments. When the Easy-Pay Plan is selected by the customer, the item purchased is shipped after the first payment is billed to the customer's credit card. The customer's credit card is subsequently billed up to four additional monthly installments until the total purchase price of the product has been received by the Company. QVC's revolving credit card program permits customers to charge purchases on the Company's own credit card. The accounts receivable from the revolving credit card program are purchased (with recourse) and serviced by an unrelated third party. Sales under these credit programs amounted to 40.8%, 40.3% and 39.7% of net revenue for 1993, 1992 and 1991, respectively. The loss provision for uncollectible accounts under these credit programs amounted to $22.3 million, $25.6 million and $25.2 million in 1993, 1992 and 1991, respectively.

The sales mix for the past three years by product category as a percentage of net sales has been:

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Jewelry	41.9%	43.0%	45.7%
Apparel and accessories	17.8	17.4	14.6
Housewares	12.0	12.3	14.2
Electronics	8.6	8.1	8.4

Collectibles	8.4	8.0	8.0
Other	11.3	11.2	9.1
	100.0%	100.0%	100.0%

</TABLE>

Gross profit for 1993 was $498.9 million, or 40.8% of net revenue, compared to $448.7 million, or 41.9% of net revenue, in 1992 and $387.2 million, or 42.0% of net revenue, in 1991. The principal reason for the increased amounts of gross profit was the increased sales volume. The decrease in the 1993 gross profit percentage was due to increased shipping and handling charges, higher gold prices and a higher return rate on sales.

VARIABLE COSTS

Variable costs totaled $171.2 million, $160.4 million and $145.3 million for fiscal years 1993, 1992 and 1991, respectively. The major components of this expense classification are detailed below, expressed in amounts and as a percentage of net revenue (dollars in millions):

<TABLE>
<CAPTION>

	FISCAL YEAR					
	1993		1992		1991	
	$	%	$	%	$	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Order processing and customer service	63.4	5.2	60.1	5.6	56.4	6.1
Commissions and license fees	65.4	5.4	57.7	5.4	46.8	5.1
Provision for doubtful accounts	24.8	2.0	27.7	2.6	28.7	3.1
Credit card processing fees	17.6	1.4	14.9	1.4	13.4	1.5
	171.2	14.0	160.4	15.0	145.3	15.8

</TABLE>

Order processing and customer service expenses decreased as a percentage of net revenue since 1991 due to greater utilization of the Company's automated ordering system which gives customers the option to place orders by using their touchtone telephone instead of speaking to a telemarketing operator. Commissions and license fees increased as a percentage of net sales in 1992 as a result of fees paid for sales to the homes obtained under the license agreement with JCPTV. The provision for doubtful accounts as a percentage of net revenue decreased since 1991 due to continued improvement in the collection experience of QVC's revolving credit card program. Credit card processing fees as a percentage of net revenue have remained relatively stable over the three years.

GENERAL AND ADMINISTRATIVE

In 1993, general and administrative expenses totaled $132.7 million, or 10.9% of net revenue, compared to $123.6 million, or 11.5% of net revenue, in 1992 and $110.7 million, or 12.0% of net revenue, in 1991. The major components of general and administrative expenses are detailed below, expressed in amounts and as a percentage of net revenue (dollars in millions):

<TABLE>
<CAPTION>

	FISCAL YEAR					
	1993		1992		1991	
	$	%	$	%	$	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Administration	50.3	4.1	43.2	4.0	34.0	3.7
Advertising and marketing	28.2	2.3	33.4	3.1	35.4	3.8
Data processing	17.4	1.4	18.3	1.7	19.3	2.1
Broadcasting	20.3	1.7	15.3	1.4	10.8	1.2
Merchandising and programming	10.8	0.9	8.0	0.8	5.8	0.6
Occupancy costs	5.7	0.5	5.4	0.5	5.4	0.6
	132.7	10.9	123.6	11.5	110.7	12.0

</TABLE>

The increase in administration expenses in 1993 is due principally to the $3.8 million settlement of the STN litigation. The litigation arose out of the negotiation and execution of an agreement between the Company and JCPTV pursuant to which JCPTV granted the Company a renewable one-year license of JCPTV's right to use the cable channel time provided to JCPTV under affiliation agreements with its program carriers. The remaining increase in administration expenses can largely be attributed to higher personnel costs. In 1992, administration expenses also increased due to higher personnel costs, including $4.9 million related to 160,000 shares of Common Stock granted as an executive stock award to Mr. Barry Diller who became Chairman of the Board and Chief Executive Officer in January 1993. The 1992 personnel costs also include the $2.2 million current value of the ten-year consulting agreement with Mr. Joseph Segel, former Chairman of the Board and Chief Executive Officer.

Advertising and marketing expenses decreased in 1993 due to a reduction in credits granted to customers and, to a lesser extent, fewer promotional mailings to cable subscribers. In 1992, these

expenses decreased due to the discontinuation of the Company's mail order catalog as well as fewer promotional mailings to QVC customers. Data processing costs decreased in 1993 due to a reduction in outside consulting costs. The decrease in these expenses in 1992 was due to the purchase of mainframe computer equipment which was previously leased. Broadcasting costs increased in 1993 due to higher transponder fees to broadcast the QVC Service and The QVC Fashion Channel as well as higher costs to enhance the on-air presentation. In 1992, the increase in these expenses related to broadcasting The QVC Fashion Channel for a full year for sixteen hours a day versus four months for eight hours a day in 1991. Merchandising and programming expenses in 1993 increased due to additional personnel needed to sustain the Company's sales growth. In 1992, the increase was due to the full year broadcasting of The QVC Fashion Channel. Occupancy costs increased slightly in 1993 due to the additional maintenance required on the Company's new telecommunications facilities in Texas and Virginia.

DEPRECIATION AND AMORTIZATION

Depreciation expense has remained relatively constant since 1991.

Amortization expense decreased in 1993 due to the reduction in amortization of debt placement fees as a result of the repayments of the Senior term loan during fiscal 1992 and the first quarter of fiscal 1993.

OPERATING INCOME

Operating income was $152.2 million in fiscal 1993, $118.2 million in fiscal 1992, and $84.4 million in fiscal 1991. The increase in operating income is due primarily to the additional gross profit arising from higher revenue and the fixed nature of depreciation and amortization.

COSTS OF PARAMOUNT TENDER OFFER

On February 15, 1994, the Company terminated its cash tender offer for 50.1 percent of the Common Stock of Paramount Communications Inc. The costs incurred on the tender offer totaled $34.8 million and were expensed in the fourth quarter of 1993. The majority of these expenses were bank fees. The Company had a $3.25 billion loan commitment available from November 19, 1993 to February 15, 1994 to help fund the cash portion of the tender offer.

LOSSES FROM JOINT VENTURES

During 1993, the Company entered into four joint ventures which resulted in combined losses of $11.4 million. The most significant joint ventures are those formed with BSkyB and Grupo Televisa. BSkyB and the Company formed a joint venture to bring electronic retailing to the United Kingdom. On October 1, 1993, BSkyB and the Company launched 'QVC -- The Shopping Channel.' A majority of consumers subscribing to BSkyB's service are now able to receive the new QVC service -- approximately 1.8 million homes. In addition, approximately .4 million cable homes receive the program. The agreement with BSkyB requires, among other things, that the Company provide all funding to the joint venture until it is profitable. The Company will then recover all prior funding before any profits are shared. During the four months of 1993, QVC -The Shopping Channel operations resulted in a $8.9 million loss, which was recorded by the Company, including $630,000 amortization of capitalized start-up costs.

On November 15, 1993, the Company and Grupo Televisa began broadcasting 'CVC' in Mexico. CVC is distributed through broadcast television, cable television and satellite dishes to approximately 7.3 million FTE homes. The Company's 50% share of CVC's operations resulted in a $1.8 million loss in 1993, including $266,000 amortization of capitalized start-up costs.

The Company also entered a joint venture with Tribune Entertainment Company and Regal Communications to produce and distribute 'Can We Shop' with Joan

Rivers. 'Can We Shop' first aired on January 17, 1994 and is a one-hour Monday through Friday television show through which merchandise is sold. The Company's share of the operating loss amounted to $386,000 in 1993.

The Company made a one third investment in Fridays Holdings, L.P. for the purpose of establishing or acquiring businesses in the communications field as well as developing information products. The Company recorded a $300,000 loss in association with this partnership.

INTEREST EXPENSE

The major factor contributing to the reduced interest expense in 1993 and 1992 was $13.8 million and $13.2 million, respectively, of lower interest expense on the Senior term loan which was retired during the 1993 first quarter. The conversion in October 1992 of a $30.0 million convertible subordinated note into 1.7 million shares of Common Stock also contributed to the lower interest expense.

INTEREST INCOME

The Company has experienced higher interest income since 1991 on its revolving charge card due to higher average account balances as well as an increase in the number of customer accounts. This increase, however, was offset by lower interest income on temporary cash investments.

INCOME TAX PROVISION

Effective February 1, 1993, the Company changed its method of accounting for income taxes as required by Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' ('SFAS 109'). Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company previously used the asset and liability method of SFAS 96. Under SFAS 96, the consideration of future events in calculating deferred taxes was not permitted. Under SFAS 109, the effect on the deferred tax assets and liabilities because of the change in federal tax rates incorporated in the Revenue Reconciliation Act of 1993 was recognized in the third quarter of fiscal 1993, the period in which the enactment date falls. The cumulative effect of approximately $4.0 million resulting from the change in the method of accounting for income taxes to SFAS 109 was included in the Consolidated Statements of Operations in the first quarter of 1993.

EXTRAORDINARY ITEM

During fiscal 1992 and 1991, the Company prepaid $86.3 million and $98.1 million, respectively, of its Senior term loan. As a result, amortization of debt placement fees was accelerated and reported as an extraordinary item, net of tax benefit, of $1.5 million in fiscal 1992 and $2.1 million in fiscal 1991.

NET INCOME

Net income for 1993 was $59.3 million compared to $55.1 million in 1992 and $19.6 million in 1991. The changes in net income resulted from the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of working capital is internally-generated

cash flow from operations. In fiscal 1993, net cash provided by operating activities totaled $73.3 million compared to $101.4 million and $137.0 million in fiscal 1992 and 1991, respectively. Net cash provided by operations in 1993 and 1992 was reduced by a net increase in working capital items of $36.2 million and $33.6 million, respectively. The net change in working capital items in both years was due principally to an increase in accounts receivable representing deposits with a third party related to the Company's revolving credit card. In 1991, net cash provided by operations was increased by a net decrease in working capital items of $40.1 million. The net decrease in working capital items was due

principally to an increase in accrued liabilities of $48.0 million principally from increases in accrued income taxes of $13.0 million and in reserve for repurchase of uncollectible accounts under the Company's credit card program of $8.2 million.

The Company's capital expenditures totaled $24.6 million in 1993 compared to $21.1 million in 1992 and $11.9 million in 1991. In 1993, capital expenditures were principally for the construction of a new telecommunications facility in Chesapeake, Virginia, which replaced a leased facility, additions for computer equipment and software, and other equipment. Capital expenditures in 1992 were principally for computer equipment and software, and the construction and equipping of a telecommunications facility in San Antonio, Texas. In fiscal 1991, capital expenditures were principally for studio, computer and other equipment. The Company expects that annual capital expenditures for current operations will approximate the 1993 level for the next year.

The Company has an agreement with an unrelated third party which provides for the sale and servicing of accounts receivable originating from the Company's revolving credit card. The Company remains obligated to repurchase uncollectible accounts pursuant to the recourse provisions of the agreement and is required to maintain a specified percentage of all outstanding receivables transferred under the program as a deposit with the third party to secure its obligations under the agreement.

The Company has a $60.0 million bank revolving credit facility to finance operations as well as to fund letters of credit for merchandise purchases. Interest on outstanding amounts under this agreement is payable at the bank's prime rate or other interest rate options. A commitment fee of .25% is payable on the unused portion of the revolving credit facility. The credit agreement requires the Company to maintain certain ratios for total liabilities to shareholders' equity and for coverage of fixed charges. The Company borrowed $20.0 million under the facility in March 1993 and retired the remaining balance on its Senior term loan. All amounts borrowed under the facility were repaid from net cash provided by operating activities during the 1993 first quarter. Outstanding letters of credit totaled approximately $7.8 million at January 31, 1994.

The Company had working capital at January 31, 1994 of $101.8 million compared to $7.3 million at January 31, 1993. The principal reason for the increase in working capital during 1993 was cash flows from operating activities

as well as the increase in the current deferred tax asset of $24.7 million arising from the adoption of SFAS 109. The current ratio was 1.3 at January 31, 1994 compared to 1.0 at January 31, 1993. Long-term debt to total capitalization was 1.2% at January 31, 1994, compared to 1.6% at the prior year end due to the increase in retained earnings from the current year's operating results.

During the first quarter of 1993, the Company filed a registration statement on Form S-3 for up to $400.0 million of debt securities and up to 5.0 million shares of Common Stock. Substantially all of the net proceeds of any offering would be used for general corporate purposes, including investment in or development of activities in which the Company is not currently engaged. However, this registration statement was never declared effective by the Securities and Exchange Commission.

The Company believes that its present capital resources and future operations will result in adequate financial resources to fund all capital expenditures.

EFFECTS OF INFLATION

Inflation has not had a significant impact on the results of the Company's operations.

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
QVC, Inc.:

We have audited the consolidated financial statements of QVC, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of QVC, Inc. and subsidiaries as of January 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in notes 1 and 13 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1993 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

KPMG PEAT MARWICK

Philadelphia, Pennsylvania
March 4, 1994

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,873	$ 4,279
Accounts receivable, less allowance for doubtful accounts of $52,759 in 1994 and $21,316 in 1993 (Note 2)	183,162	97,008
Inventories	148,208	118,712
Deferred taxes (Note 13)	59,749	10,680
Prepaid expenses	5,536	3,716
Total current assets	412,528	234,395
Property, plant and equipment (Note 3)	80,579	72,863
Cable television distribution rights (Note 4)	99,579	115,248
Other assets (Note 5)	33,664	9,028
Excess of cost over acquired net assets, less accumulated amortization of $43,551 in 1994 and $33,710 in 1993	251,810	268,161
Total assets	$ 878,160	$ 699,695
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt (Note 7)	$ 3,114	$ 24,073
Accounts payable-trade	81,594	51,622
Accrued liabilities (Note 6)	225,989	151,358

Total current liabilities	310,697	227,053
Long-term debt, less current maturities (Note 7)	7,044	7,586
Total liabilities	317,741	234,639
Commitments and contingencies (Notes 8 and 14)		
Shareholders' equity (Notes 9 and 10):		
Convertible Preferred Stock, par value $.10	56	93
Common Stock, par value $.01	399	357
Additional paid-in capital	446,027	409,970
Retained earnings	113,937	54,636
Total shareholders' equity	560,419	465,056
Total liabilities and shareholders' equity	$ 878,160	$ 699,695

</TABLE>

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

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Net revenue	$ 1,222,104	$ 1,070,587	$ 921,804
Cost of goods sold	723,175	621,840	534,650
Gross profit	498,929	448,747	387,154
Operating expenses:			
Variable costs	171,242	160,420	145,348
General and administrative	132,743	123,604	110,747
Depreciation	16,682	17,105	16,679
Amortization of intangible assets	26,019	29,420	29,983
	346,686	330,549	302,757
Operating income	152,243	118,198	84,397
Other income (expense):			
Costs of Paramount tender offer (Note 16)	(34,800)	--	--
Losses from joint ventures (Note 5)	(11,432)	--	--
Interest expense	(1,590)	(18,364)	(38,979)
Interest income	10,865	8,834	7,480
	(36,957)	(9,530)	(31,499)
Income before income taxes, extraordinary item and cumulative effect of a change in accounting principle	115,286	108,668	52,898
Income tax provision (Note 13)	(59,975)	(52,080)	(31,165)
Income before extraordinary item and cumulative effect of a change in accounting principle	55,311	56,588	21,733
Extraordinary item -- loss on extinguishment of debt, net of tax benefit (Note 5)	--	(1,496)	(2,108)
Cumulative effect of a change in accounting for income taxes (Note 13)	3,990	--	--
Net income	$ 59,301	$ 55,092	$ 19,625
Income per share (Note 11):			
Primary:			
Income before extraordinary item and cumulative effect of a change in accounting principle	$ 1.10	$ 1.32	$ .68
Extraordinary item, net of tax benefit	--	(.03)	(.07)
Cumulative effect of a change in accounting for income taxes	.08	--	--
Net income	$ 1.18	$ 1.29	$ .61

Fully diluted:			
Income before extraordinary item and cumulative effect of a change in accounting principle	$ 1.10	$ 1.27	$ .67
Extraordinary item, net of tax benefit	--	(.03)	(.06)
Cumulative effect of a change in accounting for income taxes	.08	--	--
Net income	$ 1.18	$ 1.24	$ .61
Weighted average number of common and common equivalent shares used in computing income per share:			
Primary	50,062	43,890	31,959
Fully diluted	50,205	45,386	38,313

</TABLE>

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

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 59,301	$ 55,092	$ 19,625
Adjustments for non-cash items included in net income:			
Cumulative effect of a change in accounting for income taxes	(3,990)	--	--
Loss on extinguishment of debt	--	2,720	3,838
Losses from joint ventures	11,432	--	--
Depreciation	16,682	17,105	16,679
Amortization of intangible assets	26,019	29,420	29,983
Grant of executive stock award	--	4,869	--
Provision for income taxes not requiring a cash outlay	3,366	20,275	15,800
Interest incurred but not paid	--	96	9,199
Issuance of Common Stock under Standby Equity Agreement	--	--	614
Losses on termination of capitalized lease and sales of fixed assets	190	90	464
Changes in other non-current assets	(3,458)	5,303	642
Effects of changes in working capital items (Note 15)	(36,239)	(33,557)	40,107
Net cash provided by operating activities	73,303	101,413	136,951
Cash flows from investing activities:			
Capital expenditures	(24,588)	(21,137)	(11,870)
Investments in and advances to joint ventures	(22,626)	--	--
Proceeds from sales of property, plant and equipment	--	28	9,010
Adjustments to purchase price of CVN Companies, Inc.	--	5	(230)
Changes in other non-current assets	(347)	(494)	330
Net cash used in investing activities	(47,561)	(21,598)	(2,760)
Cash flows from financing activities:			
Payments under Senior term loan	(21,000)	(135,297)	(128,101)
Principal payments under capitalized leases, mortgages and other debt	(502)	(5,300)	(12,905)
Borrowings under revolving credit facilities	20,000	--	40,414
Payments against revolving credit facilities	(20,000)	--	(40,414)
Proceeds from exercise of stock options and other	1,169	16,687	891
Net proceeds from sale of Common Stock	--	--	51,082
Proceeds from exercise of warrants	6,185	11,570	--
Payment of unsecured note payable	--	--	(31,444)
Net cash used in financing activities	(14,148)	(112,340)	(120,477)
Net increase (decrease) in cash and cash equivalents	11,594	(32,525)	13,714
Cash and cash equivalents at beginning of year	4,279	36,804	23,090
Cash and cash equivalents at end of year	$ 15,873	$ 4,279	$ 36,804

</TABLE>

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

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

<TABLE>
<CAPTION>

	CONVERTIBLE PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TREASURY STOCK	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance January 31, 1991	$ 125	$ 176	$ 228,628	$ (20,081)	$ (68)	$ 208,780
Net income for year	--	--	--	19,625	--	19,625
Income tax benefit resulting from certain capital stock transactions	--	--	11,500	--	--	11,500
Proceeds from the exercise of employee stock options	--	--	893	--	--	893
Issuance of Common Stock under Standby Equity Agreement	--	1	613	--	--	614
Excess of value assigned over amount received for Series B Convertible Preferred Stock	--	--	(239)	--	--	(239)
Issuance of shares of Common Stock and warrants in lieu of cash interest payments	--	2	2,998	--	--	3,000
Purchases of Treasury Stock	--	--	--	--	(2)	(2)
Net proceeds from public offering of Common Stock	--	37	51,045	--	--	51,082
Common Stock exchanged to retire unsecured note payable	--	23	31,422	--	--	31,445
Conversion of shares	(11)	11	--	--	--	--
Adjustments to warrants exchanged and Common Stock issued in connection with the CVN acquisition	--	--	(912)	--	--	(912)
Balance January 31, 1992	114	250	325,948	(456)	(70)	325,786
Net income for year	--	--	--	55,092	--	55,092
Income tax benefit resulting from capital stock transactions, exercise of stock options and net operating loss carryforward	--	--	22,312	--	--	22,312
Proceeds from the exercise of employee stock options	--	13	16,708	--	(31)	16,690
Proceeds from exercise of warrants	--	11	11,559	--	--	11,570
Grant of executive stock award	--	2	4,867	--	--	4,869
Convertible subordinated note exchanged for Common Stock, net of unamortized debt placement fees of $1,260	--	17	28,723	--	--	28,740
Common Stock issued in warrant exchange offer (Note 10)	--	68	91,394	--	(91,462)	--
Conversion of shares	(20)	20	--	--	--	--
Purchases of Treasury Stock	--	--	--	--	(3)	(3)
Retirement of Treasury Stock	(1)	(24)	(91,541)	--	91,566	--
Balance January 31, 1993	93	357	409,970	54,636	--	465,056
Net income for year	--	--	--	59,301	--	59,301
Income tax benefit resulting from cumulative effect of a change in accounting for income taxes	--	--	27,053	--	--	27,053
Income tax benefit resulting from exercise of stock options	--	--	1,655	--	--	1,655
Proceeds from exercise of employee stock options	--	1	1,168	--	--	1,169
Proceeds from exercise of warrants	--	4	6,181	--	--	6,185
Conversion of shares	(37)	37	--	--	--	--
Balance January, 31, 1994	$ 56	$ 399	$ 446,027	$ 113,937	$ --	$ 560,419

</TABLE>

The accompanying notes are an integral part of these consolidated financial

statements.

QVC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION.

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in the Company's joint ventures (50% or less owned) are accounted for under the equity method. All significant intercompany accounts and transactions are eliminated in consolidation.

FISCAL YEAR.

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

CASH AND CASH EQUIVALENTS.

All highly-liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents. The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair value.

INVENTORIES.

Inventories, consisting primarily of products held for sale, are stated at the lower of cost or market. Cost is determined by the average cost method which approximates the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT.

The costs of property, plant and equipment are capitalized and depreciated over their estimated useful lives using the straight-line method. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income. The costs of maintenance and repairs are charged to expense as incurred.

EXCESS OF COST OVER ACQUIRED NET ASSETS.

The excess of cost over acquired net assets is amortized over thirty years using the straight-line method.

TRANSLATION OF FOREIGN CURRENCIES.

All balance sheet items for foreign operations are translated at the current exchange rate as of the balance sheet date, and income and expense items are translated at average currency exchange rates for the year. Exchange gains and losses resulting from foreign currency transactions are included in losses

from joint ventures.

NET SALES AND RETURNS.

Revenue is recognized at time of shipment to customers. The Company's policy is to allow customers to return merchandise for full credit up to thirty days after date of shipment. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The return provision was approximately 21, 19, and 18 percent of sales in fiscal 1993, 1992 and 1991, respectively.

CAPITALIZATION OF START-UP COSTS.

The Company capitalizes all direct incremental costs incurred prior to operations for new broadcast ventures. These costs are amortized over a period of eighteen months starting at the commencement of broadcast operations.

INCOME TAXES.

Effective February 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ('SFAS 109'). The cumulative effect of the change in the method of accounting for income taxes was included in the first quarter of 1993 Consolidated Statements of Operations and Shareholders' Equity. Prior years' financial statements were not restated. Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences

between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company previously used the asset and liability method under SFAS 96. Under the asset and liability method of SFAS 96, deferred tax assets and liabilities were recognized for all events that had been recognized in the financial statements. Under SFAS 96, the future tax consequences of recovering assets or settling liabilities at their financial statement carrying amounts were considered in calculating deferred taxes. Generally, SFAS 96 prohibited consideration of any other future events in calculating deferred taxes.

NOTE 2 -- ACCOUNTS RECEIVABLE

The Company has an agreement with an unrelated third party which provides for the sale and servicing of accounts receivable originating from the Company's revolving credit card. The Company sold accounts receivable at face value of $418.2 million, $392.7 million and $290.4 million under this agreement in fiscal 1993, 1992 and 1991, respectively. The Company remains obligated to repurchase uncollectible accounts pursuant to the recourse provisions of the agreement and is required to maintain a specified percentage of all outstanding receivables transferred under the program as a deposit with the third party to secure its

obligations under the agreement. The Company is required to pay certain finance and servicing fees which are offset by finance charges on customer account balances. The net amount of this finance charge income is included as interest income and is comprised of the following (in millions):

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Finance charges on customer account balances	$ 26.2	$ 23.2	$ 20.0
Funding fees	8.7	8.1	7.7
Service fees	10.5	9.5	9.4
	19.2	17.6	17.1
Net finance income	$ 7.0	$ 5.6	$ 2.9

</TABLE>

The uncollected balances of accounts receivable sold under this program are $201.2 million and $180.3 million at January 31, 1994 and 1993, respectively, of which $170.1 million and $71.5 million represent deposits under the agreement and are included in accounts receivable. The total reserve balances maintained for the repurchase of uncollectible accounts are $55.7 million and $42.6 million at January 31, 1994 and 1993, respectively. Approximately $8.6 million and $25.7 million of the reserve balances are included in accrued liabilities at January 31, 1994 and 1993, respectively; the remaining balances are included with allowance for doubtful accounts.

Receivables sold under this agreement are considered financial instruments with off-balance sheet risk as defined in Statement of Financial Accounting Standards No. 105.

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,		ESTIMATED USEFUL
	1994	1993	LIFE
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Land	$ 3,977	$ 3,228	--
Buildings and improvements	50,627	45,385	20-30 years
Furniture and other equipment	33,866	30,246	3- 8 years
Broadcast equipment	8,942	12,478	5- 7 years

Computer equipment and software	20,005	18,047	3- 5 years
Construction in progress	1,684	482	--
	119,101	109,866	
Less -- accumulated depreciation	(38,522)	(37,003)	
Net property, plant and equipment	$ 80,579	$ 72,863	

</TABLE>

In July 1993, the Company completed construction of a 50,000 square foot telecommunications center in Chesapeake, Virginia for a total cost of approximately $6.9 million. This new telecommunications center replaced a facility that was leased.

NOTE 4 -- CABLE TELEVISION DISTRIBUTION RIGHTS

Cable television distribution rights consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
	(IN THOUSANDS)	
<S>	<C>	<C>
Cable television distribution rights	$ 162,142	$ 166,082
Less -- accumulated amortization	(62,563)	(50,834)
Net cable television distribution rights	$ 99,579	$ 115,248

</TABLE>

The amounts assigned to cable television distribution rights arose principally from excess fair values assigned, as determined by independent appraisals, to Convertible Preferred Stock issued to cable system operators in exchange for distribution agreements.

Cable television distribution rights are amortized by the straight-line method over the lives of the individual agreements. The remaining weighted average life for all cable television distribution rights is approximately 10 years at January 31, 1994.

NOTE 5 -- OTHER ASSETS

Other assets consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
	(IN THOUSANDS)	
<S>	<C>	<C>
Deferred taxes (Note 13)	$ 17,265	$ 7,120
Investments in and advances to joint ventures, net of accumulated losses	11,194	--
Start-up costs	3,459	--

</TABLE>

<TABLE>

<S>	<C>	<C>
Satellite transponder rights	1,000	1,000
Debt placement fees	162	15,292
Other	1,072	1,475
	34,152	24,887
Less -- accumulated amortization	(488)	(15,859)
Net other assets	$ 33,664	$ 9,028

</TABLE>

During fiscal 1993, the Company established electronic retailing program service in England ('QVC -- The Shopping Channel') and Mexico ('CVC'), through joint venture agreements with British Sky Broadcasting Limited and Grupo Televisa, S.A. de C.V., respectively. The joint venture in England began

broadcasting on October 1, 1993 and the joint venture in Mexico began broadcasting on November 15, 1993. The joint venture agreement in England requires, among other things, that the Company provide all funding to the joint venture until it is profitable. The Company will then recover all prior funding before any profits are shared. Accordingly, for 1993, the Company has included 100% of the loss on operations of this venture in the Consolidated Statements of Operations. The operating results of the joint venture in Mexico are shared equally by the partners.

Summarized financial information for 'QVC -- The Shopping Channel' and 'CVC' on a 100% basis as of and for the period ended January 31, 1994 follows (unaudited -- in thousands):

<TABLE>
<CAPTION>

	QVC -- THE SHOPPING CHANNEL	CVC
<S>	<C>	<C>
Current assets	$ 5,608	$ 9,687
Property, plant and equipment, net	1,645	1,665
Unamortized start-up costs	2,205	1,650
Current liabilities	4,181	9,507
Net revenue	2,994	2,316
Gross profit	514	248
Loss	(8,943)	(3,606)

</TABLE>

In fiscal 1993, the Company also entered a joint venture with Tribune Entertainment Company and Regal Communications to form QRT Enterprises ('QRT'). QRT produces and syndicates 'Can We Shop' with Joan Rivers, which commenced broadcasting January 17, 1994. 'Can We Shop' is a

one-hour, Monday through Friday television show through which merchandise is sold. The Company's one-third share of QRT's operating loss amounted to $386,000 in 1993.

In fiscal 1993, the Company made a $3.8 million investment in Friday Holdings, L.P., a limited partnership. The limited partnership's purpose is to establish or acquire businesses in the communications field and to develop information products. The Company's one-third share of Friday Holdings' operating loss amounted to $300,000 in 1993.

During the year, the Company also capitalized $3.5 million in costs relating to Q2, a new televised shopping/programming service, scheduled to be launched in the spring of 1994 in the United States. The capitalized start-up costs will be amortized over eighteen months starting at the commencement of broadcast operations.

Debt placement fees on the Senior term loan arising out of the CVN acquisition have been amortized over the expected life of the debt using the effective interest rate method. On March 5, 1993, the Company retired the Senior term loan. Debt placement fees of $15.1 million associated with the Senior term loan were fully amortized and the cost and accumulated amortization were removed from the accounts. During fiscal 1992, the Company prepaid $86.3 million of the Senior term loan. As a result, the amortization of debt placement fees of $2.7 million was accelerated and reported as an extraordinary loss of $1.5 million, net of $1.2 million income tax benefit. During fiscal 1991, the Company prepaid $98.1 million of the Senior term loan and the amortization of debt placement fees of $3.8 million was accelerated and reported as an extraordinary loss of $2.1 million, net of $1.7 million income tax benefit.

NOTE 6 -- ACCRUED LIABILITIES

Accrued liabilities consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
	(IN THOUSANDS)	
<S>	<C>	<C>
Income taxes (Note 13)	$ 80,879	$ 25,889
Reserve for uncollectible accounts under revolving credit program (Note 2)	8,636	25,699
Non-inventory accounts payable	35,452	26,418
Accrued compensation and benefits	13,996	13,035

Sales and other taxes	11,324	12,079
Allowance for sales returns	17,787	11,344
Other	57,915	36,894
	$ 225,989	$ 151,358

</TABLE>

NOTE 7 -- LONG-TERM DEBT

Aggregate amounts of outstanding long-term debt consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
	(IN THOUSANDS)	
<S>	<C>	<C>
10.4% Mortgage notes payable in monthly installments until 1998	$ 10,158	$ 10,659
Senior term loan	--	21,000
	10,158	31,659
Less -- current portion	(3,114)	(24,073)
	$ 7,044	$ 7,586

</TABLE>

The Company has a $60.0 million bank revolving credit facility to finance operations as well as to fund letters of credit for merchandise purchases. Interest on outstanding amounts under this agreement is payable at the bank's prime rate or other interest rate options. A commitment fee of .25% is payable on the unused portion of the revolving credit facility. The credit agreement requires the Company to maintain certain ratios for total liabilities to shareholders' equity and for coverage of fixed charges. The Company borrowed $20.0 million under the facility in March 1993 and retired the remaining balance on the Senior term loan. All amounts borrowed under the facility were repaid from net cash provided by operating activities during the first quarter of 1993. Outstanding letters of credit totaled approximately $7.8 million at January 31, 1994.

The interest rate on the outstanding balance of the Senior term loan was

4.4% at January 31, 1993.

Maturities of the 10.4% mortgage notes payable for the five years subsequent to January 31, 1994 are $3,114,000 in 1994; $601,000 in 1995; $666,000 in 1996; $739,000 in 1997 and $5,038,000 in 1998.

NOTE 8 -- LEASES AND TRANSPONDER SERVICE AGREEMENTS

Future minimum payments under all non-cancellable operating leases and transponder service agreements with initial terms of one year or more at January 31, 1994 consist of the following (in thousands):

<TABLE>
<CAPTION>

FISCAL YEAR	
<S>	<C>
1994	$8,029
1995	6,405
1996	5,450
1997	5,173
1998	5,287
Thereafter	34,001
Total	$64,345

</TABLE>

Expense for operating leases, principally for data processing equipment and facilities, and for transponder service agreements amounted to $11,280,000, $12,895,000 and $13,047,000 in fiscal years 1993, 1992 and 1991, respectively.

In November 1992, the Company started to transmit the QVC program on a

protected, non-preemptible transponder on the C-4 Satellite at a monthly cost that averages $224,000 over the term of the twelve-year agreement.

In December 1992, the Company started to transmit The QVC Fashion Channel on a protected non-preemptible transponder on the C-3 Satellite at a cost of $205,000 per month over the term of the twelve-year agreement.

NOTE 9 -- CAPITAL STOCK

The Company has 175,000,000 shares of Common Stock authorized. There were 39,895,447 shares outstanding at January 31, 1994 and 35,734,062 shares outstanding at January 31, 1993. The reasons for the increase in the number of shares of Common Stock outstanding were the conversion of Convertible Preferred Stock (3,659,040), the exercise of warrants (408,908) and the exercise of employee stock options (93,437).

The following table summarizes the convertible preferred shares at January 31, 1994 and 1993 (in thousands):

<TABLE>
<CAPTION>

	SHARES AUTHORIZED	SHARES OUTSTANDING		PAR VALUE	
	1994 AND 1993	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>
Series A	10	--	--	$ --	$ --
Series B	1,000	28	55	3	6
Series C	1,000	531	788	53	79
Series D	300	1	83	--	8
				$ 56	$ 93

</TABLE>

The shares of Convertible Preferred Stock were issued to cable system operators in connection with their signing or extending cable television distribution agreements in prior years.

CONVERTIBILITY.

Each share of Series B, Series C and Series D Convertible Preferred Stock is convertible into ten shares of Common Stock.

VOTING RIGHTS.

The holders of the Common Stock are empowered to elect two directors of the Company as a class. The holders of each class of stock are entitled to cast one vote per share for the election of the remaining directors of the Company.

LIQUIDATION.

Upon the dissolution and liquidation of the Company, the assets remaining after the payment of all debts and liabilities of the Company shall be distributed first to the holders of the Series B Convertible Preferred Stock at $10.00 per share. To the extent available, the holders of Series C Convertible Preferred Stock will then receive $10.00 per share followed by Series D Convertible Preferred Stock holders at $15.00 per share. The balance, if any, will be paid to the holders of the Common Stock share-for-share.

NOTE 10 -- STOCK OPTIONS, WARRANTS AND AWARDS

The following table summarizes shares of Common Stock reserved for issuance for outstanding stock options and warrants:

<TABLE>

<CAPTION>

	JANUARY 31,		AVERAGE EXERCISE PRICE AT JANUARY 31,		
	1994	1993	1994	1993	EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>	<C>

Qualified stock options	1,751,800	1,717,462	$ 30.56	$ 28.94	11/1996-01/2004
Non-qualified stock options	6,275,500	6,279,600	32.83	32.33	04/2000-07/2003
Warrants issued in connection with 1987 debt financing	310,000	310,000	10.00	10.00	04/1994
Warrants issued in connection with Convertible subordinated debt	1,600,000	1,600,000	17.49	17.49	10/1995
Warrants exchanged for CVN Series 2 Warrants	--	408,908	--	15.13	--
Warrants issued with Common Stock in lieu of cash interest expense	100,000	100,000	13.35	13.35	04/1996-10/1996
Total reserved shares	10,037,300	10,415,970			

</TABLE>

The Company has Incentive Stock Option Plans ('ISO Plans'), under which options may be granted to key managerial employees to purchase up to 10,300,000 shares of Common Stock. The ISO Plans are administered by the Executive Compensation Committee appointed by the Company's Board of Directors. The Committee has the authority to determine optionees, the number of shares to be covered by each option and certain other terms and conditions of the grant. The ISO Plans require that the exercise price of options be equal to or greater than the fair market value of the stock at the time of grant, and the term of any option cannot exceed ten years. Options issued under the 1990 Non-Qualified Stock Option Plan and the 1993 Qualified Stock Option Plan vest ratably over four years, commencing one year from the date of the grant of the option and qualified and non-qualified options under all other ISO Plans, except where noted below, vest ratably over three years, commencing on the date of grant.

In connection with obtaining a portion of the proposed financing for the cash tender offer for Paramount Communications Inc. (Note 16), the Company granted BellSouth Corporation, Advance Publications, Inc. and Cox Enterprises, Inc. options to purchase an aggregate of 14.3 million shares of Common Stock at $60.00 per share. The options were granted at the termination of the QVC/Paramount tender offer on February 15, 1994 and are exercisable until the later of August 15, 1994 or ten business days after stockholders of the Company vote with respect to such grant of options.

On December 9, 1992, the Company and two of its principal shareholders (Comcast Corporation and Liberty Media Corporation) announced an agreement pursuant to which Mr. Barry Diller would become Chairman of the Board and Chief Executive Officer. In connection with this agreement, the Company granted Mr. Diller 160,000 shares of Common Stock. The value of the shares on the date of grant ($4.9 million) was charged to general and administrative expense in fiscal 1992. Also in connection with this agreement, the Company granted to Mr. Diller

stock options covering 6,000,000 shares of Common Stock. All of the options have a five-year term. One-half of these options ('base options') have an exercise price of $30.43; the other one-half ('scaled options') have an exercise price equal to $30.43 per share increased by 13 percent per annum until December 9, 1994 and thereafter by 15 percent per annum compounded annually. The exercise price on any unexercised scaled options increases annually. One-half of the base options and one-half of the scaled options

became exercisable December 9, 1993 and the balance become exercisable December 9, 1994. The exercise date can be accelerated upon certain events.

In August 1991, the Company granted to Mr. Joseph M. Segel, then Chairman and Chief Executive Officer, non-qualified stock options covering 600,000 shares of Common Stock at an exercise price of $15.90. One-half of these options vested on the first anniversary of the date of grant and the balance was to vest on the second anniversary of the date of grant. On December 9, 1992, the Board of Directors and the Executive Compensation Committee approved the acceleration of the vesting of the second half of these options to December 1992, in order to allow Mr. Segel to realize their value in 1992. The Board and the Executive Compensation Committee also accelerated an additional 50,000 options under ISO Plans for Mr. Segel that were scheduled to vest in 1993 and 1994.

On December 9, 1992, the Board agreed to enter into a consulting and severance arrangement with Mr. Segel whereby he would serve as a consultant to the Company for a period of ten years after his retirement in January 1993 at an annual salary of $240,000 and, as incentive to Mr. Segel to accept employment as a consultant, granted to Mr. Segel, pursuant to the 1992 Qualified Incentive Stock Option Plan, 100,000 options to purchase shares of Common Stock, exercisable at $30.43 per share. These options vest ratably over a period of five years. The present value of the ten-year consulting and severance arrangement with Mr. Segel of $2.2 million was expensed in fiscal 1992.

The Board also approved entering into three-year (five-year in the case of Michael C. Boyd, former President of the Company) employment agreements for nine

senior Company executives, pursuant to which, among other things, the executives would be entitled to compensation at their current salaries and eligible for bonus and incentive compensation programs as may be maintained from time to time during the term of the agreement. As incentive to enter into the employment agreements, the Board granted to these executives, pursuant to the 1992 Stock Option Plan, an aggregate 1,450,000 options to purchase Common Stock exercisable at $30.43 per share. Options granted under the 1992 Qualified Incentive Stock Option Plan vest ratably over three years (five years in the case of Mr. Boyd). In February 1994, Mr. Boyd retired from the Company and entered into a consulting agreement. Accordingly, the present value of his employment agreement of $1.3 million was expensed in fiscal 1993.

A summary of changes in outstanding options under the ISO Plans is as follows:

<TABLE>
<CAPTION>

	QUALIFIED OPTION SHARES		NON-QUALIFIED OPTION SHARES		
	OUTSTANDING	EXERCISABLE	OUTSTANDING	EXERCISABLE	PRICE RANGE
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 31, 1991.....	590,112	504,737	630,000	85,000	$ 5.00 -- $17.25
Granted.....	5,000	1,250	607,500	--	12.13 -- 15.90
Cancelled.....	(26,500)	(19,000)	(11,000)	(1,375)	5.00 -- 16.00
Became exercisable.....	--	49,625	--	144,875	5.00 -- 16.00
Exercised.....	(65,825)	(65,825)	(26,000)	(26,000)	5.00 -- 13.00
Balance at January 31, 1992.....	502,787	470,787	1,200,500	202,500	5.00 -- 17.25
Granted.....	1,582,000	351,167	6,010,000	--	19.00 -- 38.86
Cancelled.....	(1,750)	(1,750)	(11,000)	(3,500)	5.00 -- 16.00
Became exercisable.....	--	29,500	--	796,375	5.00 -- 16.00
Exercised.....	(365,575)	(365,575)	(919,900)	(919,900)	5.00 -- 17.25
Balance at January 31, 1993.....	1,717,462	484,129	6,279,600	75,475	5.00 -- 38.86
Granted.....	106,000	1,250	50,000	--	39.88 -- 70.75
Cancelled.....	(5,575)	(5,575)	(26,750)	(3,000)	5.00 -- 23.25
Became exercisable.....	--	370,416	--	3,095,250	5.00 -- 34.39
Exercised.....	(66,087)	(66,087)	(27,350)	(27,350)	5.00 -- 23.25
Balance at January 31, 1994.....	1,751,800	784,133	6,275,500	3,140,375	$ 5.00 -- $70.75

</TABLE>

In December, 1992, the Company offered to exchange warrants into shares of Common Stock equivalent in value to the difference between the warrant exercise price and the market price ($37.75) at the time of the offer. Warrants that would have been exercisable for 7,061,005 shares were extinguished in this offer and the Company issued 4,367,690 net shares of Common Stock. The warrant holders were able to effect the exchange several ways. The net effect on the number of shares of Common Stock outstanding after the exchange was the same. A total of 3,893,962 warrants were exercised by delivering to the Company 1,424,404 previously issued shares of Common Stock valued at the market price ($37.75). A total of 2,492,017 warrants were exercised for $37,692,000, the proceeds of which were used to purchase from the warrant holders 998,457 shares of Common Stock at market. A total of 675,026 warrants were exchanged for 404,572 shares of Common Stock with an aggregate value equal to the difference between the market price and the exercise price. Warrant holders of an aggregate 2,418,908 shares declined the offer. Since this warrant exchange was treated as a non-cash financing transaction, it is not reflected on the Consolidated Statements of Cash Flows.

NOTE 11 -- INCOME PER SHARE

The Company computes income per share using the modified treasury stock method. The following table presents the information needed to compute net income per share for fiscal years 1993, 1992 and 1991 (in thousands, except per share data):

<TABLE>
<CAPTION>

	1993		1992		1991	
	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED	PRIMARY	FULLY DILUTED
<S>	<C>	<C>	<C>	<C>	<C>	<C>

INCOME:						
Income before extraordinary item and cumulative effect of a change in accounting principle	$ 55,311	$ 55,311	$ 56,588	$ 56,588	$ 21,733	$ 21,733
Add -- Imputed income from interest savings, net of tax, on assumed retirement of debt with remaining proceeds from assumed exercise of warrants and options	--	--	1,452	1,239	--	3,896
Adjusted income before extraordinary item and cumulative effect of a change in accounting principle	55,311	55,311	58,040	57,827	21,733	25,629
Extraordinary item -- loss on extinguishment of debt, net of tax benefit	--	--	(1,496)	(1,496)	(2,108)	(2,108)
Cumulative effect of a change in accounting for income taxes	3,990	3,990	--	--	--	--
Adjusted net income	$ 59,301	$ 59,301	$ 56,544	$ 56,331	$ 19,625	$ 23,521
SHARES:						
Weighted average number of common shares outstanding	37,845	37,845	27,885	27,885	19,750	19,750
Add -- Common equivalent shares assuming conversion of Series B, C and D Convertible Preferred Stock	7,387	7,387	10,340	10,340	12,209	12,209
Add -- Common equivalent shares assuming conversion of subordinated note at beginning of fiscal year	--	--	--	1,280	--	1,704
Add -- Common shares assumed to be outstanding from exercise of warrants and options	10,184	10,180	12,812	10,517	--	11,925
Less -- Assumed purchase of Common Stock from proceeds of exercise of warrants and options	(5,354)	(5,207)	(7,147)	(4,636)	--	(7,275)
	50,062	50,205	43,890	45,386	31,959	38,313
INCOME PER SHARE:						
Income before extraordinary item and cumulative effect of a change in accounting principle	$ 1.10	$ 1.10	$ 1.32	$ 1.27	$ .68	$ .67
Extraordinary item, net of tax benefit	--	--	(.03)	(.03)	(.07)	(.06)
Cumulative effect of a change in accounting for income taxes	.08	.08	--	--	--	--
Net income	$ 1.18	$ 1.18	$ 1.29	$ 1.24	$ .61	$ .61

</TABLE>

PRO FORMA NET INCOME PER SHARE

On a pro forma basis, net income for fiscal 1991 would have been $22.9 million, or $.64 per share, assuming the Company's October 1991 public offering of Common Stock and the related retirement of long-term debt as well as the exchange of Common Stock with Liberty Media Corporation in satisfaction of one-half of the unsecured note payable occurred as of the beginning of the year.

The pro forma computation assumes adjustments have been made to interest expense attributable to the reduction of the long-term debt, net of income tax effect. It also assumes that the shares issued in connection with the public offering and the exchange were outstanding from the beginning of the period.

NOTE 12 -- RETIREMENT AND SAVINGS PLANS

The Company has a defined contribution Employee Retirement Plan which covers substantially all of the Company's employees after completion of one year of service. The Company's contribution under the Plan is equal to 3.0% of eligible employees' salaries. The costs of this Plan charged to expenses were $2,202,000, $2,177,000, and $1,664,000 in fiscal years 1993, 1992 and 1991, respectively.

In addition, the Company sponsors a 401(k) Savings Plan which permits employees to make contributions to the Savings Plan on a pre-tax salary

reduction basis in accordance with the Internal Revenue Code. Substantially all full-time employees are eligible to participate after completion of one year of service. The Company matches a portion of the voluntary employee contributions. The costs of this Savings Plan charged to expenses were $2,053,000, $1,501,000, and $812,000 in fiscal years 1993, 1992 and 1991, respectively.

NOTE 13 -- INCOME TAXES

Effective February 1, 1993, the Company changed its method of accounting for income taxes as required by SFAS 109. The cumulative effect of this change in accounting was to increase the net income of the first quarter of fiscal 1993 by approximately $4.0 million, which is reported separately in the Consolidated Statements of Operations. Prior year's financial statements have not been restated to reflect the provisions of SFAS 109.

The provision for income taxes consists of the following (in thousands):

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Current			
Federal	$ 66,366	$ 49,770	$ 19,394
State	21,710	19,810	11,771
Total	8,076	69,580	31,165
Deferred			
Federal	(23,159)	(17,500)	--
State	(4,942)	--	--
Total	(28,101)	(17,500)	--
Total provision	$ 59,975	$ 52,080	$ 31,165

</TABLE>

NOTE 13 -- INCOME TAXES -- (CONTINUED)

Total income tax expense differs from the amounts computed by applying the U.S. federal income tax rate of 35.0% for fiscal 1993 and 34.0% for fiscal 1992 and 1991 to income before income taxes and extraordinary item as follows:

<TABLE>
<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Provision at statutory rate	35.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	14.5	12.0	14.7
Amortization of intangibles not deductible for tax purposes	3.0	3.2	6.7
Net operating loss carryforward	--	--	(1.2)
Other	(.5)	(1.3)	4.7
Total income tax expense	52.0%	47.9%	58.9%

</TABLE>

Deferred income taxes reflect the net effects of temporary differences between the value of assets and liabilities and their tax bases and the benefit of existing net operating loss carryforwards. Significant components of the net

deferred tax assets as of January 31, 1994 and 1993 follow (in thousands):

<TABLE>
<CAPTION>

	JANUARY 31,	
	1994	1993
<S>	<C>	<C>
Deferred tax assets:		
Accounts receivable, principally due to the allowance for doubtful accounts and related reserves for uncollectible accounts under the Company's revolving credit program	$ 25,715	$ 15,985

Inventories, principally due to obsolescence reserves and additional costs of inventories for tax purposes pursuant to the Tax Reform Act of 1986	7,497	6,801
Allowance for sales returns	7,625	3,857
Executive stock award	--	1,655
Costs associated with the terminated Paramount tender offer	14,964	--
Costs associated with cable television distribution rights	26,619	2,813
Other	7,061	(363)
Total gross deferred tax assets	89,481	30,748
Less: Valuation allowance	(12,467)	--
Less -- amounts not recognized due to SFAS 96 limitations on carrybacks of future net deductible amounts and carryforwards of alternative minimum tax credits	--	(12,948)
Net deferred tax assets	$ 77,014	$ 17,800

</TABLE>

Of the total net additional deferred tax asset recorded at the time of the adoption of SFAS 109, approximately $27.0 million was credited to additional paid-in capital and approximately $6.5 million was credited to the excess of cost over acquired net assets. The net increase in the deferred tax asset during fiscal 1993 differs from the deferred benefit component of the current year's tax provision primarily due to the recognition of a portion of the net operating loss carryforwards.

NOTE 13 -- INCOME TAXES -- (CONTINUED)

Deferred tax assets were not recorded as of January 31, 1993 for state income tax purposes since the Company's income is principally allocable to states that do not permit carrybacks that would give rise to refundable taxes. In addition, no deferred tax assets were recorded for federal or state tax purposes in fiscal 1991 since refundable taxes could not be generated from carrying back future net deductible amounts under the requirements of SFAS 96.

The increase in the deferred tax asset for fiscal 1992 differs from the deferred benefit component of the current year tax provision because portions of the deferred tax provision recorded were allocated to additional paid-in capital or the excess of cost over acquired net assets.

The valuation allowance for deferred tax assets as of February 1, 1993 was $12.2 million. The net change in the valuation allowance for fiscal 1993 was an increase of $255,000. Approximately $6.0 million of the valuation allowance will result in a credit to additional paid-in capital when it becomes more likely than not that certain deductions associated with cable television distribution rights will be realizable.

The following table summarizes the nature of certain tax benefits realized that reduced taxes payable but were not credited to the tax provision (in thousands):

<TABLE>
<CAPTION>

SOURCE OF TAX BENEFIT	ADDITIONAL PAID-IN CAPITAL 1993	ADDITIONAL PAID-IN CAPITAL 1992	EXCESS OF COST OVER ACQUIRED NET ASSETS 1993	EXCESS OF COST OVER ACQUIRED NET ASSETS 1992
<S>	<C>	<C>	<C>	<C>
Exercise of employee stock options	$ 1,655	$ 12,366	$ --	$ --
Net operating loss carryforward and other deductions arising from equity transactions	--	6,967	--	--
Realization of tax benefits associated with temporary differences in CVN acquisition	--	--	6,510	5,086
Alternative minimum tax credit carryforward generated from equity related deductions	--	2,979	--	--
	$ 1,655	$ 22,312	$ 6,510	$ 5,086

</TABLE>

In 1993, the tax benefits realized from net operating loss carryforwards of $6.6 million reduced taxes payable and were credited to deferred tax assets.

As of January 31, 1994, the Company has a net operating loss carryforward of $634,000 available to reduce future federal taxable income. There are no other credits or loss carryforwards available as of the end of fiscal 1993.

NOTE 14 -- LITIGATION

In July 1993, Shop Television Network, Inc. ('STN'), J.C. Penney Company, Inc. ('JCP'), JCPenney Television Shopping Channel Inc. ('JCPTV'), Michael Rosen and the Company settled the litigation that STN had brought in the Superior Court of the State of California for the County of Los Angeles in 1991, in connection with the negotiation and execution of an agreement dated May 16, 1991, between the Company and JCPTV. The settlement requires dismissal of all pending litigation between the parties, payment of approximately $8.8 million to STN, and repurchase by STN of all its shares held by JCP for an agreed price. JCPTV and the Company agreed to divide the settlement payment to STN between them, with the Company being responsible for the payment of approximately $3.8 million of such settlement payment. This amount was included as a charge in general and administrative expenses in the second quarter of fiscal 1993.

NOTE 14 -- LITIGATION -- (CONTINUED)

In July 1993, the Company was joined as a defendant in actions filed in state and federal court in Delaware by certain shareholders of Home Shopping Network, Inc. ('HSN') against HSN, Liberty Media Corporation ('Liberty'), Liberty Program Investments, Inc., RMS Limited Partnership ('RMS'), and certain individual directors and officers of HSN. The actions challenge Liberty's purchase of HSN Class A and Class B common stock from RMS, Liberty's tender offer for 15.0 million shares of HSN Common Stock as well as the Company's July 12, 1993 letter proposal to HSN to combine HSN and the Company in a stock-for-stock transaction (the 'Proposed HSN Merger'). The actions allege that the Company aided and abetted breaches of fiduciary duties in connection with the Proposed HSN Merger, as well as violations of certain regulations of the Securities Exchange Act. Plaintiffs seek class certification, declaratory and injunctive relief, compensatory damages, counsel fees, interest and costs. Management believes that the allegations against the Company in these shareholder lawsuits are unfounded and intends to defend against such actions vigorously. On November 5, 1993, the Company and HSN announced their mutual agreement to terminate negotiations on the Proposed HSN Merger. The Company's time to respond to the complaint in the state action was extended indefinitely. In March, 1994, the Company filed a motion to dismiss the complaint in the federal action. The parties are currently engaged in settlement discussions.

In September 1993, Viacom International Inc. ('Viacom International'), a subsidiary of Viacom Inc. ('Viacom'), brought an action against the Company, Tele-Communications, Inc., Liberty, Satellite Services, Inc., Encore Media Corp., and Netlink USA, challenging the Company's September 20, 1993 proposal to Paramount Communications Inc. ('Paramount') to combine Paramount and the Company in a cash and stock-for-stock exchange. Viacom International amended its complaint in November, 1993, adding Comcast Corporation ('Comcast') as an additional defendant. The Company filed an answer to the amended complaint on November 19, 1993. Comcast was subsequently dismissed as a defendant. Management believes that the allegations against the Company in Viacom International's action are unfounded and intends to defend against such action vigorously. On February 15, 1994, the Company terminated its tender offer for 50.1% of Paramount Common Stock.

In October 1993, the Company commenced legal action in the Delaware Chancery Court against Viacom, Paramount and certain Paramount directors for breach of fiduciary duties in failing to give fair treatment to the Company's merger proposal while granting undue advantages to Viacom's merger proposal. The Company sought to compel Paramount's board to give the two merger proposals equal consideration and also sought to invalidate certain 'lockup' agreements and share purchase options given by Paramount to Viacom. Following a hearing, the Court, on November 24, 1993, granted the Company's motion for a preliminary injunction against Paramount's poison pill rights plan and certain other anti-takeover mechanisms being used to preclude the Paramount shareholders from accepting the Company's cash tender offer for approximately 50.1% of Paramount's shares. On appeal by Paramount and Viacom, the Delaware Supreme court affirmed the injunction granted by the Delaware Chancery Court on December 9, 1993, and issued a formal opinion in support of its ruling on February 4, 1994. On December 21, 1993, Viacom filed a motion to dismiss the Company's complaint

against it. On February 15, 1994, the Company terminated its tender offer for Paramount's Common Stock.

The Company has also been named as a defendant in various legal proceedings arising in the ordinary course of business. Although the outcome of these matters cannot be determined, in the opinion of management, disposition of these proceedings will not have a material effect on the Company's financial position.

NOTE 15 -- SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENTS OF CASH FLOWS

An analysis of changes in working capital items follows (in thousands):

<TABLE>

<CAPTION>

	FISCAL YEAR		
	1993	1992	1991
<S>	<C>	<C>	<C>
Increase in accounts receivable	$ (86,154)	$ (29,029)	$ (6,006)
Increase in inventories	(29,496)	(9,784)	(8,428)
Increase in deferred taxes	(24,389)	(10,680)	--
Increase in prepaid expenses	(1,820)	(450)	(732)
Increase in accounts payable -- trade	29,972	11,312	7,245
Increase in accrued liabilities	75,648	5,074	48,028
	$ (36,239)	$ (33,557)	$ 40,107
Supplemental cash flow information:			
Interest paid	$ 1,369	$ 20,512	$ 30,397
Income taxes paid	31,841	37,944	1,351

</TABLE>

In fiscal year 1993, the Company did not enter into any non-cash financing transactions. In fiscal years 1992 and 1991, the following non-cash financing transactions were entered into by the Company (dollars in thousands).

<TABLE>

<S>	<C>
1992	
Issuance of 1,704,546 shares of Common Stock in prepayment of Convertible subordinated note, net of $1,260 debt placement fees	$28,740
Exercise of 3,893,962 warrants through deliverance of 1,424,404 shares of Common Stock at market value	53,771
Exercise of 2,492,017 warrants for $37,692 with simultaneous repurchase of 998,457 shares of Common Stock at market value	37,692
Issuance of 404,572 shares of Common Stock in exchange for 675,026 warrants, representing the aggregate difference between the market price and the exercise price	15,273
Exercise of stock options through deliverance of 800 shares of Common Stock at market value	31

</TABLE>

<TABLE>

<S>	<C>
1991	
Issuance of an aggregate of 243,522 shares of Common Stock and 100,000 warrants to Comcast Financial Corporation in lieu of cash interest expense	3,000
Issuance of 75,075 shares of Common Stock to the Standby Investors in consideration for signing the Standby Equity Agreement	614
Issuance of 2,269,552 shares of Common Stock to Liberty Media Corporation in exchange for one-half of the outstanding balance of an unsecured note payable	31,445
Adjustment to the number of shares of Common Stock assumed issued to holders of certain CVN Series 2 Warrants from 3,377,949 to 3,410,843 (at market value)	526
Adjustment to the number of new QVC Warrants assumed exchanged for certain CVN Series 2 Warrants from 6,822,767 to 6,469,913 (value based on an independent appraisal)	(1,438)

</TABLE>

NOTE 16 -- PARAMOUNT TENDER OFFER

On October 27, 1993, the Company made an $80.00 cash tender offer for 50.1 percent of the outstanding common shares of Paramount. This tender offer was amended several times during the bidding process against Viacom for Paramount. On February 1, 1994, the Company amended its cash tender offer to $104 per share. The Company offered approximately $6.4 billion in cash for 61.7 million Paramount common shares. The proposed cash tender offer would have been funded through a $3.25 billion bank loan commitment and proposed capital contributions to the Company of $1.5 billion from BellSouth Corporation and $0.5 billion each from Advance Publications, Cox Enterprises and Comcast Corporation. On February 15, 1994, Paramount notified the Company that Viacom received the minimum condition in its tender offer and had delivered to Paramount a completion certificate pursuant to the bidding procedures. Accordingly, the Company terminated its tender offer for 50.1 percent of the Common Stock of Paramount. The costs incurred on the tender offer, comprised principally of bank fees and legal and advisory fees, totaled $34.8 million which were expensed in the fourth quarter of 1993. The $3.25 billion bank loan commitment expired on February 15, 1994 upon the termination of the tender offer.

NOTE 17 -- QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(IN THOUSANDS, EXCEPT AS TO PER SHARE DATA)

<TABLE>

<CAPTION>

FISCAL 1993	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net revenue	$ 273,232	$ 262,438	$ 313,945	$ 372,489
Gross profit	113,773	107,938	128,902	148,316
Income before income taxes and cumulative effect of a change in accounting principle (1)	34,546	26,137	42,732	11,871
Income tax provision	(16,925)	(12,810)	(21,215)	(9,025)
Income before cumulative effect of a change in accounting principle	17,621	13,327	21,517	2,846
Cumulative effect of change in accounting principle (2)	3,990	--	--	--
Net income	21,611	13,327	21,517	2,846
Income per share (3):				
Primary				
Income before cumulative effect of a change in accounting principle	.36	.26	.42	.06
Net income	.44	.26	.42	.06

</TABLE>

<TABLE>
<CAPTION>

FISCAL 1992	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net revenue	$ 233,168	$ 221,253	$ 274,332	$ 341,834
Gross profit	100,354	94,259	115,501	138,633
Income before income taxes and extraordinary item	22,917	15,905	31,468	38,378
Income tax provision	(11,425)	(7,190)	(15,105)	(18,360)
Income before extraordinary item	11,492	8,715	16,363	20,018
Extraordinary item, net of tax benefit (4)	(348)	--	--	(1,148)
Net income	11,144	8,715	16,363	18,870
Income per share (5)(6):				
Primary				
Income before extraordinary item	.29	.22	.40	.44
Net income	.28	.22	.40	.42
Fully-diluted				
Income before extraordinary item	.29	.22	.40	.42
Net income	.28	.22	.40	.40

</TABLE>

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(1) Fourth quarter amount includes a charge of $34.8 million related to the Paramount tender offer (Note 16).
(2) Amount represents the cumulative effect of adopting SFAS 109.

NOTE 17 -- QUARTERLY FINANCIAL INFORMATION (UNAUDITED) -- (CONTINUED)
(IN THOUSANDS, EXCEPT AS TO PER SHARE DATA)

(3) Fully diluted earnings per share for all periods are not presented since they are the same as the primary earnings per share.
(4) Amounts represent accelerated amortization of debt placement fees, net of income tax benefits, due to prepayments of the Senior term loan (Note 5).
(5) The sum of the quarterly per share amounts does not equal the annual amount due to the substantial changes in the number of shares throughout the year.
(6) In the fourth quarter of fiscal 1992, the modified treasury stock method of computing earnings per share resulted in a fully-diluted computation with a lower amount than the primary computation.
This is due primarily to using the year-end closing share price for the fully-diluted computation versus the average share price for the fourth quarter. The year-end closing price was $40.50 versus a fourth quarter

average of $32.92.

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

The Company had no disagreements on accounting or financial disclosure matters with its independent auditors, nor did it change auditors during the fiscal year ended January 31, 1994.

PART III

The information called for by Item 10 -- 'Directors and Executive Officers of the Registrant,' Item 11 -- 'Executive Compensation,' Item 12 -- 'Security Ownership of Certain Beneficial Owners and Management' and Item 13 -- 'Certain

Relationships and Related Transactions' is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to SEC Regulation 14A with respect to the 1994 Annual Meeting of Shareholders.

PART IV

ITEM 14 -- EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)	(1)	The response to this item is contained in the Index to Financial Statements on page 25 hereof.
	(2)	The following financial schedules as of January 31, 1994 or for the years ended January 31, 1994, January 31, 1993 and January 31, 1992 are submitted herewith on pages 59, 60 and 61 of this report: Schedule II -- Accounts Receivable from Related Parties and Underwriters, Promoters and Employees Other Than Related Parties Schedule VIII -- Valuation and Qualifying Accounts Schedule X -- Supplementary Income Statement Information All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. The report of the Company's independent auditors with respect to the above listed financial statement schedules appears on page 26 of this report.
	(3)	The Exhibits set forth in the following index of Exhibits are filed as a part of this report.

EXHIBIT NO.	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Form S-1 Registration Statement No. 33-9345 dated October 8, 1986, is incorporated by reference herein.
3.2	Amendment to the Restated Certificate of Incorporation of the Company dated September 9, 1986, filed as Exhibit 3.2 to the Company's Form S-1 Registration Statement No. 33-9345 dated October 8, 1986, is incorporated by reference herein.
3.3	Amendment to the Restated Certificate of Incorporation of the Company dated August 13, 1987, filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1987, is incorporated by reference herein.
3.4	Amendment to the Restated Certificate of Incorporation of the Company dated July 17, 1991, filed as Exhibit 3.4 to the Company's Form S-1 Registration Statement No. 33-42092 dated August 13, 1992, is incorporated by reference herein.
3.5	Amendment to the Restated Certificate of Incorporation of the Company, dated June 29, 1993, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated July 1, 1993, is incorporated by reference herein.
3.6	Amended and Restated By-Laws of the Company.
4.0	The Company, by signing this Report, agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of the Company.
4.1	Certificate of Stock Designation of the Company dated June 27, 1987, filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1989, is incorporated by reference herein.
4.2	Certificate of Stock Designation of the Company dated May 11, 1988, filed as Exhibit 4.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1989, is incorporated by reference herein.
4.3	Certificate of Stock Designation of the Company dated August 4, 1989, filed as Exhibit 4.3 to the Company's Form S-4 Registration Statement No. 33-31486 dated October 10, 1989, is incorporated by reference herein.
4.4	Certificate of Stock Designation of the Company dated March 1, 1990, filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
4.5	Form of Common Stock Purchase Warrant of the Company, filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
10.1*	1986 Incentive Stock Option Plan of the Company, filed as Exhibit 1.4 to the Company's Form S-1 Registration Statement No. 33-9345 dated October 8, 1986, is incorporated by reference herein.
10.2*	1986 Non-Qualified Incentive Stock Option Plan of the Company, filed as Exhibit 28 to

the Company's S-8 Registration Statement No. 33-32523 dated December 11, 1989, is incorporated by reference herein.

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10.3*	1987 Incentive Stock Option Plan of the Company, filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1987, is incorporated by reference herein.
10.4*	1988 Incentive Stock Option Plan of the Company, filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1989, is incorporated by reference herein.
10.5*	1990 Non-Qualified Incentive Stock Option Plan of the Company, filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
10.6*	1991 Non-Qualified Stock Option of the Company, as amended, filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993, is incorporated by reference herein.
10.7*	1992 Qualified Incentive Stock Option Plan of the Company, filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993, is incorporated by reference herein.
10.8	Form of Equity Participation Agreement, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1987, is incorporated by reference herein.
10.9	Form of Affiliation Agreement, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1987, is incorporated by reference herein.
10.10	Warrant Agreement between the Company and Safeguard Scientifics, Inc. dated April 29, 1987, filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1987, is incorporated by reference herein.
10.11	Warrant Agreement between the Company and Fidelity Bank, National Association, dated April 29, 1987, filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1987, is incorporated by reference herein.
10.12	Note and Warrant Purchase Agreement, dated October 31, 1989, between the Company and Comcast Financial Corporation, filed as Exhibit 2.3 to the Current Report on Form 8-K dated November 14, 1989, is incorporated by reference herein.
10.13	Promissory Note and related mortgage documents dated August 31, 1988, between CVN Distribution Co. and Northwestern National Life Insurance Company, filed as Exhibit 10.12 of the Annual Report on Form 10-K of CVN Companies, Inc. for the fiscal year ended August 31, 1988, is incorporated by reference herein.
10.14	Restated Promissory Note of CVN Direct Marketing Corp. issued to Northwestern National Life Insurance Company and The North Atlantic Life Insurance Company of America, filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991, is incorporated by reference herein.
10.15	Form of Affiliation Agreement of CVN Companies, Inc., filed as Exhibit 10.23 to the Current Report on Form 8-K of CVN Companies, Inc. dated June 30, 1987 and filed on July 14, 1987, is incorporated by reference herein.

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<S> <C> <C> <C>

10.16	Form of Addendum to QVC Affiliation Agreement, filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
10.17	Form of Addendum to CVN Affiliation Agreement, filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
10.18	Form of Equity Participation Agreement in conjunction with 10-Year Extension to Affiliation Agreement(s), filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein.
10.19	Agreement and Plan of Merger, dated as of July 9, 1989, as amended as of September 29, 1989, between and among CVN Companies, Inc., the Company and QVC Acquisition Corp.,

filed as Exhibit 2 to the Company's Form S-4 Registration Statement No. 33-31486 dated October 10, 1989, is incorporated by reference herein.

10.20 C-3 Satellite Transponder Service Agreement between the Company and GE American Communications, Inc. dated May 15, 1989, filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein. (Certain portions of this agreement are subject to Confidential Treatment pursuant to the Securities and Exchange Commission's order dated June, 1990).

10.21 C-4 Satellite Transponder Service Agreement dated July 10, 1989, between CVN Companies, Inc. and GE American Communications, Inc. dated July 10, 1989, filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1990, is incorporated by reference herein. (Certain portions of this agreement are subject to Confidential Treatment pursuant to the Securities and Exchange Commission's order dated June, 1990).

10.22 License Agreement between JCPenney Television Shopping Channel, Inc. and the Company dated May 16, 1991, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1991, is incorporated by reference herein. (Certain portions of this agreement are subject to Confidential Treatment pursuant to the Securities and Exchange Commission's order dated August 19, 1991).

10.23 Agreement between Liberty Program Investments, Inc. and the Company dated August 12, 1991, filed as Exhibit 10.44 to the Company's Form S-1 Registration Statement No. 33-42092 dated August 13, 1991, is incorporated by reference herein.

10.24* Employment Agreement dated as of October 1, 1991, between the Company and Joseph M. Segel, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1991, is incorporated by reference herein.

10.25* Amendment to Employment Agreement dated as of December 9, 1992, between the Company and Joseph M. Segel, filed as Exhibit 28.2 to the Company's Current Report on Form 8-K

filed on January 21, 1993, as amended by Form 8 filed on January 27, 1993, is incorporated by reference herein.

</TABLE>

<TABLE>
<S> <C> <C> <C>

10.26* Employment Agreement dated as of December 9, 1992, between the Company and Michael C. Boyd, filed as Exhibit 28.1 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.27* Employment Agreement dated as of December 9, 1992, between the Company and William F. Costello, filed as Exhibit 28.2 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.28* Employment Agreement dated as of December 9, 1992, between the Company and Douglas S. Briggs, filed as Exhibit 28.3 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.29* Employment Agreement dated as of December 9, 1992, between the Company and Thomas Downs, filed as Exhibit 28.4 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.30* Employment Agreement dated as of December 9, 1992, between the Company and Ronald D. Giles, filed as Exhibit 28.5 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.31* Employment Agreement dated as of December 9, 1992, between the Company and Neal S. Grabell, filed as Exhibit 28.6 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.32* Employment Agreement dated as of December 9, 1992, between the Company and John F. Link, filed as Exhibit 28.7 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.33* Employment Agreement dated as of December 9, 1992, between the Company and Gary F. Mathern, filed as Exhibit 28.8 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.34* Employment Agreement dated as of December 9, 1992, between the Company and D. Bruce Sellers, filed as Exhibit 28.9 to the Company's Current Report on Form 8-K filed on February 10, 1993, is incorporated by reference herein.

10.35 Credit Agreement dated as of March 5, 1993, between the Company and The Bank of New York, filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993, is incorporated by reference herein.

10.36* Equity Compensation Agreement dated as of December 9, 1992, between the Company and Barry Diller, filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1993, is incorporated by reference herein.

</TABLE>

<TABLE>
<S> <C> <C> <C>

10.37 Settlement Agreement and Mutual Release, among Shop Television Network, Inc., a Delaware corporation, J.C. Penney Company, Inc., a Delaware corporation, JCPenney Television Shopping Channel, Inc., a Delaware corporation, Michael Rosen and the

Company, filed as Exhibit 28.1 to the Company's Current Report on Form 8-K filed on August 4, 1993, is incorporated by reference herein.

10.38 Amendment to the License Agreement, dated May 16, 1991, between JCPenney Television Shopping Channel, Inc. and the Company, filed as Exhibit 28.2 to the Company's Current Report on Form 8-K filed on August 4, 1993, is incorporated by reference herein.

10.39 Schedule 13D (Amendment No. 3), filed as Exhibit 28.3 to the Schedule 13D (Amendment No. 3) of Comcast Corporation, Liberty Media Corporation and Barry Diller filed on August 4, 1993, is incorporated by reference herein.

10.40 Amended and Restated Credit Card Programs Agreement dated as of July 13, 1992, among the Company, CVN Companies, Inc., and General Electric Capital Corporation, filed as Exhibit 28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1993, is incorporated by reference herein. (Certain portions of this agreement are subject to Confidential Treatment pursuant to the Securities and Exchange Commission's order dated October 26, 1993).

10.41 Stockholders Agreement, dated July 16, 1993, among Liberty Media Corporation, Comcast Corporation, Arrow Investments, L.P. and certain affiliates and subsidiaries of such parties, filed as Exhibit (c)(2) to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and Liberty Media Corporation filed on October 27, 1993, is incorporated by reference herein.

10.42 Commitment Letter, dated November 11, 1993, by and among the Company, Comcast Corporation, Cox Enterprises, Inc. and Advance Publications, Inc., filed as Exhibit (c)(10) to Amendment No. 6 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation, Liberty Media Corporation and BellSouth Corporation filed on November 12, 1993, is incorporated by reference herein.

10.43 Memorandum of Understanding, dated November 11, 1993, by and between the Company and BellSouth Corporation, filed as Exhibit (c)(11) to Amendment No. 6 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation, Liberty Media Corporation and BellSouth Corporation filed on November 12, 1993, is incorporated by reference herein.

10.44 Liberty-QVC Agreement, dated November 11, 1993, by and between the Company and Liberty Media Corporation, filed as Exhibit (c)(12) to Amendment No. 6 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation, Liberty Media Corporation and BellSouth Corporation filed on November 12, 1993, is incorporated by reference herein.

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<TABLE>
<S> <C> <C> <C>

10.45 Agreement Containing Consent Order and Interim Agreement, dated November 12, 1993, among the Federal Trade Commission, Liberty Media Corporation and Tele-Communications, Inc., filed as Exhibit (c)(15) to Amendment No. 9 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on November 18, 1993, is incorporated by reference herein.

10.46 BellSouth Commitment Letter, dated November 19, 1993, by and between BellSouth Corporation and the Company, filed as Exhibit (c)(16) to Amendment No. 10 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on November 22, 1993, is incorporated by reference herein.

10.47 Agreement and Plan of Merger between Paramount Communications Inc. and the Company, dated as of December 22, 1993, filed as Exhibit (c)(23) to Amendment No. 21 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on December 23, 1993, is incorporated by reference herein.

10.48 First Amendment, dated as of December 27, 1993, to Agreement and Plan of Merger between Paramount Communications Inc. and the Company, filed as Exhibit (c)(26) to Amendment No. 23 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on December 28, 1993, is incorporated by reference herein.

10.49* Employment Agreement, dated July 20, 1993, among QVC Network, Inc., Q2 Corporation and Candice Carpenter (without exhibits).

10.50* Employment Agreement, dated August 16, 1993, between QVC Network, Inc., and William J. Schereck, Jr.

10.51 Joint Venture Agreement, dated as of November 8, 1993, among Grupo Televisa, S.A. de C.V., Television Independiente de Mexico, S.A. de C.V., QVC Network, Inc., QVC Mexico, Inc., and Telemercado Alameda, S. de R.L. de C.V. (without exhibits).

10.52 Joint Venture Agreement, dated October 11, 1993, among QVC Network, Inc., QVC Britain, British Sky Broadcasting Limited, Precis (1192) Limited and QVC (without exhibits). (Certain portions of this Exhibit are subject to an Application for Confidential Treatment pursuant to Rule 24b-2).

10.53 License Agreement, dated as of March 15, 1994, between Silvercup Studios Associates Limited Partnership and Q2 Inc. (without exhibits).

10.54	Stock Option Agreement, dated as of February 15, 1994, among QVC Network, Inc., Cox Enterprises, Inc., Advance Publications, Inc., and BellSouth Corporation (without exhibits).
21.	Subsidiaries of the Registrant.
23.	Consent of Independent Auditors.
99.1	Letter dated July 12, 1993, from the Company, addressed to Home Shopping Network, Inc., filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 13, 1993, is incorporated by reference herein.

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<S> <C> <C> <C>

99.2	Letter dated July 12, 1993, from Liberty Media Corporation addressed to the Board of Directors of the Company, filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on July 13, 1993, is incorporated by reference herein.
99.3	Offer to Purchase, dated October 27, 1993, from the Company to the common stockholders of Paramount Communications Inc., filed as Exhibit (a)(1) to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and Liberty Media Corporation filed on October 27, 1993, is incorporated by reference herein.
99.4	Letter of Transmittal, dated October 27, 1993, from the Company to the common stockholders of Paramount Communications Inc., filed as Exhibit (a)(2) to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and Liberty Media Corporation filed on October 27, 1993, is incorporated by reference herein.
99.5	First Amended and Supplemental Complaint in QVC Network, Inc. v. Paramount Communications, Inc., C.A. No. 13208 (filed October 28, 1993, Delaware Chancery Court), filed as Exhibit (c)(5) to Amendment No. 1 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and Liberty Media Corporation filed on October 29, 1993, is incorporated by reference herein.
99.6	Supplement to the Offer to Purchase, dated November 12, 1993, filed as Exhibit (a)(17) to Amendment No. 6 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation, Liberty Media Corporation and BellSouth Corporation filed on November 12, 1993, is incorporated by reference herein.
99.7	Revised Letter of Transmittal, filed as Exhibit (a)(18) to Amendment No. 6 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation, Liberty Media Corporation and BellSouth Corporation filed on November 12, 1993, is incorporated by reference herein.
99.8	Amended Complaint in Viacom International, Inc. v. Tele-Communications, Inc., et al, dated November 9, 1993 (U.S. District Court, Southern District of New York), filed as Exhibit (a)(26) to Amendment No. 8 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on November 16, 1993, is incorporated by reference herein.
99.9	Memorandum Opinion and Preliminary Injunction Order in QVC Network, Inc. v. Paramount Communications, Inc., C.A. No. 13208, both dated November 24, 1993, entered by Delaware Chancery Court, filed as Exhibit (c)(17) to Amendment No. 13 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on November 26, 1993, is incorporated by reference herein.
99.10	Revised Memorandum Opinion, dated November 26, 1993, in QVC Network, Inc. v. Paramount Communications, Inc., C.A. No. 13208, entered by Delaware Chancery Court, filed as Exhibit (c)(18) to Amendment No. 14 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on December 2, 1993, is incorporated by reference herein.

</TABLE>

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99.11	Order, dated December 9, 1993, in Paramount Communications Inc. v. QVC Network, Inc., C.A. No. 13208, entered by Delaware Supreme Court, filed as Exhibit (c)(19) to Amendment No. 15 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and Liberty Media Corporation filed on December 10, 1993, is incorporated by reference herein.
99.12	Second Supplement to the Offer to Purchase, dated December 23, 1993, filed as Exhibit (a)(46) to Amendment No. 21 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on December 23, 1993, is incorporated by reference herein.
99.13	Second Revised Letter of Transmittal, filed as Exhibit (a)(47) to Amendment No. 21 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on December 23, 1993, is incorporated by reference herein.
99.14	Third Supplement to the Offer to Purchase, dated January 31, 1994, filed as Exhibit (a)(67) to Amendment No. 34 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on February 1, 1994, is incorporated by reference herein.

99.15 Third Revised Letter of Transmittal, filed as Exhibit (a)(68) to Amendment No. 34 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on February 1, 1994, is incorporated by reference herein.

99.16 Opinion, dated February 4, 1994, in Paramount Communications Inc. v. QVC Network, Inc., C.A. No. 13208, entered by Delaware Supreme Court, filed as Exhibit (c)(33) to Amendment No. 37 to the Tender Offer Statement on Schedule 14D-1 of the Company, Comcast Corporation and BellSouth Corporation filed on February 7, 1994, is incorporated by reference herein.

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* A management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c).

(b) During the fiscal quarter ended January 31, 1994, no Current Reports on Form 8-K were filed.

SIGNATURES

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

QVC NETWORK, INC.

By: _____/s/_Barry Diller_____
Barry Diller
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE AND TITLE	DATE
<S>	<C>
/s/ Barry Diller Barry Diller, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	April 19, 1994
/s/ William F. Costello William F. Costello, Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)	April 19, 1994
/s/ J. Bruce Llewellyn J. Bruce Llewellyn, Director	April 19, 1994
/s/ Brian L. Roberts Brian L. Roberts, Director	April 19, 1994
/s/ Ralph J. Roberts Ralph J. Roberts, Director	April 19, 1994
/s/ Joseph M. Segel Joseph M. Segel, Director	April 19, 1994

</TABLE>

SCHEDULE II
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
(in thousands)

<TABLE>
<CAPTION>

NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS: AMOUNTS COLLECTED	DEDUCTIONS: AMOUNTS WRITTEN-OFF	BALANCE AT END OF PERIOD: CURRENT	BALANCE AT END OF PERIOD: NOT CURRENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended January 31, 1992						

Peter Barton, unsecured 8% note receivable due on demand	$ 98	$ 6	$ --	$ --	$ 104	$ --
Year Ended January 31, 1993						
Peter Barton, unsecured 8% note receivable due on demand	$ 104	$ --	$ 104	$ --	$ --	$ --
Year ended January 31, 1994						
Candice Carpenter, unsecured, prime plus one percent note receivable due in installments until May 31, 1998	$ --	$ 257	$ --	$ --	$ 257	$ --

SCHEDULE VIII

VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	OTHER	BALANCE AT END OF PERIOD
Allowance for doubtful accounts:						
Year ended January 31, 1992	$ 8,214	$ 14,501	$ --	$ (7,260)(A)	$ --	$ 15,455
Year ended January 31, 1993	$ 15,455	$ 17,506	$ 1,250(C)	$ (12,895)(A)	$ --	$ 21,316
Year ended January 31, 1994	$ 21,316	$ 24,765	$ --	$ (7,971)(A)	$ 14,649	$ 52,759
Inventory obsolescence reserve:						
Year ended January 31, 1992	$ 8,387	$ 16,465	$ --	$ (12,141)(B)	$ --	$ 12,711
Year ended January 31, 1993	$ 12,711	$ 17,809	$ --	$ (14,312)(B)	$ --	$ 16,208
Year ended January 31, 1994	$ 16,208	$ 20,000	$ --	$ (21,186)(B)	$ --	$ 15,022
Reserve for uncollectible accounts under revolving credit program:						
Year ended January 31, 1992	$ 11,769	$ 14,175	$ --	$ (5,970)(A)	$ --	$ 19,974
Year ended January 31, 1993	$ 19,974	$ 10,159	$ --	$ (4,434)(A)	$ --	$ 25,699
Year ended January 31, 1994	$ 25,699	$ --	$ --	$ (2,414)(A)	$ (14,649(D)	$ 8,636

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(A) Accounts written-off as uncollectible, net of recoveries.
(B) Written off as obsolete.
(C) Reserve for interest on note receivable transferred from accrued liabilities.
(D) Transfer to allowance for doubtful accounts

SUPPLEMENTARY INCOME STATEMENT INFORMATION
(in thousands)

ITEM	CHARGED TO COSTS AND EXPENSES
Advertising costs:	
Year ended January 31, 1992	$ 35,407
Year ended January 31, 1993	$ 33,419
Year ended January 31, 1994	$ 28,172

EXHIBIT 3.6
QVC NETWORK, INC.
BY-LAWS

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware. The registered agent in charge thereof shall be Corporation Service Company.

Section 2. Other Offices. The corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meeting. Meetings of stockholders may be held at such place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. If the place of meeting is not designated in the notice, the meeting shall be held at the corporation's registered office.

Section 2. Annual Meeting. The annual meeting of stockholders shall be held following the end of the corporation's fiscal year on a date and at a time specified by the Board of Directors and stated in the notice of the meeting for the purpose of electing directors and transacting such other business as may properly be brought before the meeting. If the election of directors shall not be held on the day designated by the Board of Directors for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of stockholders as soon thereafter as is convenient.

Section 3. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the Chairman of the Board of Directors and shall be called by the Chairman or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning majority in amount of the shares of stock issued and outstanding and entitled to vote as of the date of such request. Such request shall state the purpose or purposes of the proposed meeting.

Section 4. Notices. Written notice stating the place, date and hour of the meeting, and in the case of a special meeting the purpose or purposes thereof, shall be given to each stockholder entitled to vote at such meeting not less

than ten nor more than sixty days before the date of the meeting either personally or by mail or telegraph, addressed to each stockholder at such stockholder's address as it appears on the records of the corporation. If mailed, such notice shall be deemed to be delivered three business days after being deposited in the United States mail so addressed, with postage thereon prepaid. If notice be by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company.

Section 5. Adjourned Meetings. When a meeting is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken, if the adjournment is for not more than thirty (30) days, and if no new record date is fixed for the adjourned meeting. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

Section 6. Quorum. The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any

meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 8. Judges of Election. The Board of Directors, or if the board shall not have made the appointment, the chairman presiding at any meeting of stockholders, shall have the power to appoint two or more persons to act as judges, to receive, canvass, and report the votes cast by the stockholders at such meeting, but no candidate for director shall be appointed as a judge at any meeting.

Section 9. Voting. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock

having voting power held by such stockholder, but no proxy shall be voted after three years from its date, unless the proxy provides for a longer period. Except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted at any election for directors which has been transferred on the books of the corporation within ten (10) days next preceding such election of directors. No corporate action requiring shareholder approval, including the election or removal of directors, may occur without the affirmative vote of the holders of a majority of the shares then entitled to vote. Election of directors need not be by written ballot.

Section 10. Action Without a Meeting. Any action required or permitted to be taken at any annual or special meeting of stockholders of the corporation, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided that prompt notice of the taking of such action shall be given to those stockholders who have not so consented in writing to such action.

ARTICLE III

DIRECTORS

Section 1. Number and Term. The business and affairs of the corporation shall managed by a board of not less than six nor more than twelve directors, the precise number to be determined by resolution of the board of directors or by the stockholders at the annual meeting. Two directors shall be elected only by the holders of shares of Common Stock and the rest of the directors by the holders of all shares of stock without regard to class. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall serve for a term of one year from the date of election and until a successor is elected and qualified or until the director's earlier resignation or removal. Directors need not be stockholders.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until

the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

Section 3. Resignation or Removal. Any director may at any time resign by delivering to the Board of Directors his resignation in writing, to take effect no later than ten days thereafter. Any director may at any time be removed effective immediately, with or without cause, by the vote, either in person or represented by proxy, of a majority of the shares of stock issued and outstanding and entitled to vote at a special meeting held for such purpose or by the written consent of a majority of the shares of stock issued and outstanding; provided that if such director is elected by the holders of a

particular class of stock, such director may be removed by the vote of a majority of the shares of that class or by the written consent of a majority of the shares of that class.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly at such time and place and on such dates as shall be determined by the Chairman of the Board of Directors.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board of Directors or on the written request of any three directors. The Chairman of the Board of Directors shall have the right to fix the time, place and date of each special meeting.

Section 6. Notice. At least one day's prior written notice of any meeting of the Board of Directors shall be given, either personally or by mail, telegraph or courier service, addressed to each director at his address as it appears on the records of the corporation. If mailed such notice shall be deemed to be delivered three days after being deposited in the United States mail so addressed, with postage thereon prepaid. If notice be by telegram or courier service, such notice shall be deemed to be delivered when the telegram or notice is delivered to the telegraph company or courier service.

Section 7. Quorum. At all meetings of the Board of Directors a majority of the directors then serving shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A director present at a meeting shall be counted in determining the presence of a quorum, regardless of whether a contract or transaction between the corporation and such director or between the corporation and any other corporation, partnership, association, or other organization in which such director is a director or officer, or has a financial interest, is authorized or considered at such meeting.

Section 8. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 9. Meetings by Conference Telephone. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors, or such committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 10. Committees. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors, and to have such name or title determined by the Board. The Board may designate one or more directors as

alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such person or persons constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in such resolution, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to amend the certificate of incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amend the by-laws of the corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 11. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid a fixed sum and/or their expenses, if any, of attendance for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

OFFICERS

Section 1. Designation. The officers of the corporation shall consist of a Chairman of the Board, one or more Vice Presidents (the number and designation of which to be determined from time to time by the Board of Directors), a

Secretary and a Treasurer. The Board of Directors may also choose as additional officers a Vice Chairman of the Board, a President and such other officers, assistant officers and agents as it may deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Chairman of the Board.

Section 2. Salaries. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 3. Election and Term of Office. The Chairman of the Board shall be elected by the Board of Directors at the first meeting of the Board of Directors following the stockholders' annual meeting, and serve for a term of one (1) year and until a successor is elected by the Board. The other officers of the corporation shall also be appointed by the Board of Directors for a term of one (1) year. Any officer appointed by the Board may be removed, with or without cause, at any time by the Chairman of the Board. The Chairman of the Board,

however, may only be removed by the affirmative vote of 60% of all directors. An officer may resign at any time upon written notice to the corporation. Each officer shall hold his office until his or her successor is appointed or until his or her earlier resignation or removal.

Section 4. The Chairman of the Board. The Chairman of the Board shall be elected by the Board of Directors from their own number; the Chairman shall preside at all meetings of the stockholders and of the Board of Directors, shall be the chief executive officer of the corporation, shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect; the Chairman may remove and replace, in the Chairman's sole discretion, the officers of the corporation; the Chairman shall be empowered to sign all certificates, contracts and other instruments of the corporation which may be authorized by the Board of Directors; and the Chairman shall have such other duties and shall supervise such matters as may be designated to him by the Board of Directors.

Section 5. The President. In the event the Board of Directors shall elect a President, the President shall perform any and all duties assigned to him by the Board or directed by the Chairman of the Board or as are incident to the office of the President of a corporation.

Section 6. The Vice-President. In the absence of the President or in the event of his inability or refusal to act, the Vice-President (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-Presidents shall perform such other duties and have such other powers as may from time to time be assigned to them by the Chairman of the Board or the Board of Directors.

Section 7. The Secretary. The Secretary shall attend all meetings of the

Board of Directors and stockholders and record all the proceedings thereat in a book to be kept for that purpose and shall perform like duties for the committees of the Board of Directors. The Secretary shall give, or cause to be given, all notices in accordance with the provisions of these By-Laws or as required by law; and shall have custody of the corporate records and of the seal of the corporation and shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by the signature of the Secretary; shall keep at the registered office or at the principal place of business of the corporation a record of the stockholders of the corporation, giving the names and addresses of all such stockholders (which addresses shall be furnished to the Secretary by such stockholders) and the number and class of the shares held by each; the Secretary shall have general charge of the stock transfer books of the corporation; and in general the Secretary shall perform all duties as from time to time may be assigned to him by the Chairman of the Board or by the Board of Directors.

Section 8. The Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep, or cause to be kept, correct and complete books of account, including full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys

and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors; shall disburse the funds of the corporation as may be ordered by the Chairman of the Board or the Board of Directors, taking proper vouchers for such disbursements; shall render to the Chairman of the Board and the Board of Directors, when the Board so requires, an account of all transactions and of the financial condition of the corporation; and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may be assigned from time to time by the Chairman of the Board or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the Treasurer's office and for the restoration to the corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the possession or control of the Treasurer belonging to the corporation.

Section 9. Assistant Officers. The assistant secretaries and assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or the Treasurer as the case may be or in the event of their inability or refusal to act, perform the duties and exercise the powers of the Secretary or Treasurer, as the case may be, and shall perform such other duties and have such other powers as the Chairman of the Board or the Board of Directors may from time to time prescribe.

ARTICLE V

CERTIFICATES OF STOCK

Section 1. Signature by Officers. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the Chairman of the Board, the President or a Vice-President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by the stockholder in the corporation.

Section 2. Facsimile Signature. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or

certificates, or such person's legal representative, to advertise the sale in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfer of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5. Closing of Transfer Books or Fixing of Record Date. The Board of Directors may close the stock transfer books of the corporation for a period of no more than sixty (60) nor less than ten (10) days preceding the date: (i) of any meeting of stockholders; (ii) for payment of any dividend; (iii) for the allotment of rights; or (iv) when any change or conversion or exchange of capital stock shall go into effect, or for a period of no more than sixty (60) nor less than ten (10) days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date of no more than sixty (60) nor less than ten (10) days preceding the date: (i) of any dividend; (ii) for the allotment of rights; (iii) when any change or conversion or exchange of capital stock shall go into effect; or (iv) in connection with obtaining such consent, as a record date for the determination of the

stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders, and only such stockholders, as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent as the case may be notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

Section 6. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE VI

DIVIDENDS

Section 1. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in

shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their

absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Annual Statement. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and conditions of the corporation.

Section 2. Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 4. Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words 'Corporate Seal, Delaware'. The seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or reproduced or otherwise.

Section 5. Indemnification. The corporation shall indemnify its officers, directors, employees and agents to the fullest extent permitted by the General Corporation Law of Delaware. With regard to a breach of fiduciary duty by a director, no director shall be personally liable for monetary damages to the corporation or its stockholders to the full extent permitted pursuant to Section 102(b)(7) of the General Corporation Law of Delaware.

Section 6. Waiver of Notice. Whenever any notice is required to be given by law or under the provisions of the certificate of incorporation or of these by-laws, a waiver thereof, in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VIII

AMENDMENTS

Section 1. These By-Laws may be altered, amended or repealed and new by-laws may be adopted by the Board of Directors, at any regular or special

meeting. The power to adopt, amend or repeal By-Laws conferred upon the Board of Directors shall not divest or limit the power of the stockholders to adopt, amend or repeal By-Laws.

EXHIBIT 10.49

July 20, 1993

Ms. Candice Carpenter
c/o Michael J. Dougherty, Esq.
Richards & O'Neil
885 Third Avenue
New York, NY 10022-4873

Dear Candice:

This letter will confirm the agreement among QVC Network, Inc., a Delaware corporation ('QVC'), Q2 Corporation, a New York corporation ('Q2' or the 'Corporation') and Candice Carpenter ('Carpenter' or 'you') that Q2 hereby employs Carpenter and Carpenter agrees to be employed by Q2 on the following terms and conditions for a term commencing on July 20, 1993 and ending on August 31, 1996 (the 'Term'), unless earlier terminated as set forth below.

1. Employment, Duties and Responsibilities. You shall serve as President of Q2 and shall be the principal operating officer responsible for the management of the overall business of Q2, including the employment and termination of staff, which shall report to you. You shall be subject to the authority and direction of the Board of Directors of the Corporation and shall report to the Chief Executive Officer of QVC. You shall perform your duties faithfully and to the best of your ability and agree to devote your full working time to such duties. Your principal place of employment shall be New York, New York, and you will travel for business purposes to the extent necessary or appropriate to perform your duties hereunder.

2. Compensation. As the sole compensation for your employment by Q2, the following shall apply:

a. Base Salary. You shall be paid a base salary (the 'Base Salary') at the rate of Two Hundred and Fifty Thousand Dollars ($250,000) per annum for the period commencing on July 20, 1993 and ending on August 31, 1994, Three Hundred Thousand Dollars ($300,000) per annum for the period September 1, 1994 to August 31, 1995, and Three Hundred and Fifty Thousand Dollars ($350,000) for the period September 1, 1995 to August 31, 1996, in accordance with the regular payroll practices of Q2.

b. Special First Year Bonuses. You shall be paid four bonuses (the 'First Year Bonuses') of $56,250 each, payable on the first day of August, 1993, November, 1993, February, 1994 and May, 1994.

c. Annual Bonus. You shall be paid an annual bonus (the 'Annual Bonus') for each fiscal year of the Corporation during the Term. The Annual Bonus shall be an amount determined at the discretion of the Corporation,

but in no event less than the difference between (x) the Minimum Amount (as defined below) minus (y) the aggregate of Annual Bonuses paid with respect to prior fiscal years, if any.

(i) The 'Minimum Amount' shall be the lesser of (a) twenty-five percent (25%) of the amount by which the Corporation's Operating Income (as defined below) as of the end of any fiscal year exceeds twenty percent (20%) of the Corporation's weighted average Investment Capital (as defined below) for such year, if any, or (b) one percent (1%) of the Corporation's Operating Income as of the end of such year.

(ii) The 'Operating Income' of the Corporation shall be the cumulative earnings of the Corporation from continuing operations from the date of the commencement of the Term to the end of the applicable fiscal year before any deduction for any income taxes or other taxes

measured by income and before any non-operating gains or losses or extraordinary items, determined in accordance with generally accepted accounting principles consistently applied.

(iii) The 'Investment Capital' of the Corporation shall be the aggregate of shareholder equity of the Corporation and intercompany debt of the Corporation as reflected on the balance sheet of the Corporation, but without reduction for operating losses, less any amounts paid (or value transferred) at any time prior to the conclusion of such fiscal year (including prior to commencement of such fiscal year) as return of capital or as dividends or other distributions to shareholders in respect of their stock holdings or other payments to or for the benefit of shareholders other than for value received (including for services rendered).

(iv) The Annual Bonus, if any, shall be paid within thirty (30) days after the submission by certified public accountants of the audited financial statements of QVC Network, Inc. for the prior fiscal year.

d. Final Bonus. On or before May 31, 1998, you will be paid a bonus (the 'Final Bonus') in an amount equal to the difference between (i) one percent (1%) of the fair market value of Q2 (the 'FMV') on January 31, 1998, and (ii) the aggregate amounts of the Annual Bonuses paid to you pursuant to Section 2.c. hereof. For the purposes of this Section 2.d., the FMV shall be determined by multiplying (x) the quotient of (A) the cumulative Operating Income of Q2 for the period beginning February 1, 1996 and ending January 31, 1998 divided (B) by two (2), by (y) ten (10).

e. Stock Options. You shall be awarded, on the commencement of your employment, options to purchase fifty thousand (50,000) shares of the

Common Stock of QVC Network, Inc. on the terms and conditions attached hereto as Exhibit A.

f. Benefits. You shall be eligible to participate in such life, health and disability insurance, pension, 401-k and other benefit plans to the same extent as officers of QVC Network, Inc.

g. Relocation. You shall receive relocation reimbursement as if you were a transferred employee in accordance with the provisions of Exhibit B attached hereto. In addition you will receive a payment as described in Exhibit C attached hereto.

3. Termination. This Agreement may be terminated at any time prior to the end of the Term:

a. By the Corporation on the death or disability of Carpenter. A disability shall be a physical or mental condition that prevents Carpenter from performing her duties for at least ninety (90) consecutive days (or for one hundred and eighty (180) days within any 365-day period).

b. By the Corporation for Cause. 'Cause' shall be (i) after notice, the willful failure of Carpenter to substantially perform her duties hereunder, (ii) fraud, embezzlement or other serious misconduct by Carpenter against the Corporation or its affiliates, and (iii) the conviction of Carpenter of a felony.

c. By Carpenter for Good Reason. 'Good Reason' means (i) a breach of this Agreement by Q2, (ii) a termination of the business of Q2, (iii) the business office of Q2 is other than in New York, New York, or the Los Angeles, California metropolitan area. Carpenter may not terminate this Agreement except for Good Reason.

4. Rights Upon Termination.

a. Termination for Death or Disability. Upon a termination for the death or disability of Carpenter, Q2 will pay Carpenter, within thirty (30) days after such termination, accrued but unpaid Base Salary and accrued but unpaid First Year Bonuses.

b. Termination for Cause. Upon a termination for Cause, Q2 will pay Carpenter, within thirty (30) days after such termination, accrued but unpaid Base Salary.

c. Termination Without Cause or for Good Reason. Upon a termination by Q2 without Cause or by Carpenter for Good Reason, Q2 will pay Carpenter (i) unpaid Base Salary for the remaining Term,

within thirty (30) days after such termination, (ii) unpaid First Year Bonuses, within thirty (30) days after such termination, (iii) the benefits set forth in Section 2.f. hereof for the remaining Term, (iv) unpaid Annual Bonus for the remaining Term (to be paid at such times as they would have been paid had there not been a termination), and (v) unpaid Final Bonus (to be paid at such time as

it would have been paid had there not been a termination).

5. Restrictions.

a. (i) During the Term, Carpenter shall not, gratuitously or otherwise, perform any work for, or render services to, any individual, firm or company other than the Corporation, unless approved in advance in writing by the Corporation.

(ii) Carpenter shall not, except (a) as required by law, or (b) in the proper performance of her obligations hereunder, disclose to any person, firm, corporation, association or other entity (each a 'Person'), any Non-Public Information (as defined below) for any reason or purpose whatsoever, nor shall Carpenter make use of any of such Non-Public Information for her own purpose or for the benefit of any Person, except the Corporation or its subsidiaries or affiliates. For purposes of this Agreement, the term 'Non-Public Information' shall mean the terms and conditions of this Agreement or any information relating to the methods, practices, customers, vendors, trade secrets, confidential information of the Corporation or any of its subsidiaries or affiliates, their clients, customers, or business contacts or the business conducted by them or proposed to be conducted by them that Carpenter may acquire or has acquired by reason of her association with the Corporation or any of its subsidiaries or affiliates, except for (x) information which is in the public domain at the time of receipt hereof by Carpenter, (y) information which, after receipt thereof by Carpenter, becomes part of the public domain through no improper act or omission of Carpenter, and (z) information which was lawfully within Carpenter's possession prior to the initial commencement of Carpenters' association with the Corporation or any of its subsidiaries or affiliates.

(iii) In consideration of Carpenter's employment by Corporation, Carpenter agrees as follows: During the Restricted Period (as defined below), Carpenter shall not, without the prior written authorization of Corporation, directly or indirectly, engage in any activities which are or could be construed to be competitive with Corporation, nor shall Carpenter render services or participate in any manner or engage in any manner of business within the United States and elsewhere where Corporation or any of its affiliated entities conducts its business, on Carpenter's own behalf, or for or on behalf of any person, form or entity whose business involves or is related to the direct response marketing or solicitation of the sale of goods or services by cable television, television, radio or other broadcast media, whether such services are rendered or such solicitation is made as a principal, partner, officer, director, agent, employee, representative, consultant, independent contractor or otherwise. For purposes of this Agreement, the term 'Restrictive Period' shall mean the one (1) year period of time after the termination of Carpenter's employment with Corporation, for any reason whatsoever.

b. The Corporation and Carpenter agree that Carpenter's obligations under this paragraph 5 are of a special and unique character which gives them a peculiar value, and the Corporation cannot be reasonably or adequately compensated in damages in an action at law in the event Carpenter breaches such

obligations. Carpenter, therefore expressly agrees that, in addition to any other rights or remedies which the Corporation may possess, the Corporation shall be entitled to injunctive relief and other equitable relief to prevent a breach of this paragraph 5 by Carpenter, including but not limited to a

temporary restraining order or preliminary injunction from any court of competent jurisdiction restraining any threatened or actual violation. Carpenter hereby consents to the entry of such an order and injunctive relief and waives the making of a bond as a condition for obtaining such relief. Such rights shall be cumulative and in addition to any other legal or equitable rights and remedies the Corporation may have.

c. This paragraph 5 shall survive the expiration or termination of this Agreement.

6. Prior Employment. Carpenter warrants and represents that she has the full and complete ability to enter into this Agreement and she is not subject to any restrictions on her employment which would impair her ability to perform the services hereunder.

7. Reimbursement of Expenses. The Corporation shall reimburse Carpenter for all reasonable and necessary out-of-pocket expenses actually incurred by Carpenter in the performance of her duties hereunder, including, without limitation, expenses for travel and other miscellaneous business expenses; provided, however, that Carpenter shall submit to the Corporation written itemized expense reports and such additional substantiation and justification as the Corporation may reasonably request.

8. Severability. Should any portion of this Agreement be held to be void, invalid or unenforceable, such decision shall not affect the validity or enforceability of the remainder of the Agreement, and the remaining provisions herein shall be effective as though such invalid or unenforceable provision had not been included herein. If such invalidity or unenforceability is caused by the length of any period of time, the geographic scope of any provision, or the breadth of activities covered by any provision, then the period of time, geographic scope or breadth of activities, or all of them, shall be reduced to the extent necessary to cure such invalidity or unenforceability. Paragraph 5.a.(iii) of this Agreement shall be construed and enforced to the maximum extent permitted by law.

9. Benefit of Agreement; Assignment; Beneficiary. This Agreement shall inure to the benefit of and be binding upon Corporation and its successors and assigns. This Agreement shall also inure to the benefit of, and be enforceable by, Carpenter and Carpenter's personal or legal representatives, executors, administrators, successors, heirs, distributors, devisees and legatees. Neither this Agreement nor any rights or interests herein or created hereby may be assigned or otherwise transferred voluntarily or involuntarily by Carpenter.

10. Notices. Any notice required or permitted hereunder shall be in

writing and addressed (a) to Corporation, at its principal office, with a copy to QVC Network, Inc., attn: General Counsel, Goshen Corporate Park, West Chester, Pennsylvania 19380; and (b) to Carpenter, at her then principal residence identified in Corporation's records.

11. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties and supersedes any and all prior agreements and understandings, whether written or oral, between the parties with respect to

Carpenter's employment. This Agreement may not be changed or modified except by an instrument in writing signed by both parties hereto.

12. Waiver. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver or as a consent to or waiver of any subsequent breach hereof.

13. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, New York law.

14. Survivorship. The respective rights and obligations of the parties under this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

15. Headings. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or give full notice thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands as of the day and year first above written.

QVC NETWORK, INC.

By: _____

Title: _____

Q2 CORPORATION

By: _____

Title: _____

ACCEPTED AND AGREED this
20th day of July, 1993:

_____
Candice Carpenter

EXHIBIT 10.50

August 16, 1993

Mr. William J. Schereck, Jr.
206 Whispering Pine Drive
West Chester, PA 19380

Dear Bill:

This Agreement will confirm that QVC Network, Inc. ('QVC' or the 'Corporation') hereby employs William J. Schereck, Jr. (hereinafter 'Schereck' or 'you') and Schereck agrees to be employed by QVC on the following terms and conditions for a term commencing on July 2, 1993 and ending on the third succeeding anniversary date (the 'Term'), unless earlier terminated as set forth below.

1. Employment, Duties and Responsibilities. You are engaged hereunder as Executive Vice President -- Broadcast Operations and Engineering and you agree to perform the duties and services incident to that position, or such other or further duties and services as may be required by the Corporation. You shall devote your full business time, attention, energies and best efforts to the performance of your duties hereunder and to the promotion of the business and interests of the Corporation.

2. Compensation. As the sole compensation for your employment by QVC, the following shall apply:

a. Base Salary. You shall be paid a base salary (the 'Base Salary') at the rate of Two Hundred Thousand Dollars ($200,000) per annum for the first year of the Term, which shall be increased each year of the Term, commencing as of the beginning of the second year of the Term, by an amount equal to the percentage increase in the 'Consumer Price Index' (as hereafter defined). Such increase adjustment shall be accomplished by multiplying the Base Salary by a fraction, the numerator of which shall be the Consumer Price Index figure published most recently prior to the first calendar month of the respective year for which the increase adjustment is to be made, and the denominator of which shall be the Consumer Price Index figure published most recently prior to the calendar month in which the Term commences. 'Consumer Price Index' shall mean the Consumer Price Index for All Urban Consumers, Philadelphia, PA -- NJ, All Items (1982-84=100) published by the Bureau of Labor Statistics of the United States Department of Labor, provided that if such Index is no longer published at regular periods, then any similar reports released by any other bureau, department or agency of the United States government, at regular periods, for substantially similar purposes shall be used. The Base Salary shall be paid in accordance with the regular payroll practices of QVC.

b. Bonus. You shall be eligible to receive a bonus, which may be paid to you at the sole discretion of the Corporation.

c. Stock Options. You shall be eligible to receive stock options, which may be granted to you at the sole discretion of the Corporation.

d. Benefits. You shall be eligible to participate in such life, health and disability insurance, pension, 401-k and other benefit plans to the same extent as officers of QVC.

e. Relocation. You shall be eligible to receive relocation reimbursement in accordance with the provisions of Exhibit A attached hereto.

f. Car Allowance. You shall receive a car allowance to the same extent as Executive Vice Presidents of the Corporation.

3. Termination. This Agreement may be terminated at any time prior to the end of the Term:

a. By the Corporation on your death or disability. A disability shall be a physical or mental condition that prevents you from performing your duties for at least ninety (90) consecutive days (or for one hundred and eighty (180) days within any 365-day period).

b. By the Corporation for Cause. 'Cause' shall be (i) your willful failure to substantially perform your duties hereunder, (ii) fraud, embezzlement or other serious misconduct by you against the Corporation or its affiliates, and (iii) your conviction of a felony.

4. Rights Upon Termination.

a. Termination for Death or Disability. Upon a termination for your death or disability, QVC will pay you accrued but unpaid Base Salary.

b. Termination for Cause. Upon a termination for Cause, QVC will pay you accrued but unpaid Base Salary.

c. Termination Without Cause. Upon a termination by QVC without Cause, QVC will pay you (i) unpaid Base Salary for the remaining Term, and (ii) the benefits set forth in Section 2.d. hereof for the remaining Term.

5. Restrictions.

a. (i) During the Term, Schereck shall not, gratuitously or otherwise, perform any work for, or render services to, any individual, firm or company other than the Corporation, unless approved in advance in writing by the Corporation.

(ii) Schereck shall not, except (a) as required by law, or (b) in the proper performance of his obligations hereunder, disclose to any person, firm, corporation, association or other entity (each a 'Person'), any Non-Public Information (as defined below) for any reason or purpose whatsoever, nor shall Schereck make use of any of such Non-Public Information for his own purpose or for the benefit of any Person, except the Corporation or its subsidiaries or affiliates. For purposes of this Agreement, the term 'Non-Public Information' shall mean the existence of this Agreement and the terms and conditions of this Agreement or any information relating to the Corporation or any of its subsidiaries or affiliates, their clients, customers, or business contacts or the business conducted by them or proposed to be conducted by them that Schereck may acquire or has acquired by reason of his association with the Corporation or any of its subsidiaries or affiliates, except for (x) information which is in the public domain at the time of receipt hereof by Schereck, (y) information which, after receipt thereof by Schereck, becomes part of the public domain through no improper act or omission of Schereck, and (z) information which was lawfully within Schereck's possession prior to the initial commencement of Schereck' association with the Corporation or any of its subsidiaries or affiliates.

(iii) In consideration of Schereck's employment by Corporation, Schereck agrees as follows: During the Restricted Period (as defined below), Schereck shall not, without the prior written authorization of Corporation, directly or indirectly, engage in any activities which are or could be construed to be competitive with Corporation, nor shall Schereck render services or participate in any manner or engage in any manner of business within the United States and elsewhere where Corporation or any of its affiliated entities conducts its business, on Schereck's own behalf, or for or on behalf of any person, form or entity whose business involves or is related to the direct response marketing or solicitation of the sale of goods or services by cable television, television, radio or other broadcast media, whether such services are rendered or such solicitation is made as a principal, partner, officer, director, agent, employee, representative, consultant, independent contractor or otherwise. For purposes of this Agreement, the term 'Restricted Period' shall mean the one (1) year period of time after the termination of Schereck's employment with Corporation, for any reason whatsoever.

b. The Corporation and Schereck agree that Schereck's obligations under this paragraph 5 are of a special and unique character which gives them a peculiar value, and the Corporation cannot be

reasonably or adequately compensated in damages in an action at law in the event Schereck breaches such obligations. Schereck, therefore expressly agrees that, in addition to any other rights or remedies which the Corporation may possess, the Corporation shall be entitled to injunctive relief and other equitable relief to prevent a breach of this paragraph 5 by Schereck, including but not limited to a temporary restraining order or preliminary injunction from any

court of competent jurisdiction restraining any threatened or actual violation. Schereck hereby consents to the entry of such an order and injunctive relief and waives the making of a bond as a condition for obtaining such relief. Such rights shall be cumulative and in addition to any other legal or equitable rights and remedies the Corporation may have.

c. This paragraph 5 shall survive the expiration or termination of this Agreement.

6. Prior Employment. Schereck warrants and represents that he has the full and complete ability to enter into this Agreement and he is not subject to any restrictions on his employment which would impair his ability to perform the services hereunder.

7. Reimbursement of Expenses. The Corporation shall reimburse Schereck for all reasonable and necessary out-of-pocket expenses actually incurred by Schereck in the performance of his duties hereunder, including, without

limitation, expenses for travel and other miscellaneous business expenses; provided, however, that Schereck shall submit to the Corporation written itemized expense reports and such additional substantiation and justification as the Corporation may reasonably request.

8. Severability. Should any portion of this Agreement be held to be void, invalid or unenforceable, such decision shall not affect the validity or enforceability of the remainder of the Agreement, and the remaining provisions herein shall be effective as though such invalid or unenforceable provision had not been included herein. If such invalidity or unenforceability is caused by the length of any period of time, the geographic scope of any provision, or the breadth of activities covered by any provision, then the period of time, geographic scope or breadth of activities, or all of them, shall be reduced to the extent necessary to cure such invalidity or unenforceability. Paragraph 5.a.(iii) of this Agreement shall be construed and enforced to the maximum extent permitted by law.

9. Benefit of Agreement; Assignment; Beneficiary. This Agreement shall inure to the benefit of and be binding upon Corporation and its successors and assigns. This Agreement shall also inure to the benefit of, and be enforceable by, Schereck and Schereck's personal or legal representatives, executors, administrators, successors, heirs, distributors, devisees and legatees. Neither this Agreement nor any rights or interests herein or created hereby may be assigned or otherwise transferred voluntarily or involuntarily by Schereck.

10. Notices. Any notice required or permitted hereunder shall be in writing and addressed (a) to Corporation, at its principal office, with a copy to QVC Network, Inc., attn: General Counsel, Goshen Corporate Park, West Chester, Pennsylvania 19380; and (b) to Schereck, at his then principal residence identified in Corporation's records.

11. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties and supersedes any and all prior agreements and

understandings, whether written or oral, between the parties with respect to Schereck's employment; except that the parties acknowledge that Schereck executed, on May 25, 1993, the QVC Network, Inc. and Subsidiaries Employee Agreement. This Agreement may not be changed or modified except by an instrument in writing signed by both parties hereto.

12. Waiver. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver or as a consent to or waiver of any subsequent breach hereof.

13. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

14. Survivorship. The respective rights and obligations of the parties under this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

15. Headings. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or

interpretation of this Agreement or give full notice thereof.

Please sign below to evidence your acceptance of the terms of this letter agreement and that you intend to be legally bound by its terms.

Very truly yours,

QVC NETWORK, INC.

By: _____

Printed Name: _____

Title: _____

ACCEPTED AND AGREED this
__ day of _____, 1993:

_____
William J. Schereck, Jr.

EXHIBIT 10.51

- ---

JOINT VENTURE AGREEMENT,
DATED AS OF NOVEMBER 8, 1993,
AMONG
GRUPO TELEVISA, S.A. DE C.V.,
TELEVISION INDEPENDIENTE DE MEXICO, S.A. DE C.V.,
QVC NETWORK, INC.,
QVC MEXICO, INC., AND
TELEMERCADO ALAMEDA, S. DE R. L . DE C.V.

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EXECUTION COPY

JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT, dated and effective as of November 8, 1993 (this 'Agreement'), by and among Grupo Televisa, S.A. de C.V., a limited liability company established under the laws of the United Mexican States ('G Televisa'), Television Independiente de Mexico, S.A. de C.V., a limited liability company established under the laws of the United Mexican States and an indirect wholly-owned subsidiary of G Televisa ('GT Sub'), QVC Network, Inc., a corporation organized under the laws of the State of Delaware ('QVC'), QVC

Mexico, Inc., a corporation organized under the laws of the State of Delaware and an indirect wholly-owned subsidiary of QVC ('QVC Sub') and Telemercado Alameda, S. de R.L. de C.V., a limited liability company under the Sociedad de Responsabilidad Limitada, with variable capital form, under the laws of the United Mexican States (the 'Company'). GT Sub and QVC Sub are sometimes collectively referred to herein as 'Members' and individually as a 'Member'.

RECITALS:

WHEREAS, subject to the terms and conditions of this Agreement, G Televisa, as the owner and operator of television networks, television stations, cable networks, and cable systems in the United Mexican States, and QVC, as the owner and operator of a cable television network in the United States, desire to create and operate jointly a Television and Cable Shopping Business (as defined in Section 6.1 hereof), initially in the United Mexican States and thereafter in other Spanish-speaking (including Spain and the United States) and Portuguese-speaking markets (including Brazil);

WHEREAS, G Televisa and QVC desire to contribute certain expertise, facilities, assets and capital to a Television and Cable Shopping Business; and

WHEREAS, G Televisa (through GT Sub) and QVC (through QVC Sub) desire to organize, establish and capitalize the Company as a new limited liability company under the Sociedad de Responsabilidad Limitada, with variable capital corporate form under the laws of the United Mexican States (which will be named 'Telemercado Alameda, S. de R.L. de C.V.') through which the Television and Cable Shopping Business will be conducted in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are

hereby acknowledged, and intending to be legally bound hereby, each of the parties hereto agrees as follows:

ARTICLE I
ORGANIZATION OF THE COMPANY

Section 1.1 Formation of the Company. As of the date hereof, the Members shall establish the Company as a limited liability company under the Sociedad de Responsabilidad Limitada, with variable capital corporate form, in accordance with the laws of the United Mexican States (the 'Law'). (The time that the Company shall be duly established under the Law shall be referred to herein as the 'Effective Time'.)

Section 1.2 Organizational Documents; Member Resolutions. (a) The Company's Estatutos immediately following the Effective Time shall be as set forth in Exhibit A attached to this Agreement, as they may be amended from time to time in accordance with clause (x) of paragraph (b) of Article Sixteenth thereof and Section 4.7(a)(x) hereof (the 'Estatutos'). Notwithstanding anything herein or in the Estatutos to the contrary, to the extent that any provision of the Estatutos conflicts with, or otherwise is inconsistent with, any provision of this Agreement with respect to any matter, or this

Agreement covers any matter that is not covered in the Estatutos, the provisions of this Agreement with respect to such matter shall control and shall be binding upon each of the parties hereto.

(b) Simultaneously with the Effective Time, the Members shall cause a members meeting to be held in accordance with the Estatutos, and at such members meeting, each Member shall vote in favor of the resolutions in the form set forth in Exhibit A attached to this Agreement.

Section 1.3 Purpose. The purpose of the Company shall be to: (i) establish and operate, directly through the Company or indirectly through one or more Subsidiaries (as defined below) of the Company, a Television and Cable Shopping Business initially in the United Mexican States and thereafter in other Spanish-speaking markets (including, without limitation, Spain and, subject to the terms and conditions hereof, the United States) and Portuguese-speaking markets (including, without limitation, Brazil) in accordance with a business plan of the Company to be initially adopted by unanimous written approval of the Members as of the date hereof as set forth in Exhibit 8 attached to this Agreement (such initial business plan, as it may be amended from time to time in accordance with Section 4.7(a)(i) hereof, the 'Business Plan') and subject to the terms and conditions of this Agreement; and (ii) engage in any and all other

conduct, activities or businesses which are consistent with, and directly or indirectly related to, the attainment of the purposes set forth in clause (i) hereof (including, without limitation, acquiring all intellectual property rights that are necessary for the Company and its Subsidiaries to conduct a Television and Cable Shopping Business consistent with the Business Plan). Notwithstanding anything herein to the contrary, neither the Company nor any of its Subsidiaries shall own or operate any means of broadcast or means or facilities of product distribution other than the Television and Cable Shopping

Business in the Territory. As used herein, the term 'Subsidiary' of any entity or person shall mean any corporation at least 50% of whose voting securities, or any partnership, joint venture or other entity at least 50% of whose total equity interest, is directly or indirectly owned by such entity or person.

Section 1.4 Duration. The duration of the Company shall be limited, subject to the terms and conditions of the Estatutos and this Agreement.

ARTICLE II
CAPITAL SUBSCRIPTION

Section 2.1 Initial Subscription for Company Social Parts. (a) GT Sub hereby agrees to subscribe for, purchase and accept such number of Value Units set forth on Schedule 1 attached hereto (as defined herein) that is the New Mexican peso equivalent of U.S.$3,550,000.00 at the time such payment is made representing a 100% undivided ownership interest in and to the Class A Social Part (the 'Class A Social Part'; the term 'Class A Social Part' shall refer herein to any Series 'A-I' fixed capital contribution to the Company and any Series 'A-II' variable capital contribution to the Company) of the Company at the Effective Time. QVC Sub hereby agrees to subscribe for, purchase and accept such number of Value Units set forth on Schedule 1 attached hereto that is the New Mexican peso equivalent of U.S.$3,550,000.00 at the time such payment is made representing a 100% undivided ownership interest in and to the Class B Social Part (the 'Class B Social Part'; the Class A Social Part and the Class B Social Part are sometimes individually referred to herein as the 'Company Social Part' and collectively as the 'Company Social Parts'; the term 'Class B Social Part' shall refer herein to any Series 'B-I' fixed capital contribution to the Company and any Series 'B-II' variable capital contribution to the Company), of the Company at the Effective Time. In consideration of the issuance of the Value Units in respect of each Company Social Part, each Member shall pay U.S.$3,550,000.00 in cash by delivering to the Company the amount of the aggregate subscription price for the Value Units in respect of each Company Social Part to be purchased hereby (which number of Value Units shall be based on NP$1.00 per Value Unit (the 'Initial Subscription Price')). As used herein, each 'Value Unit' shall represent each NP$1.00 of capital contributed by each Member to the Company in accordance with the terms and conditions of this Agreement and the Estatutos. Notwithstanding anything herein to the contrary, (i) each Value Unit held by a Member represents an undivided interest in the Company Social Part held by such Member equal to the quotient

(expressed as a percentage) of NP$1.00 divided by the aggregate capital contributions made by such Member in accordance with terms of this Agreement and the Estatutos, (ii) for any purpose hereunder and the Estatutos, all distributions and other payments made in accordance with Section 4.7(a)(v) hereof or otherwise in respect of each Member's equity ownership interest in the Company shall be based on the percentage ownership held by such Member in the total outstanding Value Units, without regard to the Company Social Part to which any Value Unit may relate and (iii) each Member shall be entitled to cast one vote per Value Unit at any ordinary or extraordinary meeting of the Members.

(b) Each of GT Sub and QVC Sub represents and warrants to each other party

hereto that it is purchasing any Value Units in respect of any Company Social Part that it purchases pursuant to this Agreement or otherwise for investment purposes only and not with a view to the resale of such Value Units (or any part thereof or interest therein) in violation of any applicable securities laws.

Section 2.2 Additional Capital Contributions. (a) Each Member agrees to make equal contributions to the capital of the Company from time to time in accordance with a schedule (the 'Contribution Schedule') set forth in the Business Plan and identified therein as the 'Contribution Schedule' and at such other times as and when agreed upon and called for by the Board of Managers pursuant to Section 4.7(a)(vi) hereof and as otherwise in accordance with the Estatutos; provided, however, that neither Member shall be required to make contributions pursuant to this Section 2.2(a) unless the other Member shall concurrently be making its contribution pursuant to this Section 2.2(a). All

capital contributions made pursuant to this Section 2.2(a) shall be in the form of cash unless otherwise authorized by the Board of Managers. Each Member shall cause the Board of Managers to take all such actions as are necessary or advisable to cause the additional capital contributions to be made in accordance with the Contribution Schedule to the extent set forth therein. The capital contributions required to be made pursuant to this Section 2.2(a) shall be made in the form of additional subscriptions for Value Units in respect of the Company Social Part held by such Member at such subscription price per Value Unit as set forth in the applicable resolutions authorizing any such additional subscriptions (or, if applicable, Section 2.2(b) hereof). Except as set forth in Section 2.2(b) hereof, GT Sub shall subscribe for Value Units in respect of the Class A Social Part and QVC Sub shall subscribe for Value Units in respect of the Class B Social Part. The subscription price for any Value Units in respect of any Company Social Part subscribed for and purchased pursuant to this Agreement shall be allocated between capital and surplus on the appropriate books and records of the Company as set forth in the applicable resolutions authorizing any such additional subscriptions.

(b) If at any time any Member shall fail to timely make any capital contribution to the Company which such Member is required to make under this Agreement (including, without limitation, Sections 2.1, 2.2(a) and 6.2(c) hereof) within the 15 day period provided in the Estatutos, such Member failing to make such capital contribution shall be deemed to be a 'Non-Contributing Member', the other Member of the Company shall be deemed to be a 'Contributing Member' and the Non-Contributing Member shall be deemed to have irrevocably waived its preferential rights under the Estatutos to subscribe for the additional Value Units in respect of its Company Social Part being offered to it pursuant to such capital subscription. In such event, the Contributing Member may, at its election, as a non-exclusive remedy of the Company and the Contributing Member for such failure, (A) notify the Secretary of the Board of Managers of the Company prior to the expiration of the additional 15 day period provided for in the Estatutos that it shall make the capital contribution required to be made by the Contributing Member (if not already contributed by the Contributing Member) and make the capital contribution required to be made by the Non-Contributing Member and receive an amount of Value Units in the Company Social Part corresponding to its class equal to the aggregate value of the aggregate capital contributed by such Contributing Member in respect of both such capital contributions, in each case at a subscription price per Value Unit equal to the Initial Subscription Price, (B) so long as such failure is continuing, make a loan ('Default Loan') to the Company in an amount equal to

all or any part of the amount which the Non-Contributing Member failed to contribute to the Company, plus the amount that the Contributing Member was required to contribute to the Company (which, if already paid, shall be deemed to be part of such Default Loan) or (C) not make any capital contribution or Default Loans. Any Default Loan shall bear interest from the date the proceeds of such

Default Loan are advanced at a rate per annum equal to the prime rate publicly announced by Chase Manhattan Bank N.A. in the United States from time to time, plus 50% and shall be due on demand. The parties hereto agree that, in addition to recourse against the Company for the Default Loan and any other remedies available to the Contributing Member, the Contributing Member shall have direct recourse against the Non-Contributing Member for payment of, and such Non-Contributing Member hereby agrees to pay, the lesser of (1) the outstanding principal amount of, and accrued and unpaid interest on, such Default Loan from time to time, or (2) one-half of the original principal amount of, and accrued and unpaid interest on, such Default Loan. Any amounts paid to the Contributing Member on account of any Default Loan shall be applied first to pay accrued and unpaid interest on such Default Loan and then to the outstanding principal of such Default Loan. All costs and expenses (including reasonable attorney's fees and expenses) incurred by the Company or its Subsidiary or the Contributing Member or its Affiliates (as defined in Section 3.1 hereof) in connection with the making of any Default Loan (or the enforcement thereof) shall be reimbursed in full upon demand by the Non-Contributing Member.

(c) Except as expressly provided in Section 2.2(a) and Section 6.2(c) hereof, neither QVC, G Televisa, the Members nor any of their respective Affiliates shall have any obligation or commitment to make any further contributions to the capital of, or investment in, the Company, regardless of the needs of the Company.

Section 2.3 Company Social Parts; Ownership Percentages. (a) Except as expressly provided otherwise in the Estatutos or this Agreement (including, without limitation, the last sentence of Section 2.1(a) hereof), each of the

Company Social Parts (including, without limitation, the Value Units in respect thereof) shall be identical and shall entitle the holders thereof to the same rights and privileges.

(b) Except as otherwise expressly agreed upon by each of the parties hereto or as expressly provided in Sections 2.2(b) and 5.1 hereof, at all times that the Company shall be in existence, (i) G Televisa, or a direct or indirect wholly-owned Subsidiary of G Televisa (a 'G Televisa Wholly-Owned Corporation'), shall beneficially own 100 of the Class A Social Part (including all of the Value Units in respect of the Class A Social Part) and (ii) QVC Sub shall beneficially own 100% of the outstanding Class B Social Part (including all of the Value Units in respect of the Class B Social Part). Each of the parties hereto shall not, and G Televisa and QVC each shall cause their respective Wholly-Owned Corporations (as defined below) not to, take any action or fail to take any action which would be inconsistent with the immediately preceding sentence. As used herein, (A) the term 'QVC Wholly-Owned Corporation' shall mean any direct or indirect wholly-owned Subsidiary of QVC and (B) the term

'Wholly-Owned Corporation' shall mean individually and collectively any G Televisa Wholly-Owned Corporation or any QVC Wholly-Owned Corporation.

ARTICLE III
ADDITIONAL COMMITMENTS

Section 3.1 Provision of General Overhead. (a) Subject to Section 3.1(b) hereof, in the event that the Board of Managers of the Company from time to time determines that G Televisa, QVC, or any of their respective Affiliates has fixed assets or other items that are included in the category of 'general overhead' (such fixed assets, other items or personnel are collectively referred to herein as 'Administrative Support Assets') which may be used by the Company or any of its Subsidiaries in a manner consistent with the Business Plan, G Televisa and QVC shall, and shall cause their respective Affiliates to, make available to the Company or any of its Subsidiaries such Administrative Support Assets for so long as the Board of Managers determines that the use by the Company or any of its Subsidiaries of such Administrative Support Assets is consistent with the Business Plan.

(b) G Televisa and QVC shall not, and shall cause their respective Affiliates not to, charge the Company or any of its Subsidiaries or otherwise demand payment from the Company as a result of the use by the Company or any of its Subsidiaries of any Administrative Support Assets in accordance with this Section 3.1; provided, however, if the use by the Company or any of its Subsidiaries of any

Administrative Support Assets would require G Televisa, QVC or any of their respective Affiliates to incur any incremental out-of-pocket expense in order to satisfy the requirements of the Company or any of its Subsidiaries in its usage of such Administrative Support Assets, G Televisa, QVC and their respective Affiliates, as applicable, shall not have any obligation to make available to the Company or any of its Subsidiaries such Administrative Support Assets pursuant to Section 3.1(a) unless the Company has agreed previously to fully reimburse the entire amount of such incremental out-of-pocket expense, plus seven percent (7%) of such incremental out-of-pocket expense (it being agreed that such incremental out-of-pocket expenses shall not include any income or other taxes (including penalties), levies or other similar governmental charges (collectively, 'Taxes') imposed on or incurred by, G Televisa, QVC or any of their respective Affiliates in connection with the provision by any of them of Administrative Support Assets to the Company or any of its Subsidiaries). As used herein, the term Affiliate' of any person or entity shall mean any person or entity that is, directly or indirectly controlled by the person or entity in question, and for purposes of this definition of Affiliate, the term 'control', when used with respect to any person or entity, means the power to direct the management and policies of such person or entity, whether through the direct or indirect ownership of voting securities, by contract or otherwise.

Section 3.2 Provision of Business Operations or Services. In the event that the Board of Managers determines that G Televisa, QVC or any of their respective Affiliates have any business operations or services ('Business Operations or Services') that would be of value to the Company in conducting its

business activities (including, without limitation, inbound telemarketing or product fulfillment, but excluding any GT Television Station and GT Cable System (each as defined in Section 3.3(a) hereof) or any QVC Product (as defined in Section 3.4(b) hereof)) in a manner consistent with the Business Plan, G Televisa and QVC shall, and shall cause their respective Affiliates to, make

available such Business Operations or Services to the Company or any of its Subsidiaries so that the Company or any of its Subsidiaries may utilize such Business Operations or Services as contemplated by the Board of Managers for so long as the Board of Managers of the Company considers such determination to continue to be correct; provided, however, G Televisa, QVC and their respective Affiliates shall not have any obligation to make available any Business Operations or Services, or receive any charges or payments therefor, unless the Company shall have previously agreed to pay G Televisa, QVC or such Affiliate, as applicable, the Charge Amount for such Business Operations or Services as provided below. With respect to any Business Operations or Services as to which the Company has entered into such an agreement, for each Calendar Month (as defined below), G Televisa and QVC shall, and shall cause their respective Affiliates to, charge the Company for its utilization of any Business Operations or Services an amount (the 'Charge Amount') equal to the lowest rate charged by G Televisa, QVC or any of their respective Affiliates, as the case may be, during such Calendar Month to any other customer or user of such Business Operation or Services that is not an Affiliate of G Televisa, QVC or any of their respective Affiliates, as the case may be; provided, however, that if there is no such other customer or user of such Business Operation or Services, the Charge Amount shall be the average actual per unit cost to G Televisa, QVC or any of their respective Affiliates, as the case may be, during such Calendar Month, plus seven percent (7%) of such average actual per unit cost to G Televisa, QVC or any of their respective Affiliates, as the case may be (it being agreed that the Charge Amount shall not include any Taxes imposed on, or incurred by, G Televisa, QVC or any of their respective Affiliates in connection with the provision by any of them of Business Services or Operations to the Company or any of its Subsidiaries). Within 10 days after the end of each calendar month (each such calendar month is herein referred to as a 'Calendar Month') commencing in respect of the Calendar Month ending November 30, 1993 (which for purposes hereof shall include the period from the Effective Time through November 30, 1993), G Televisa and QVC shall deliver to the Company an invoice setting forth the Charge Amount for such Calendar Month and specifying in reasonable detail the basis for calculating such Charge Amount, executed by a senior executive officer of G Televisa or QVC, as the case may be, and the Company shall pay to G Televisa, QVC, or their respective Affiliates, as the case may be (as designated in such invoice), the Charge Amount for such Calendar Month within 5 Business Days (as defined below) of its receipt of such invoice. As used herein, the term 'Business Day' shall mean a day other than

Saturday, Sunday or other day on which commercial banks in New York City or Mexico City are authorized or required by law to close.

Section 3.3 Provision of GT Television Stations or GT Cable Systems. (a) Subject to the terms and conditions of this Section 3.3, the parties hereto contemplate that the Company shall provide at least one twenty-four hour schedule of shopping programs via satellite delivery initially

to GT Television Stations and GT Cable Systems made available to the Company or any of its Subsidiaries at G Televisa's sole selection and discretion. In the event that G Televisa consents in writing to the use by the Company or any of its Subsidiaries of any broadcast television station or cable system now or hereafter owned or operated by G Televisa or any of its Affiliates in the United Mexican States or elsewhere in the Territory (as defined in Section 6.1 hereof) (any such television station shall herein be referred to as a 'GT Television Station' and any such cable system shall herein be referred to as a 'GT Cable System'), to transmit any television shopping programs produced by the Company or any of its Subsidiaries, the Company shall be required to pay, as compensation for the use of such GT Television Station or GT Cable System by the Company or any of its Subsidiaries, an amount (the 'Compensation Amount') equal to five percent (5%) of Net Sales (as defined below); provided, however, such percentage of Net Sales shall be adjusted to an amount agreed upon in good faith between the Chief Executive Officer of G Televisa and the Chief Executive Officer of QVC if, after a period of one year following the Effective Time, the actual expense experience of the Company and its Subsidiaries in their conduct of a Television and Cable Shopping Business in the United Mexican States is substantially different from QVC's actual expense experience in its conduct of a Television and Cable Shopping Business in the United States. If the Company or any of its Subsidiaries agrees to transmit any television shopping programs produced by the Company or any of its Subsidiaries via any broadcast television station or cable system other than GT Television Station or a GT Cable System, it is acknowledged and agreed that the Company and its Subsidiaries shall be exclusively liable for the entire amount charged by such broadcast television station or cable system for such use by any of them. With respect to any Calendar Month or other period and any GT Television Station or GT Cable System, the term 'Net Sales' shall mean (A) the aggregate gross sales of the Company and

its Subsidiaries for such Calendar Month or other period (which shall not include the aggregate actual shipping and handling costs charged by the Company and its Subsidiaries to their respective customers), less (B) the aggregate returns for such Calendar Month or other period of the Company and its Subsidiaries for such Calendar Month or other period, in the case of clauses (A) and (B) hereof, which are attributable to sales to the customers of the Company and its Subsidiaries through its television shopping programs residing in the coverage area served by such GT Television Station or GT Cable System, as applicable. Net Sales shall be determined on an accrual basis in accordance with generally accepted accounting principles in the United Mexican States ('Mexican GAAP'), consistently applied throughout the periods involved.

(b) With respect to each GT Television Station or GT Cable System used by the Company, the Company shall, within five Business Days after each Calendar Month, pay to G Televisa or its Affiliates, whichever owns or operates such GT Television Station or GT Cable System, the Compensation Amount for such Calendar Month applicable to such GT Television Station or GT Cable System, as the case may be.

(c) The Company shall deliver to G Televisa, no later than 60 days after each calendar year, a written report, prepared by the Independent Public Accountant (as defined in Section 4.8 hereof) in which the Independent Public Accountant confirms that the aggregate Compensation Amount paid by the Company pursuant to Section 3.3(b) hereof in respect of such calendar year complies with the requirements of Section 3.3(a) hereof.

(d) QVC and QVC Sub each hereby acknowledges and agrees that, notwithstanding anything in this Agreement to the contrary, (i) nothing in this Section 3.3 shall be construed as an obligation of, or a commitment by, G Televisa or any of its Affiliates to make available to the Company or any of its Subsidiaries any GT Television Station or GT Cable System, and (ii) whether or not G Televisa or any of its Affiliates will make available to the Company or any of its Subsidiaries, any GT Television Station or GT Cable System shall be at G Televisa's sole selection and discretion.

Section 3.4 Provision of QVC Product. (a) If the Company or any of its Subsidiaries from time to time elects to purchase product for sale (the 'Sourced QVC Product') in its televised shopping program which is obtained from supply sources provided by, or made available to the Company or any of its Subsidiaries through QVC or any of its Affiliates, QVC shall, and shall cause its Affiliates to, cause such product to be sold to the Company or any of its Subsidiaries at the lowest price then being offered by the applicable supply source to QVC or any of its Affiliates and without any commission or other remuneration being paid or payable to QVC or any of its Affiliates in connection with, or as a result of, such sale to the Company or any of its Subsidiaries. QVC shall, and shall cause its Affiliates to, use their respective reasonable efforts to ensure that any QVC Sourced Product sold to the Company or any of its Subsidiaries pursuant to this Section 3.4(a) shall be of at least the same quality as the QVC Sourced Product purchased by QVC or its Affiliates and at no greater price than QVC or its Affiliates pay for such QVC Sourced Product.

(b) If the Company or any of its Subsidiaries from time to time elects to purchase product for sale (the 'Owned QVC Product', and collectively with Sourced QVC Product, the 'QVC Product') in its televised shopping program which is owned by QVC or any of its Affiliates, QVC shall, and shall cause its Affiliates to, charge the Company or any of its Subsidiaries for such Owned QVC Product an amount equal to (i) all shipping and handling costs and excise duties (but specifically excluding any other Taxes (including, without limitation, any income taxes) actually incurred by QVC or its Affiliates in connection with the delivery to the Company or its Subsidiaries by QVC or its Affiliates of such Owned QVC Product, plus (ii) an amount which shall be no greater than the price that QVC or such Affiliates, as the case may be, paid to the vendor for such Owned QVC Product, plus (iii) seven percent (7%) of the amount determined pursuant to clause (ii) hereof; Provided, however, that the Company and its Subsidiaries shall not have any obligation to pay to QVC or any of its Affiliates any amounts set forth in clause (i) hereof unless and until QVC shall have delivered to the Company an invoice which specifies, in reasonable detail, the basis for calculating such amounts set forth in clause (i) hereof (including copies of all shipping and related invoices), executed by a senior executive officer of QVC. To the extent that the Company or any of its Subsidiaries elects from time to time to purchase from QVC or any of its Affiliates any Owned QVC Product pursuant to this Section 3.4(b), QVC shall not, and shall cause its Affiliates not to, deliver to the Company or any such Affiliates, or otherwise take any steps to transfer title to the Company or such Subsidiaries with

respect thereto, until the Company or its Subsidiaries shall have sold such Owned QVC Product to its customers.

ARTICLE IV
GOVERNANCE

Section 4.1 Initial Board of Managers. Immediately following the Effective Time, the Members, as the sole members of the Company, shall elect a Board of Managers of the Company, consisting of four managers, with two managers designated as 'Class A Managers' to be elected by the holder of the Class A Social Part, and two managers designated as 'Class B Managers' to be elected by the holder of the Class B Social Part. (Any Class A Manager or Class B Manager duly elected and qualified in accordance with the terms hereof is sometimes referred to herein as a 'Manager'). Such initial Board of Managers of the Company shall consist of the following persons:

CLASS A MANAGERS

Othon Velez
Jaime Escandon

CLASS B MANAGERS

Barry Diller
Michael C. Boyd

Such Managers shall serve on the Board of Managers of the Company until their respective successors are duly elected and qualified in accordance with the provisions of the Estatutos. The holders of a majority of the Value Units of either class of Company Social Part shall be entitled from time to time to designate for each Manager duly elected by them in accordance with the Estatutos an alternate who shall be entitled to serve as a Manager in the absence of such Manager. Such Members shall deliver a written notice to the other Members listing any person who has been designated as an alternate and such Members may, from time to time, replace any alternate previously designated by them by delivering written notice to the other Members listing the name of the alternate being replaced and the name of the person who has been designated as the new alternate.

Section 4.2 Election of the Board of Managers. (a) Upon each subsequent election of Managers, in accordance with the Estatutos, the holders of a majority of the Value Units in respect of the Class A Social Part shall vote such Value Units for two Class A Managers, and the holders of a majority of the Value Units in respect of the Class B Social Part shall vote such Value Units for two Class B Managers, so that the Board of Managers of the Company shall be composed of four Managers. Class A Managers may be elected only by the vote of the holders of a majority of the Value Units in respect of the Class A Social Part, and Class B Managers may be elected only by the vote of the holders of a majority of Value Units in respect of the Class B Social Part, in each case in accordance with the provisions of the Estatutos. Each Member agrees to cause each Class A Manager or Class B Manager, as the case may be, to observe the terms of this Agreement.

(b) No Manager (or alternate for a Manager) shall be entitled to payment by or reimbursement from the Company for any compensation, fees (including

attendance fees) or other amounts relating to his membership on the Board of Managers of the Company or the performance of his duties in connection therewith; provided, however, that the Company shall indemnify and hold harmless each Manager (or alternate for a Manager) from and against any and all liabilities, obligations, losses, damages, penalties, costs and expenses (including reasonable attorneys' fees and expenses) which may be imposed on or incurred by such Manager (or such alternate) in connection with any legal action brought by a third party against such Manager (or such alternate) in his capacity as a Manager, except that the Company shall not be liable for any portion of any such amount to the extent that it results from the gross negligence or willful misconduct of such Manager (or such alternate).

Section 4.3 Removal and Replacement of Managers. (a) Any Manager of any class may be removed from the Board of Managers, with or without cause, upon, and only upon, the affirmative vote

of the holders of a majority of the Value Units in respect of the Company Social Part of the corresponding class in accordance with this Section 4.3.

(b) In the event any Class A Manager or any Class B Manager is unwilling or unable to serve as such or is removed in accordance with subsection (a) of this Section 4.3 or a vacancy occurs for any reason whatsoever, then the holders of a majority of the Value Units in respect of the relevant class of Company Social Parts shall elect the successor to or replacement of the relevant Class A Manager or Class B Manager, as the case may be.

Section 4.4 Meetings of Board of Managers. (a) Regular meetings of the Board of Managers of the Company shall be held at least once semiannually, and special meetings of the Board of Managers of the Company may be called by any Manager when such Manager deems a meeting of the Board of Managers of the Company necessary or advisable. Notice of any regular or special meeting of the Board of Managers of the Company shall be given by the President and Chief Executive Officer of the Company (in the case of a regular meeting) and by the Manager calling such meeting (in the case of a special meeting) by telephone or written notice to all Managers (and alternates) no less than five days and no more than 30 days before such meeting. A quorum for any meeting of the Board of Managers of the Company shall be at least one Class A Manager and one Class B Manager (hereinafter, a 'Quorum of the Board'). No action may be taken by the Board of Managers at any meeting unless a Quorum of the Board is present at the time such action is taken. Each Member shall cause its corresponding class of Managers (or any alternate for any such Manager) to be present at each duly called meeting of the Board of Managers of the Company so that such Manager (or alternate) shall be deemed present for the entire duration of such meeting for purposes of determining whether a Quorum of the Board exists. Members of the Board of Managers of the Company may participate in a meeting of the Board of Managers of the Company by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this subsection (a) shall constitute presence in person at such meeting. Each Member shall be present at each duly called ordinary or extraordinary shareholders meeting of the Company so that such Member shall be deemed to be present for the

entire duration of such members meeting for purposes of determining whether a quorum exists at such members meeting in accordance with paragraphs (j) or (k) of Article Seventeeth of the Estatutos.

(b) Except with respect to a Significant Matter (as defined in Section 4.7 hereof) and as may be required by the Estatutos or the Law, any resolution or other action of the Board of Managers shall be adopted or taken only by the affirmative vote of at least a majority of the Managers present at a meeting at which a Quorum of the Board exists, except that at least one Class A Manager and at least one Class B Manager shall have voted affirmatively on such resolution or other action; provided, however, that with respect to any resolution or other action by the Board of Managers of the Company relating to any action to be taken on behalf of, or determination to be made by, the Board of Managers or the Company pursuant to, or as contemplated by, this Agreement regarding any matter relating to G Televisa, QVC or their respective Affiliates (including the enforcement by the Company of any provisions hereof), such resolution or other action shall be adopted by the affirmative vote of a majority of those Managers present, acting in good faith, who have not been elected by the party or its Affiliates to which the subject matter is related.

(c) Any action required or permitted to be taken at any meeting of the Board of Managers of the Company may be taken without a meeting if all of the members of the Board of Managers of the Company consent in writing to the taking of such action.

(d) In the event that with respect to any proposed resolution or other action of the Board of Managers of the Company (other than such proposed resolution or other action relating to a Significant Matter) there exists a deadlock, either G Televisa or QVC may give a written notice to the other of the existence of such deadlock regarding such proposed resolution or other action. Such notice shall specify in reasonable detail the nature of the issue giving rise to such deadlock. The Chief Executive Officer of the party receiving such notice of such deadlock shall promptly arrange for a meeting with the Chief Executive Officer of the party sending such notice for the purpose of resolving such

deadlock. The meeting shall be held within 20 days from the date such notice of such deadlock is given. If such deadlock is not resolved within 30 days from the

date such notice of such deadlock is given, then G Televisa or QVC may demand in writing that such deadlock shall be submitted to an arbitration proceeding to resolve conclusively such deadlock in accordance with, and subject to the terms and conditions set forth in, this Section 4.4(d). Each of the parties hereto agrees that the arbitration proceeding contemplated by this Section 4.4(d) shall be such party's sole and exclusive forum for the resolution of any such deadlock, provided that such party shall be entitled to enforce such arbitration decision in any court of competent jurisdiction as described below. Any arbitration proceeding for the resolution of such deadlock shall be finally and conclusively decided in accordance with the rules of arbitration in effect on the date hereof (the 'Rules') of the American Arbitration Association (the 'AAA'). Such arbitration proceeding shall be mediated by a panel of three arbitrators, each chosen in the following manner: G Televisa and QVC each shall

select a person within 30 days from the date of G Televisa's or QVC's demand for arbitration; the third arbitrator shall be selected by the arbitrators selected by G Televisa and QVC (and such third arbitrator shall be a person with experience in the matter that is the subject of such deadlock); and if either party fails to select its arbitrator within such 30 day period or if the two arbitrators selected by both parties fail, within the 30 day period from the date of their selection, to make a selection of a third arbitrator, then the AAA shall appoint the arbitrator that was not nominated by the failing party, or shall appoint the third arbitrator, as the case may be, in accordance with the Rules. (The arbitrators so chosen are referred to herein as the 'Arbitrators'). Consistent with the Rules, the Arbitrators shall be responsible for formulating their own evidentiary rules for the arbitration, including whether their determination shall be made solely by written submission, oral testimony or any combination thereof and shall determine all other matters relating to the arbitration, except that the arbitration proceeding (i) shall take place in Mexico City, (ii) shall be governed procedurally by the Rules and (iii) shall be governed by the applicable laws of the United Mexican States with respect to the substantive issues relating to such deadlock between the parties. The Arbitrators shall submit their findings within 30 days of the announcement by the Arbitrators of the process to be followed in reaching their determination. The findings of the Arbitrators, and any order issued (including, without limitation, any order of specific performance) or decision or judgment entered pursuant to such arbitration proceeding, shall be deemed final and binding upon each of the parties hereto and may be entered and enforced in any court of competent jurisdiction. Each party hereto agrees to submit to the jurisdiction of any such court for purposes of the enforcement of any such order, decision or judgment and hereby expressly waives any appeal or defense to which it may be entitled. The fees and expenses of the Arbitrators shall be paid by the party against whom the Arbitrators shall have rendered their determination, and the Arbitrators shall be entitled to require such party to pay the reasonable fees and expenses of the other party's attorneys.

Section 4.5 Officers. The day-to-day operations of the Company and its Subsidiaries and the implementation of the Business Plan shall be the responsibility of the officers of the Company acting subject to Section 4.7 hereof and the direction and oversight of the Board of Managers. Following the election of the initial Board of Managers of the Company by the Members pursuant to Section 4.1 hereof, except for the President and Chief Executive Officer of the Company (who shall be selected and hired by the Board of Managers of the Company in accordance with Section 4.7(a)(xi) hereof), the officers of the Company shall consist of the persons designated by the Board of Managers of the Company, and such persons shall serve in the offices designated by the Board of Managers of the Company until their respective successors are duly appointed by the Board of Managers of the Company. The Company and its Subsidiaries shall have at their own expense such officers as are necessary for the Company and its Subsidiaries to carry out the Business Plan.

Section 4.6 Authority of the Board of Managers. The Board of Managers of the Company shall have and exercise all of the powers belonging or pertaining to the Company in accordance with this Article IV, except only as to such matters which pursuant to the Law or the Estatutos require the action of the Members. All actions and decisions by the Company shall be made by the Board of Managers of the Company (except for any matter that shall, subject to Section 4.7 hereof, be expressly delegated to the officers of the Company by resolution of the Board

of Managers).

Section 4.7 Matters Requiring Unanimous Approval. (a) Notwithstanding anything to the contrary contained in this Agreement, the Estatutos or as permitted under the Law, no act shall be taken, sum expended, or obligation incurred by the Company or any of its Subsidiaries with respect to the matters

set forth below (individually, a 'Significant Matter', and collectively, the 'Significant Matters'), unless such action, expense or obligation shall have been previously approved by all of the members of the Board of Managers of the Company or all of the Members:

(i) adoption of the Business Plan and amending or modifying the Business Plan;

(ii) approval of an annual budget (such approved annual budget, as amended from time to time in accordance with this clause (ii), the 'Approved Annual Budget') for the operation of the Company and its Subsidiaries and amending or modifying any such Approved Annual Budget;

(iii) determination of whether or not to consummate (x) any material transaction involving the Company or any of its Subsidiaries or (y) any material agreement or other instrument which, in the case of subclause (x) or (y), is not in the ordinary course of business of the Company and its subsidiaries and is not contemplated by the Business Plan or the Approved Annual Budget;

(iv) determination of whether or not to take any action which would result in a material increase in (x) the total expenditures of the Company and its Subsidiaries or the expenditures for any major category of expenditures set forth in the Business Plan or the Approved Annual Budget, in each case, in excess of the amount set forth in the Business Plan or the Approved Annual Budget, as applicable, or (y) the aggregate amount of indebtedness of the Company and its Subsidiaries (which shall include any guarantee of payment of the obligation of a third party) in excess of the amount set forth in the Business Plan or the Approved Annual Budget, as applicable;

(v) determination of whether or not to (x) declare or pay any dividends in respect of any Company Social Part (or any Value Unit in respect thereof) or other equity security of the Company or any non-wholly-owned Subsidiary of the Company, (y) directly or indirectly, purchase or otherwise acquire, redeem or retire, in whole or in part, any class of capital stock of the Company or any non-wholly-owned Subsidiary of the Company or any warrants, options or similar agreements to acquire any Company Social Part (or any Value Unit in respect thereof) or other equity security of the Company or any non-wholly-owned Subsidiary of the Company or (z) directly or indirectly make any other distribution of cash, property or obligations of the Company or any of its Subsidiaries or any equity security of the Company in respect of, or on account of, any Company Social Part (or any Value Unit in respect thereof) or other equity security of the Company or any non-wholly-owned Subsidiary of the Company;

(vi) subject to Section 2.2(b) hereof, determination of whether or not to (x) issue any Company Social Part (or any Value Units in respect thereof), any other equity security of the Company (including, without limitation, any other class of a social part) or any class of capital stock of any of its Subsidiaries, (y) issue, grant or otherwise enter into an agreement or arrangement to provide for, an appreciation right, phantom equity interest or similar right, interest or security with a value derived from, or based on, the value of any Company Social Part (or any Value Units in respect thereof), any other equity security of the Company (including, without limitation, any other class of a social part) or any class of capital stock of any of its Subsidiaries or the profits, results of operation or cash flow of the Company or any of its Subsidiaries or (z) issue, grant or otherwise enter into an agreement or arrangement to provide for, options or warrants or other rights, interests or securities convertible into or exchangeable for any shares of any Company Social Part (or any Value Units in respect thereof), any other equity security of the Company (including, without limitation, any other class of a social part) or any class of capital stock of any of its Subsidiaries or any rights, interests or securities referred to in subclause (y) hereof;

(vii) determination of whether or not to consummate a public offering of any debt or equity securities of the Company or any of its Subsidiaries or to register under any applicable securities law any such debt or equity securities of the Company or any of its Subsidiaries;

(viii) taking any action, including the filing of a petition, with respect to (x) the bankruptcy, insolvency, reorganization, dissolution or any similar occurrence of the Company or any of its Subsidiaries or (y) a

liquidation or any other occurrence which might result in a termination of the Company or any of its Subsidiaries;

(ix) the determination of any matter relating to a material transaction between the Company and any Member or any Affiliate or 'associate' (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of such Member which is not contemplated by this Agreement, the Business Plan or the Approved Annual Budget; provided, however, that notwithstanding anything herein to the contrary, after the occurrence of a Default Event (as defined below), (A) the Contributing Member in respect of such Default Event may from time to time make a loan or capital contribution to, or an equity investment in, the Company with the prior approval of holders of at least a majority of the total outstanding Value Units, without regard to the Company Social Part to which any Value Unit may relate so long as the requirements of Article Fourteenth of the Estatutos have been satisfied with respect thereto, and (B) the determination of any matter relating to any transaction between the Company and such Contributing Member or any Affiliate or associate of such Contributing Member shall not be deemed a Significant Matter for the Company and shall be permitted so long as such transaction is on terms and conditions which are no less favorable to the Company than the terms and conditions which would apply in a similar transaction with a person or

entity other than such contributing Member or such Affiliate or associate of such contributing Member;

(x) approval and adoption of any amendment to the Estatutos or this Agreement;

(xi) the determination to hire, replace or involuntarily terminate the President and Chief Executive officer of the Company who shall be an experienced and competent executive knowledgeable in the marketing of product in the United Mexican States and who speaks fluent Spanish;

(xii) determinations concerning the Independent Public Accountant (as defined in Section 4.8 hereof) and any other independent public accountants of the Company's Subsidiaries, in each case, pursuant to Section 4.8 hereof; and

(xiii) the determination of whether or not to make any investment or capital contribution in, or purchase of, any debt or equity security of, or other interest or right in, any person or entity (other than cash equivalents) which is not contemplated by the Business Plan or the Approved Annual Budget.

As used herein, a 'Default Event' shall be deemed to have occurred if (A) G Televisa or any G Televisa Wholly-Owned Corporation is a Non-Contributing Member or (B) QVC or any QVC Wholly-Owned Corporation is a Non-Contributing Member, unless, in the case of clause (A) or (B) hereof, the Contributing Member with respect thereto elects that such Default Event shall not constitute a 'Default Event' for any purpose under this Agreement; it being understood that, with respect to the Company, there may be only one Default Event, which shall be the first Default Event to occur.

(b) In the event that with respect to any proposed resolution or other action relating to any Significant Matter there exists a deadlock, either G Televisa or QVC may give a written notice to the other of the existence of a deadlock relating to such Significant Matter. Such notice shall specify in reasonable detail the nature of issue giving rise to such deadlock, and the Chief Executive Officer of the party receiving such notice shall promptly arrange for a meeting with the Chief Executive Officer of the party sending such notice for the purpose of resolving such deadlock. Such meeting shall be held within 20 days from the date such notice is given, and at such meeting, the Chief Executive Officers of QVC and G Televisa shall resolve the matter which is the subject of Such deadlock or otherwise resolve such deadlock by means of a liquidation of the Company or a sale of the outstanding equity of the Company to any person or entity (including-G Televisa, QVC or any of their respective Affiliates).

Section 4.8 Independent Public Accountant. The Mexico City office of Coopers & Lybrand shall be the independent public accountant of the Company, unless the Board of Managers shall

determine in accordance with Section 4.7(a)(xii) hereof to change the Company's

independent public accountant, in which case, the Board of Managers shall select from the Mexico City office of one of the 'big 5' independent public accounting firms in the United States (Coopers & Lybrand, or such other independent public accountant for the Company selected by the Board of Managers in accordance with Section 4.7(a)(xii) hereof shall herein be referred to as the 'Independent Public Accountant'). Unless the Board of Managers of the Company otherwise determines in accordance with Section 4.7(a)(xii) hereof, the independent public accountants for the Company's Subsidiaries conducting business outside of the United Mexican States shall be the offices of Coopers & Lybrand where such business is conducted.

Section 4.9 Fiscal Year; Financial Statements; Tax Information. (a) The fiscal year of the Company shall be the calendar year ending December 31.

(b) As soon as reasonably possible and in any event within 30 days after the end of each fiscal quarter of each fiscal year of the Company, the Company shall deliver (i) to G Televisa and QVC copies of the unaudited consolidated financial statements of the Company and its Subsidiaries as of the end of such fiscal quarter, for such fiscal quarter and for the beginning of such fiscal year to the end of such fiscal quarter, as applicable, prepared in accordance with Mexican GAAP consistently applied throughout the periods involved and (ii) to QVC copies of such unaudited consolidated financial statements, prepared in accordance with generally accepted accounting principles in the United States ('U.S. GAAP'), consistently applied throughout the periods involved (the 'U.S. GAAP Unaudited Financial Statements'). QVC hereby agrees to reimburse the Company and its Subsidiaries for all fees and expenses (including, without limitation, accountants' fees and disbursements) incurred by any of them in connection with the preparation and delivery of such U.S. GAAP Unaudited Financial Statements.

(c) As soon as reasonably possible and in any event within 60 days after the end of each fiscal year of the Company, the Company shall deliver (i) to G Televisa and QVC copies of the audited consolidated financial statements of the Company and its Subsidiaries as of the end of such fiscal year and for such fiscal year, as applicable, prepared in accordance with Mexican GAAP consistently applied throughout the periods involved and certified by the Independent Public Accountant and (ii) to QVC copies of such audited consolidated financial statements prepared in accordance with U.S. GAAP, consistently applied throughout the periods involved and certified by the Independent Public Accountant (the 'U.S. GAAP Audited Financial Statements). QVC hereby agrees to reimburse the Company and its Subsidiaries for all fees and expenses (including, without limitation, accountants' fees and disbursements) incurred by any of them in connection with the preparation and delivery of such U.S. GAAP Audited Financial Statements.

(d) The Company shall furnish to G Televisa, QVC and their respective Affiliates copies of all tax returns, reports or forms filed by the Company and its Subsidiaries with any governmental authority and such other information relating to the Company and its Subsidiaries, as G Televisa, QVC or any such Affiliate may request (at the expense of the party requesting such copies), for financial reporting and accounting matters, the preparation and filing of any tax returns, reports or forms or the defense of any tax claim, assessment or litigation. The Company shall prepare any United States income tax returns required to be filed at the request and expense of QVC, and under the direction

and supervision of QVC, after consultation with, and the approval of, G Televisa, which approval shall not unreasonably be withheld. QVC is designated as the 'tax matters partner' for the Company as defined in Section 6231(a)(7) of the United States federal Internal Revenue Code of 1986, as amended.

(e) The parties hereto intend that the Company be treated as a partnership for United States federal income tax purposes and agree not to take any United States tax position inconsistent with such treatment, except to the extent such treatment would be required by applicable law. Notwithstanding the foregoing, the parties recognize that the Company will be taxed as a corporation for purposes of the laws of the United Mexican States, agree that such treatment will not be considered to be inconsistent with the parties' undertakings in the immediately preceding sentence and further agree not to take any position inconsistent with such treatment for purposes of the laws of the United Mexican States.

ARTICLE V
TRANSFER PROVISIONS

Section 5.1 Prohibition on Transfers. (a) No Member shall, directly or indirectly, sell (whether by involuntary or judicial sale or otherwise), assign,

transfer, grant a security interest in, pledge, encumber, hypothecate, give (by bequest, gift or appointment) or otherwise (voluntarily or by operation of law) dispose of (any of the foregoing is herein referred to as a 'Transfer') any Company Social Part, any Value Unit in respect thereof or any other equity security of the Company (collectively, 'Company Equity Securities') to any person or entity other than G Televisa or any G Televisa Wholly-Owned Corporation, unless the Member making such Transfer has obtained in advance of such Transfer a written consent to such Transfer from the other Member, which consent may be withheld at the sole discretion of such other Member. If any Member Transfers its Company Equity Securities in accordance with this Section 5.1(a), such Transfer shall be effective from and after the date the transferee delivers to each of the parties hereto a written instrument, acceptable in form and substance to each of the parties hereto, in which such transferee agrees to be bound by the provisions of this Agreement as if it were an original signatory to this Agreement.

(b) (i) Subject to subparagraph (ii) of this Section 5.1(b), G Televisa and QVC shall not, and shall cause their respective Wholly-Owned Corporations not to, directly or indirectly, Transfer any class of capital stock of GT Sub or QVC Sub or any other equity security of GT Sub or QVC Sub (collectively, the 'Shareholder Equity Securities') to any person or entity other than G Televisa, QVC or any Wholly-Owned Corporation, unless G Televisa (if G Televisa or a G Televisa Wholly-Owned Corporation is making such Transfer) or QVC (if QVC or a QVC Wholly-Owned Corporation is making such Transfer) has obtained in advance of such Transfer a written consent to such Transfer from the other party, which consent may be withheld at the sole discretion of the other party.

(ii) Eighteen months after the Effective Date, if G Televisa, QVC or any Wholly-Owned Corporation desires to Transfer all or any portion of the Shareholder Equity Securities held by it, G Televisa and QVC shall not, and shall cause their respective Wholly-Owned Corporation not to, directly or

indirectly, Transfer any such Shareholder Equity Securities to any person or entity, other than G Televisa, QVC or any Wholly-Owned Corporation, unless (A) G Televisa (if G Televisa or a G Televisa Wholly-Owned Corporation desires to make such Transfer) delivers a written instrument to QVC in the form of Exhibit C attached to this Agreement pursuant to which G Televisa represents and warrants to QVC that, after giving effect to such proposed Transfer, G Televisa and the G Televisa Wholly-Owned Corporations shall own, in the aggregate, a majority of the issued and outstanding Shareholder Equity Securities of GT Sub and a majority of the total voting power of all classes of capital stock of GT Sub entitled to vote generally in the election of the Board of Directors of GT Sub and shall otherwise control GT Sub (including, without limitation, having the absolute power and authority to elect a majority of the directors of GT Sub and to direct the management and policies of GT Sub with respect to any issue or matter) or (B) QVC (if QVC or a QVC Wholly-Owned Corporation desires to make such Transfer) delivers a written instrument to G Televisa in the form of Exhibit C attached to this Agreement pursuant to which QVC represents and warrants to G Televisa that, after giving effect to such proposed Transfer, QVC and the QVC Wholly-Owned Corporations shall own, in the aggregate, a majority of the issued and outstanding Shareholder Equity Securities of QVC Sub and a majority of the total voting power of all classes of capital stock of QVC Sub entitled to vote generally in the election of the Board of Directors of QVC Sub and shall otherwise control QVC Sub (including, without limitation, having the absolute power and authority to elect a majority of the directors of QVC Sub and to direct the management and policies of QVC Sub with respect to any issue or matter).

(c) In the event that a Transfer of any Company Equity Securities or Shareholder Equity Securities has taken place in violation of the provisions of this Section 5.1, such Transfer shall be void and of no effect, no distribution of any kind shall be paid by the Company, GT Sub or QVC Sub, as applicable, to the proposed transferee of such void Transfer in respect of any such securities (all such

dividends and distributions being deemed waived), and the voting rights of such securities on any matter whatsoever shall remain vested in the transferor.

(d) The Company shall cause all certificates representing any Company Social Part (or any Value Unit in respect thereof) or any other Company Equity Security, and each of GT Sub and QVC Sub shall cause all certificates representing its Shareholder Equity Securities, to bear the following legend:

'The securities represented by this certificate are subject to restrictions on transfer and certain other provisions set forth in the

Estatutos of Telemercado Alameda, S. de R.L. de C.V.'

(e) Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement shall be construed as prohibiting, restricting, hindering or otherwise adversely affecting any Transfer of any direct or indirect interest in G Televisa or QVC.

ARTICLE VI

COVENANTS CONCERNING COMPETITION

Section 6.1 Business. Territory. As used herein, the term 'Television and Cable Shopping Business' shall mean the business of a Spanish or Portuguese language television and cable retail shopping service, and the term 'Territory' shall mean the United Mexican States and the remainder of the Spanish-speaking world (including, without limitation, Spain and the 50 states of the United States and all of its territories and possessions (the 'United States')) and the Portuguese-speaking world (including, without limitation, Brazil).

Section 6.2 First Opportunity. (a) Subject to Section 7.2 hereof, G Televisa and QVC shall not, and shall cause their respective Affiliates not to, directly or indirectly, own any interest or engage or participate in, or act as a broker, agent, advisor, consultant or provide any assistance to, any Television and Cable Shopping Business in the Territory, otherwise than as expressly permitted in this Agreement or without first permitting the Company to exploit the opportunity related thereto on the terms and conditions provided below.

(b) Subject to Section 7.2 hereof, if G Televisa, QVC or any of their respective Affiliates intends, directly or indirectly, to own any interest or engage or participate in, act as a broker, agent, advisor, consultant or provide any assistance to, any Television and Cable Shopping Business in the Territory, such party (the 'Offeror') shall, or shall cause its Affiliate to, first offer to the Company to exploit the opportunity related thereto by delivering written notice thereof, including specifying in reasonable detail the material terms and conditions of such prospective opportunity (the 'Notice') in accordance with Section 9.4 hereof to the other party (the 'Recipient'). The Recipient shall have 15 days after the Offeror gives the Notice within which to decide whether or not the Company should exploit such prospective opportunity and to give notice to the Offeror in accordance with Section 9.4 hereof of the Recipient's decision. The Recipient shall have only the right to elect to have the Company exploit the entire opportunity set forth in the Notice on substantially the same terms available to the Offeror, and the failure to give any notice in accordance with Section 9.4 within such 15 days, or any response other than an unqualified election to have the Company exploit such opportunity shall constitute an election not to have the Company exploit such opportunity If the Recipient does not notify the Offeror that it wishes to have the Company exploit such opportunity prior to the end of the 15th day on which such notice is given, the offeror and its Affiliates may pursue such opportunity for their own accounts. However, if the material terms and conditions of such opportunity change from the material terms and conditions that the Recipient failed to elect to have the Company exploit, the opportunity shall again be offered to the Company by delivering to the Recipient the Notice as set forth above, except that the Recipient shall have only 10 days after receiving the Notice within which to give notice to the Offeror in accordance with Section 9.4 hereof that the Company should exploit such opportunity. The immediately preceding sentence shall continue to apply to subsequent changes in the material terms and conditions of such opportunity until the transactions to effectuate such opportunity shall have been consummated.

(c) If the Recipient elects to have the Company exploit the opportunity presented by the Offeror pursuant to subsection (b) of this Section 6.2, each of G Televisa and QVC shall cause to be contributed from time to time to the capital of the Company an equal amount of funds from each of the Members so that the Company shall have the ability to fully exploit such opportunity as contemplated by the terms and conditions thereof, but only to the extent such amounts to be contributed are consistent with the related Notice. With respect to any such opportunity to be exploited by the Company, each of the parties hereto shall cause the Business Plan (including the Capital Schedule) and the Approved Annual Budget to be amended to enable the Company to so fully exploit such opportunity.

(d) Notwithstanding anything in this Agreement to the contrary each of the parties hereto agrees and acknowledges that the provisions of this Section 6.2

are not intended to, and shall not, in any way prohibit or restrict G Televisa or its Affiliates for their own accounts from, directly or indirectly owning any interest or engaging or participating in, act as a broker, agent, advisor, consultant or provide any assistance to, (i) any existing or future arrangements or agreements for the manufacture, distribution or sales of product through Direct Response Marketing (as defined below) or through retail distribution in the Territory or (ii) the distribution or sales of product through Infomercials (as defined below) in the Territory provided that any distribution Agreements pursuant to which G Televisa or any of its Affiliates has the right to distribute or sell products through such Infomercials shall have become effective prior to the date hereof (which agreements are listed on Exhibit D attached hereto). With respect to any such Infomercial distribution agreements which become effective on or after the date hereof, any distribution or sales of product by G Televisa or its Affiliates pursuant thereto shall be deemed to be within the definition of Television and Cable Shopping Business, and, accordingly such distribution or sales of products by G Televisa or its Affiliates in the Territory shall be subject to the restrictions set forth in Sections 6.2(b) and (c) hereof. As used herein, (A) the term 'Infomercial' shall mean a spot transmitted by television, radio or by other broadcast media of more than two (2) minutes in duration during which a product or services is offered for sale or a solicitation for an offer for sale is made, and an individual is requested to respond to such Offer or solicitation by mail, telephone or other means, including without limitation, by electronic means and (B) the term 'Direct Response Marketing' shall mean the promotion of the sale of a product or service by means of a spot transmitted by television that is two (2) minutes or less in duration, radio, mail, catalogues, magazines, newspapers, telemarketing, billboards, other forms of outdoor advertising or any other method or media by which an individual is requested to respond by mail, telephone or other means, including, without limitation, by electronic means, to an offer or a solicitation of an offer for the sale of a product or service; provided, however, that the term 'Direct Response Marketing' shall not include the Television and Shopping Business.

(e) Notwithstanding anything in this Agreement to the contrary, each of the parties hereto agrees and acknowledges that the provisions of this Section 6.2 are not intended to, and shall not, in any way prohibit or restrict G Televisa, QVC or any of their respective Affiliates, from, directly or indirectly, (i) owning a passive investment in not more than five percent (5%) of the outstanding shares of any class of capital stock or units of beneficial interest of any entity, whether or not it competes with the Company or any of its

Subsidiaries or otherwise engages or participates in the Television and Cable Shopping Business in the Territory; (ii) owning any interest or engaging or participating in, or acting as broker, agent, advisor, consultant or providing any assistance to (A) the Univision Network, the Galavision Network or their respective related stations and other means of broadcast, in each case subject to Section 7.2 hereof, (B) any means of television or cable broadcast, (C) any satellite or common carrier facility with respect to which G Televisa, QVC or any of their respective Affiliates has no direct or indirect control over or interest in the content of what is being transmitted by such telecommunications facility, or (D) any business, activity or investment vehicle outside of the Territory (or within any area in the Territory in accordance with the terms and conditions of this Agreement), which incidentally is received in the Territory (or any other area of the Territory), it being understood that G Televisa, QVC or any of their respective Affiliates may derive revenues or other benefits for its own account with respect to such incidental reception or (iii) selling television or cable advertising

time or program time to third parties (except as specifically provided in Section 6.2(d) hereof with respect to Infomercials).

Section 6.3 Certain Rights.

(a) QVC shall, and shall cause its Affiliates to, use their respective reasonable efforts to cause the Company (directly or through one or more Subsidiaries) to acquire the right to distribute all product through all means or facilities in the Territory, including Infomercials, Direct Response Marketing and retail distribution, provided that QVC and its Affiliates shall not be obligated to incur any incremental out-of-pocket expenses in connection therewith unless the Company has agreed to promptly reimburse QVC or such Affiliates as the case may be, for such expenses.

(b) If QVC or any of its Affiliates acquires for any of their respective accounts the right to distribute any product through any means or facilities, QVC shall, and shall cause its Affiliates to, use their respective reasonable

efforts in connection with any such acquisition to permit the Company to acquire the right to distribute such product through all means or facilities in the Territory, provided that QVC and its Affiliates shall not be obligated to incur any incremental out-of-pocket expenses in connection therewith unless the Company has agreed to promptly reimburse QVC or such Affiliates, as the case may be, for such expenses.

(c) Each of QVC and QVC Sub hereby acknowledges that G Televisa and its Affiliates, directly or indirectly, own, and may hereafter own or acquire, interests in the business of product distribution through means of Infomercials, Direct Response Marketing and retail distribution. Except as specifically provided in Section 6.2(d) hereof with respect to Infomercials, nothing herein shall prohibit or restrict G Televisa and its Affiliates from engaging or participating in such business. To the extent that the Company or any of its Subsidiaries from time to time acquires any distribution rights to distribute any product anywhere in the United Mexican States, QVC, QVC Sub, G Televisa and GT Sub shall each cause the Company and its Subsidiaries to use exclusively (i)

media facilities owned or operated directly or indirectly by G Televisa or its Affiliates, including, without limitation, broadcast television, radio, cable television, magazine publishing, newspaper publishing and outdoor advertising (collectively, 'Media Facilities'), to advertise and promote such product and (ii) the retail distribution facilities owned or operated, directly or indirectly, by G Televisa or its Affiliates for the retail distribution of such product. To the extent that the Company or any of its Subsidiaries from time to time acquires any rights to distribute any product in any market in the Territory (other than the United Mexican States), QVC, QVC Sub, G Televisa and GT Sub shall each cause the Company and its Subsidiaries to offer to G Televisa and its Affiliates the exclusive right to (i) advertise and promote such product in such area by means of Media Facilities owned or operated directly or indirectly by G Televisa or its Affiliates in such area and (ii) distribute such product through retail distribution facilities owned or operated directly or indirectly by G Televisa or its Affiliates in such area. G Televisa shall have 30 days after the Company gives G Televisa written notice of such offer to accept such offer by the Company. If G Televisa fails to accept such offer on a timely basis by written notice to the Company, the Company may, and may permit others to, advertise, promote and distribute such product on terms and conditions no less favorable to the Company and its Subsidiaries than those as set forth in such notice.

(d) In connection with the use by the Company or any of its Subsidiaries of the Media Facilities or retail distribution facilities of G Televisa or any of its Affiliates pursuant to subsection (c) of this Section 6.3 for any Calendar Month, G Televisa shall, and shall cause its Affiliates to, charge the Company for the use of such facilities an amount (the 'Facilities Charge Amount') no greater than the lowest rate charged by G Televisa or its Affiliates, as the case may be, during such Calendar Month to any other customer or user of such facilities that is not an Affiliate of G Televisa. Each of the parties hereto agrees and acknowledges that such rate currently charged by G Televisa and its Affiliates in the case of Mexican television facilities is currently 35% of sales for Infomercial and Direct Response Marketing advertising and promotion. Within 10 days after the end of each Calendar Month commencing in respect of the Calendar Month ending November 30, 1993 (which for purposes hereof shall include the period from the Effective Time through November 30, 1993), G Televisa shall deliver

to the Company an invoice setting forth the Facilities Charge Amount for such Calendar Month and specifying in reasonable detail the basis for calculating such Facilities Charge Amount, executed by a senior executive officer of G Televisa, and the Company shall pay to G Televisa or its Affiliates (as designated in such invoice) the Facilities Charge Amount for such Calendar Month within five Business Days of its receipt of such invoice.

Section 6.4 Termination. Notwithstanding anything in this Agreement to the contrary, the provisions set forth in Sections 6.2 and 6.3 hereof shall remain in full force and effect for the entire Territory for the period commencing on the date hereof and ending on December 31, 1996, and thereafter, such provisions shall terminate with respect to each country in the Territory if (a) the Company or any of its subsidiaries does not have a Television and Cable Shopping

Business with substantial operations in such country and (b) G Televisa or QVC, as the case may be, shall have consented (which consent shall not be unreasonably withheld) in writing to the written request of the other that the provisions set forth in Sections 6.2 and 6.3 hereof shall terminate with respect to such country. In the event of the termination of the provisions set forth in

Sections 6.2 and 6.3 hereof with respect to any country as provided in this Section 6.4, such provisions with respect to such country shall forthwith become void and have no effect, and there shall be no liability on the part of any party hereto with respect to such provision with the sole exception that nothing contained in this Section 6.4 shall in any way relieve any party from liability for any breach of the provisions set forth in Section 6.2 and 6.3 hereof for the period prior to the effective date of the termination thereof.

ARTICLE VII
EXPANSION BEYOND THE UNITED MEXICAN STATES

Section 7.1 Best Efforts. Subject to the provisions of Section 6.2 hereof and consistent with the Business Plan and the Approved Annual Budget, each of the parties hereto agrees to use its best efforts to expand the Television and Cable Shopping Business of the Company and its Subsidiaries from the United Mexican States into the countries which constitute the remainder of the Territory. Consistent with the foregoing, the Company may, from time to time, enter into new business ventures or form alliances with other individuals or entities in connection with the Company's expansion into such other countries in the Territory to the extent that the Board of Managers of the Company determines that its entering into such new business ventures and the formation of such alliances is necessary to accomplish the Company's strategic goal of expansion beyond the United Mexican States and to satisfy any applicable regulatory requirements relating thereto.

Section 7.2 United States Expansion. Each of QVC and QVC Sub hereby acknowledges and agrees that G Televisa and its Affiliates are parties to certain agreements (as such agreements may be amended from time to time, the 'Subject Agreements') with Mr. A. Jerrold Perenchio ('Perenchio') and Corporation Venezolana de Television (Venevision) C.A., a Venezuelan corporation ('Venevision'; and collectively with Perenchio, the 'U.S. Partners') pursuant to which G Televisa is required ('First Opportunity Requirements') to first offer to the U.S. Partners the opportunity to participate in the ownership and operation of a Television and Cable Shopping Business in the United States (other than Puerto Rico) prior to G Televisa or any of G Televisa's Affiliates pursuing such opportunity for their own account or in participation with other persons or entities. Until the First Opportunity Requirements set forth in the Subject Agreements no longer remain applicable to the ownership and operation by the Company or any of its Subsidiaries of a Television and Cable Shopping Business in the United States, if the Board of Managers determines to expand the Company's Television and Cable Shopping Business into the United States (other than Puerto Rico), each of the parties hereto agrees to cause the Company to first offer to each of the U.S. Partners in accordance with the terms and conditions of the Subject Agreements the opportunity to participate in the Subsidiary ('Newco') to be formed by the Company to conduct the Company's operation in the United States such that Venevision and G Televisa may each own, directly or indirectly, one-eighth of the outstanding equity of Newco, Perenchio may own, directly or indirectly, one-fourth of the outstanding equity of Newco, and QVC may own, directly or indirectly, one-half of the outstanding equity of

Newco. In the event that any U.S. Partner elects not to participate in Newco, each of the parties hereto agrees that G Televisa shall be entitled to own, directly or indirectly, the share of the outstanding equity of Newco offered to such U.S. Partner pursuant to the immediately preceding sentence.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES

Section 8.1 Representations and Warranties. Each party hereto represents and warrants to each other party hereto that:

(a) it has the requisite corporate power and authority to execute and deliver this Agreement and all other instruments and documents executed and delivered by it in connection herewith, to carry out its obligations hereunder and thereunder and to consummate each of the transactions contemplated hereby and thereby;

(b) the execution, delivery and performance of this Agreement and all other instruments and documents executed and delivered by it in connection herewith and the consummation Of each of the transactions contemplated hereby and thereby have been duly authorized by its Board of Directors, and no other corporate proceedings on its part are necessary to authorize this Agreement and such other instruments and documents or to consummate transactions so contemplated;

(c) this Agreement and all other instruments and documents executed and delivered by it in connection herewith have been duly executed and delivered by it and, assuming this Agreement and such other instruments and documents constitute a valid and binding obligation of each other party hereto or thereto, constitutes a valid and binding obligation of it, enforceable against it in accordance with their respective terms, except to the extent such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and is subject to the general principles of equity;

(d) neither the execution, delivery and performance of this Agreement and all other instruments and documents executed and delivered by it in connection herewith by it nor the consummation by it of the transactions contemplated hereby or thereby nor compliance by it with any of the provisions hereof or thereof will (i) conflict with or result in any breach or violation of any provisions of its articles of incorporation or by-laws, (ii) require on its part any filing with, notification to, or permit, authorization, consent or approval of, any governmental body or authority or any other entity (except any filings under the Foreign Investment Act of Mexico) or (iii) constitute (with or without notice or lapse of time or both) a breach, violation or default, create a lien or other encumbrance or give rise to any right of renegotiation or termination, amendment, cancellation, acceleration or prepayment under (A) any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease,

license, contract, agreement or other instrument or obligation to which it or any of its Subsidiaries is a party or by which any of their respective properties or assets may be bound or subject or (B) any order, writ, injunction, decree, statute, rule or regulation, governmental permit or license applicable to it or any of its Subsidiaries or any of their respective material properties or assets; and

(e) no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection herewith or the transactions contemplated hereby based upon arrangements made by or on behalf of it.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Entire Agreement. The express provisions Of this Agreement and the exhibits attached to this Agreement, constitute the entire agreement among the parties hereto and their

respective Affiliates, and supersede all other agreements and understandings, both written and oral, among the parties hereto and their respective Affiliates, or any of them (including, without limitation, the letter of intent, dated April 21, 1993, between G Televisa and QVC), with respect to the subject matter hereof and thereof. No implied agreements shall be deemed to exist with respect to such subject matter. All references to sections and subsections shall be deemed references to such part of this Agreement, unless the context shall otherwise require.

Section 9.2 Assignments. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any of the parties hereto, in whole or in part, whether voluntarily, by operation of law or otherwise to any person or entity, unless the party hereto making such proposed assignment or delegation has previously obtained the consent of each other party hereto, which consent may be withheld at the sole discretion of such other party, except that GT Sub may, in connection with the Transfer of its Company Equity Securities in accordance with Section 5.1(a) hereof, assign its rights hereunder and delegate its obligations hereunder to G Televisa or any G Televisa Wholly-Owned Corporation. If any party hereto assigns or delegates any of its rights or obligations hereunder in accordance with the immediately preceding sentence, such assignment or delegation of such rights or obligations shall be effective from and after the date that the assignee delivers to each of the parties hereto a written instrument, acceptable in form and substance to each of the parties hereto, in which such assignee agrees to be bound by the provisions hereof with respect to such rights or obligations as if it were an original signatory to this Agreement, and upon the effectiveness of such assignment or delegation of such rights or obligations, the assignor thereof shall be deemed to be released by each of the parties hereto from such obligations hereunder, it being agreed that the respective obligations of G Televisa and QVC under Section 9.6 hereof

shall remain in full force and effect, notwithstanding any such assignment or delegation by GT Sub or QVC Sub in accordance with this Section 9.2. Any attempted assignment or delegation in violation of this prohibition shall be

null and void. Subject to the foregoing, all of the terms and provisions hereof shall be binding upon, and inure to the benefit of, the permitted successors and assigns of the parties hereto Nothing contained herein, express or implied, is intended to confer on any person or entity other than the parties hereto or their respective permitted successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 9.3 Jurisdiction; Venue; Service of Process. Each of the parties hereto irrevocably submits to the jurisdiction of (i) any competent courts located in the United Mexican States, Federal District, or (ii) the federal courts of the United States of America in any action or proceeding brought by any party hereto against any other party hereto arising out of or relating to this Agreement or the transactions contemplated hereby, and irrevocably agrees that any such action or proceeding may be heard and determined in any of such courts. Each of the parties hereto irrevocably and expressly waives, to the fullest extent it may effectively do so, the defense of any preferential jurisdictions to which it may be entitled by reason of its present or future domicile or the defense of an inconvenient forum, in each case, to the maintenance of any such action or proceeding. Each of the parties hereto consents to the service of copies of the summons and complaint and any other process which may be served in any such action or proceeding by the mailing or delivering of a copy of such process to such party at its address specified in or pursuant to Section 9.4. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties agree and acknowledge that this Section 9.3 is subject to Section 4.4(d).

Section 9.4 Notification. All notices and other communications required or permitted hereunder shall be in writing, shall be deemed duly given upon actual receipt, and shall be delivered (a) in person, (b) by registered or certified mail (air mail if addressed to an address outside of the country in which mailed), postage prepaid, return receipt requested, (c) by a generally recognized overnight courier service which provides written acknowledgement by the addressee of receipt, or (d) by facsimile or other generally accepted means of electronic transmission (provided that a copy of any notice delivered pursuant to this clause (d) shall also be sent pursuant to clause (b)), addressed as follows:

(i) if to QVC or QVC Sub:
QVC Network, Inc.
Goshen Corporate Park
West Chester, PA 19380
Attn: General Counsel
Telecopier: (215) 438-2380

with copies to:
Willkie Farr & Gallaghere
153 East 53rd Street
New York, New York 10022
Attn: Daniel D. Rubino, Esq.

Telecopier: (212) 752-2991

and
Sanchez-Mejorada, Velasco y Valencia
Paseo de la Reforma 450
Losas de Chapultepec
11000 Mexico, D.F.
Mexico
Attn: Carlos R. Valencia Barrera
Telecopier: (011)(525) 202-8222

(ii) if to G Televisa or GT Sub:
Grupo Televisa, S.A. de C.V.
Avenida Chapultepec No. 28
06724 Mexico, D.F.
Attn: Lic. Javier Mondragon Alarcon
Telecopier: (011)(525) 709-1053

with copies to:

Univisa, Inc.
2121 Avenue of the Stars, Suite 3300
Los Angeles, California 90067
Attn: Lawrence Dam, Esq.
Telecopier: (310) 286-1615;
Santamarina y Steta
'Edificio Omega'
Campos Eliseos 345-2 Piso
Col. Chapultepec Polanco
11560 Mexico D.F.
Attn: Lic. Alberto Saavedra
Telecopier: (011)(525) 280-6226;

and

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004-1980
Attn: Joseph A. Stern, Esq.
Telecopier: (212) 747-1526

or to such other addresses as may be specified by like notice to the other parties.

Section 9.5 Indemnification. Each of the parties (an 'Indemnifying Party') indemnifies each of the other parties, their respective Affiliates, the officers, directors, shareholders, agents, employees and attorneys of each of the other parties and their respective Affiliates, and their respective heirs, administrators, successors and assigns, and agrees to hold each of them harmless, from and against any and all Losses which any of them may incur or suffer, or which may be asserted against or imposed on any of them, directly or indirectly, arising out of, as a result of or based upon any inaccuracy in or breach or nonperformance of any of the representations, warranties, covenants or

agreements made by the Indemnifying Party in this Agreement. As used in this Agreement, 'Losses' refers to any and all liability, losses, costs, deficiencies, damages, demands, claims, actions, judgments, causes of action and expenses (including, without limitation, attorneys' and accountants' fees, costs incurred to investigate or defend, and costs incurred to enforce the provisions hereof).

Section 9.6 Guarantee. (a) G Televisa hereby (i) irrevocably and unconditionally guarantees the full and prompt performance and observance by GT Sub of its covenants and obligations under this Agreement, (ii) agrees to be responsible for any breach by GT Sub of GT Sub's representations, warranties, covenants and agreements contained herein, and (iii) waives any legal and equitable defenses that might constitute grounds for relieving G Televisa of any of its obligations under this Section 9.6(a).

(b) QVC hereby (i) irrevocably and unconditionally guarantees the full and prompt performance and observance by QVC Sub of its covenants and obligations under this Agreement, (ii) agrees to be responsible for any breach by QVC Sub of QVC Sub's representations, warranties, covenants and agreements contained herein, and (iii) waives any legal and equitable defenses that might constitute grounds for relieving QVC of any of its obligations under this Section 9.6(b).

Section 9.7 Invalidity. If any provision of this Agreement is too broad to permit enforcement to its full extent such provision shall nevertheless be enforced to the maximum extent permitted by law, and each party agrees that such provisions may be judicially modified accordingly in any proceeding brought to enforce this Agreement. If any portion Of this Agreement shall be held to be indefinite, invalid or otherwise entirely unenforceable, the entire Agreement shall not fail on account thereof. The balance of this Agreement shall continue in full force and effect.

Section 9.8 Amendments and Waivers. No modification, amendment, termination or waiver of any provision of this Agreement, nor consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Neither any course of dealing nor any failure or delay on the part of any of the parties hereto in exercising any right, power or privilege hereunder shall impair any such power, right or privilege or operate as a waiver thereof or as a waiver or acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. No notice to or demand on any of the parties hereto

in any case shall entitle such party hereto to any other or further notice or demand in the same, similar or other circumstances.

Section 9.9 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to each party hereto.

Section 9.10 Further Actions. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action necessary, proper or advisable to consummate and make effective the transactions contemplated by this

Agreement.

Section 9.11 Publicity. Each of G Televisa, GT Sub, QVC and QVC Sub will coordinate, and none of G Televisa, GT Sub, QVC and QVC Sub will issue, or allow the issuance of, any press release, publicity statement, letter to shareholders or other public notice relating to this Agreement or the transactions contemplated hereby without the concurrence of the other parties hereto. Notwithstanding the foregoing, each of G Televisa, GT Sub, QVC and QVC Sub may issue such press release, publicity

statement, letter to shareholders or other public notice if it believes, based upon the advice of such party's counsel, that the issuance thereof is required by applicable law, rule or stock exchange regulation, provided, however, to the extent reasonably practicable within the requirements of the law, rule or stock exchange regulation, such party shall give the other parties hereto the opportunity to review and comment on any such press release, publicity statement letter or notice and shall revise it to the extent reasonably practicable within the requirements of the applicable law, rule or stock exchange regulation to reflect their concern.

Section 9.12 Specific Performance. The parties hereto hereby acknowledge that each party hereto would suffer irreparable injury and would not have an adequate remedy at law for money damages if the provisions of this Agreement (including, without limitation, Articles V, VI and VII hereof) were not performed in accordance with their terms. Each party hereto agrees that the other parties hereto shall be entitled to specific enforcement of the terms of this Agreement in addition to any other remedy to which they are entitled, at law or in equity. Furthermore, if any action or proceeding shall be instituted to enforce the provisions hereof, any party against whom such action or proceeding is brought hereby waives the claim or defense therein that there is an adequate remedy at law, and agrees not to urge in any such action or proceeding the claim or defense that such remedy at law exists.

Section 9.13 Section and Other Headings. Section titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

Section 9.14 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United Mexican States applicable to contracts made and performed in the United Mexican States, without regard to conflict of laws principles thereof.

Section 9.15 Attorneys' Fees; Costs and Expenses. (a) In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to its cost and expense and any other available remedy.

(b) Each party hereto shall bear its own fees and expenses in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and any agreements instruments or documents executed or delivered in

connection herewith.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GRUPO TELEVISA, S.A. DE C.V.

By: _____
Name: Mr. Alejandro Sada Olivares
Title: Group Vice President

TELEVISION INDEPENDIENTE DE MEXICO, S.A. DE C.V.
By: _____
Name: Mr. Alberto Orozco Estrada
Title: Corporate General Comptroller

QVC NETWORK, INC.
By: _____
Name: Neal S. Grabell
Title: Senior Vice President

QVC MEXICO, INC.
By: _____
Name: Neal S. Grabell
Title: Senior Vice President

TELEMERCADO ALAMEDA, S. DE R.L. DE C.V.

By: _____
Name: Francisco Cortina
Title: President

EXHIBIT 10.52

(Certain portions of this Exhibit are subject to an Application for Confidential Treatment pursuant to Rule 24b-2)

CERTAIN PORTIONS OF THIS AGREEMENT ARE SUBJECT TO AN APPLICATION FOR CONFIDENTIAL TREATMENT PURSUANT TO RULE 24b-2

QVC NETWORK, INC.

and

QVC BRITAIN

and

BRITISH SKY BROADCASTING LIMITED

and

PRECIS (1192) LIMITED

and

QVC

- ---

JOINT VENTURE AGREEMENT

- ---

Allen Allen & Hemsley
Bucklersbury House
3 Queen Victoria Street
LONDON EC4N 8EL
Ref: LON:412057:BMW

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

THIS JOINT VENTURE AGREEMENT is made the 11th day of October 1993

AMONG:

1. QVC NETWORK, INC., a company duly organised under the laws of Delaware with its registered office at Goshen Corporate Park, West Chester, Pennsylvania ("QVC");

2. QVC BRITAIN, an unlimited company registered in and incorporated under the laws of England, number 2825241 c/o Willkie Farr & Gallagher, Dauntsey House, 4B Frederick's Place, London, EC2R 8AB ("QVC Sub");

3. BRITISH SKY BROADCASTING LIMITED, a limited company registered in and duly organised and incorporated in England, number 2247735 of 6 Centaurs Business Park, Grant Way, Isleworth, Middlesex, TW7 5QD, United Kingdom ("BSkyB");

4. PRECIS (1192) LIMITED, a limited company registered in and duly organised and incorporated in England, number 280711 of 6 Centaurs Business Park, Grant Way, Isleworth, Middlesex, TW7 5QD, United Kingdom ("BSkyB Sub"); and

(QVC Sub and BSkyB Sub may herein be individually referred to as a "Venturer" and collectively referred to as the "Venturers")

5. QVC, an unlimited company incorporated in and duly organised under the laws of England, registered no. 2807164, with its registered office at or to be at MarcoPolo House, Queenstown Road, London SW8, United Kinqdom (the "Venture").

WHEREAS:

A. The parties desire to participate in the Venture for the purpose of engaging in the business of owning and operating a Home Shopping Channel as a direct-to-the-consumer retail television network (the "Service") serving cable and satellite dish homes within the United Kingdom, the Republic of Ireland, the Isle of Man and the Channel Isles (collectively, the ("Territory") and to be encrypted using VideoCrypt technology.

B. Direct-to-home distribution to dish houses will be

provided by means of the Service being included within BSkyB's "Basic Tier" which has launched as an encrypted service as from 1st October 1993.

C. BSkyB leases an Astra transponder from * which it has agreed to provide to the Venture via the Transponder Sub-Lease (and also to provide uplinking and related services) * .

D. The business of the Venture is to be run from certain premises currently leased by BSkyB and known as "MarcoPolo House", Queenstown Road, London (the "Premises") which premises are to be sub-leased by BSkyB to the Venture at cost.

E. QVC has agreed to provide funding to the Venture subject to the Agreed Cap until the Break Even Date as hereafter provided.

NOW, THEREFORE, in consideration of the premises and other covenants and conditions contained herein, the parties hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following

meanings (terms defined in the singular to include the plural and vice versa):

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

"A Directors" has the meaning ascribed to that term in Clause 3.2.

"A Shares" has the meaning ascribed to that term in Clause 2.1(a).

"Accountants" means the independent chartered accountants and registered auditors of the Venture.

"Additional Term" has the meaning ascribed to that term in Clause 2.5.

"Affiliate" means, with respect to any specified Person, any other Person who or which, directly or indirectly through one or more intermediaries, Controls, is Controlled by such specified Person. Notwithstanding the foregoing, (i) neither the Venture nor any Person Controlled by the Venture shall be deemed to be an "Affiliate" of any Venturer or of any Affiliate of a Venturer, and (ii) no Venturer or any Affiliate thereof shall be deemed to be an "Affiliate" of any other

Venturer or any Affiliate thereof by virtue of its equity ownership in the Venture.

"Agents" has the meaning ascribed to that term in Clause 9.12.

"Agreement" means this Agreement as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof.

"Agreed Cap" means * .

"Ancillary Agreements" means the Sub-Leases, the DTH Distribution Agreement and the Transponder Sub-Lease.

"Annual Budget" means, for any Financial Year of the Venture, either (i) the budget and projected cash flow statement for the Venture for such Financial Year, as approved by the Board of Directors, or (ii) the budget and projected cash flow statement deemed to be the Annual Budget pursuant to Clause 3.6(c) for such Financial Year, in either

case, conforming in form to the 1994 Annual Budget and containing information in all categories included in the 1994 Annual Budget, as amended or modified from time to time pursuant to Clause 3.6. Unless the context otherwise requires, references to the Annual Budget shall be deemed to be references to the Annual Budget then in effect.

"Astra Transponder" means the transponder on the Astra lA satellite, the Astra lB satellite or the Astra 1C satellite that BSkyB has identified for the purposes of transmitting the Service or any replacement satellite access to which is provided by SES.

"B Directors" has the meaning ascribed to that term in Clause 3.2.

"B Shares" has the meaning ascribed to that term in Clause 2.1(a).

"Bank Base Rate" means the base rate of Midland Bank PLC or if such bank is no longer in existence, such other bank as shall be determined in good faith by the Board of Directors.

"Bankruptcy Proceeding" means, with respect to any specified Person, any case, proceeding or other action under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to such Person, or seeking to adjudicate such Person a bankrupt or insolvent or seeking appointment of a receiver, trustee, custodian or similar official for such Person or for all or any substantial part of such Person's assets.

"Board of Directors" or "Board" has the meaning ascribed to that term in Clause 3.1.

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

"Breaching Venturer" has the meaning ascribed to that term in Clause 8.2.

"Break Even Date" means the date agreed between the parties (or failing such agreement as determined by the Accountants who in making such determination shall be deemed to be acting as experts and not as arbitrators) being the last day of a Fiscal Quarter when:

(i) for that and the preceding Fiscal Quarter, the Venture has achieved positive net cash flow on a monthly basis; and

(ii) the Venture can operate as a viable going concern without funding support from the Venturers.

"Budget Certificate" has the meaning ascribed to that term in Clause 5.1(b).

"Business" means (i) the ownership and operation of the Service in the Territory, (ii) the Hard Encryption of the Service and the distribution thereof by satellite feed to viewers via satellite, cable and such other means or media as to the Venturers seems fit (subject to applicable regulatory requirements), (iii) such other functions as shall be approved by the Board of Directors and (iv) all functions incidental thereto including the ownership, lease and operation of real and personal property acquired in connection with the foregoing and the entering into and execution of agreements in connection with the foregoing.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in London, England or Philadelphia, Pennsylvania are authorised by law to close.

"CEO/MD" has the meaning ascribed to that term in Clause 3.7.

"CFO" has the meaning ascribed to that term in Clause 3.7.

"Channel" has the same meaning as "Service".

"Claimant Company" has the meaning ascribed to that term in Clause 6.5 (b)(i).

"Classes" has the meaning ascribed to that term in Clause 3.2.

"Closing" has the meaning ascribed to that term in Clause 2.1.

"Commitment Increase" has the meaning ascribed to that term in Clause 3.6(c).

"Confidential Information" means (i) the existence, and terms of, this Agreement, (ii) all business and technical information relating to the Business that is proprietary to the Venture or otherwise not available to the general public and (iii) all trade secrets, technologies and know-how of either Venturer in the areas of its expertise including,

without limitation, QVC's know-how in home shopping and direct marketing and BSkyB's know-how in programming for and distribution to United Kingdom audiences, encryption and BSkyB's subscriber base (including but not limited to subscriber names and addresses) provided however that such Confidential Information shall not include, with respect to any Venturer desiring to disclose any information, any information that (A) has become generally available to the public other than as a result of a disclosure by such Venturer, its Affiliates or its Agents in breach of Clause 9.12, (B) has been independently developed by such Venturer or an Affiliate of such Venturer without violating any obligations owed to the Venture or (C) was or becomes available to such Venturer or an Affiliate of such Venturer on a non-confidential basis from a third party having no obligation of confidentiality to a Venturer or the Venture and which has not itself received such information directly or indirectly in breach of any such obligation of confidentiality.

"Consortium Provisions" has the meaning ascribed to that term in Clause 6.5(b).

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The term "Controlled" has a correlative meaning.

"Defaulted Fundlng Loan" has the meaning ascribed to that term in Clause 8.1(a).

"Deficit" has the meaning ascribed to that term in Clause 5.1(b).

"Direct Employees Costs" has the meaning ascribed to that term in Clause 9.4(a).

"Directors" has the meaning ascribed to that term in Clause 3.2.

"Disposition" means any sale, assignment, alienation, gift, exchange, conveyance, transfer, pledge, hypothecation, granting of a security interest (including a floating charge) or other disposition or attempted disposition whatsoever, whether voluntary or involuntary. The term "Dispose" means to make a Disposition.

"Dollar" or "$" means lawful currency of the United States of America.

"DTH" means the delivery of audio and video signals via high-powered Hard Encrypted satellite transmission to owners or lessees of television receive-only home satellite earth stations for private non-commercial dwelling unit reception.

"DTH Distribution Agreement" means the DTH Distribution Agreement between the Venture and BSkyB, substantially in the form of Exhibit F hereto, as it may from time to time be amended or modified in accordance with the terms hereof or thereof.

"EC" means the European Economic Community.

"Event of Default" has the meaning ascribed to that term in Clause 8.1.

"Fair Market Value" means, as to any equity interest in the Venture or other property, the price at which a willing seller would sell and a willing buyer would buy such property having full knowledge of the facts, in an arm's-length transaction without time constraints, and without being under any compulsion to buy or sell.

"Financial Statements" has the meaning ascribed to that term in Clause 3.6(b).

"Financial Year" means the annual reference period for accounting for and maintaining records of the transactions of the Venture.

"First Lease" has the meaning ascribed to that term in Clause 9.8(a).

"First Venturer" has the meaning ascribed to that term in Clause 9.1(b).

"Fiscal Quarter" or "Quarter" means each 3 month period ending on the last day of each of September, December, March and June during the Term and the period of 3 months or less which terminates on the last day of the Term.

"Funding Date" means any date on which Funding Loans are required to be made by QVC pursuant to this Agreement and without limiting the generality of the foregoing includes any date on which Funding Loans are due for repayment and profits are not available to make such repayment.

"Funding Event of Default" has the meaning ascribed to that term in Clause 8.1(a).

"Funding Loan" means a funding loan made or to be made by QVC or any of its Affiliates to the Venture pursuant to Clauses 2.2 and 5.1.

"Funding Loan Note" means a promissory note issued by the Venture to QVC (or any QVC Affiliate having made a Funding Loan) in respect of a Funding Loan the form attached hereto as Exhibit E or in such other form as QVC and the Venture may agree from time to time.

"Funding Notice" has the meaning ascribed to that term in Clause 5.3(a).

"GAAP" means such generally accepted accounting principles as are applied in, and would be generally acceptable in the United Kingdom as of the date of the financial statement or other document with respect to which the term is used.

"Governmental Authority" means any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state thereof, or any government or governmental, supernational or state agency or regulatory body of the United Kingdom, Ireland or the EC.

"Guarantee Payment" means any payment made by QVC pursuant to the terms of the Transponder Sub-Lease Guarantee or the Sub-Lease Guarantee.

"Hard Encryption" means encryption using the videocrypt technology that is descrambled by subscribers in the Territory by means of a single "smart card" viewing card and "Hard Encrypted" has a correspondinq meaning.

"Indebtedness" for Borrowed Money" means:

(i) obligations for borrowed money (whether secured or unsecured);

(ii) obligations representing the deferred purchase price of property or services other than accounts payable arising in the ordinary course of business;

(iii) obligations in respect of operating or capital leases entered into other than in the ordinary course of business, whether or not such obligations would be required to be shown as a liability on a balance sheet under GAAP; and

(iv) any guarantee or other obligations having the economic effect of a guarantee in respect of any obligations referred to in sub-paragraphs (i), (ii) or (iii) above.

"Initial Term" has the meaning ascribed to that term in Clause 2.5.

"Landlord" has the meaning set out in Clause 9.8(a).

"Liens" means any pledges, security interests, charges, restrictions on or conditions to transfer, voting or exercise or enjoyment of any right or beneficial interest, options, rights of first refusal and other liens, claims, encumbrances, restrictions and equities of any nature whatsoever.

"Material Adverse Effect" means any effect which is or is reasonably likely to be materially adverse to the business of the Venture or the relevant Venturer and its subsidiaries, taken as a whole (including the continued conduct of the operation thereof in substantially the manner currently conducted), or to the assets or liabilities of the business or financial condition or results of operations of the Venture or the relevant Venturer and its subsidiaries, taken as a whole, or to the transactions (including performance thereof) contemplated by this Agreement and the Ancillary Agreements.

"1994 Annual Budget" has the meaning ascribed to that term in Clause 3.6(a).

"New Business" has the meaning ascribed to that term in Clause 9.1(b).

"Non-Breaching Venturer" has the meaning ascribed to that term in Clause 8.2.

"Non-Funding Venturer" has the meaning ascribed to that term in Clause 8.1.

"Offer Notice" has the meaning ascribed to that term in Clause 9.1(c).

"Offered Terms" has the meaning ascribed to that term in

Clause 9.1(c).

"Operating Plan" has the meaning ascribed to that term in Clause 2.4.

"Operational Start Date" has the meaning ascribed to that term in Clause 9.7(a).

"Parent" means:

(i) QVC, in the case of QVC Sub; or

(ii) BSkyB, in the case of BSkyB Sub.

"Percentage Share" means, with respect to any Venturer at any date, the number of Shares registered in the name of such Venturer divided by the total number of Shares then in issue, expressed as a percentage that is rounded to the nearest 1/1000 (being 50% as at the date of this Agreement).

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, estate, unincorporated organization, governmental or regulatory body or other entity.

"Pound" or ("British Pound") means lawful currency of the United Kingdom.

"Premises" has the meaning ascribed to that term in Clause 9.8(a).

"Prior Years' Contracts" has the meaning ascribed to that term in Clause 3.6(c).

"Proposed Annual Budget" has the meaning ascribed to that term in Clause 3.6(b).

"QVC's Annual Funding Obligation" has the meaning ascribed to that term in Clause 5.1 (b)

"QVC Payment Balance" means, at any time, the aggregate of all Funding Loans and Guarantee Payments (not repaid at that time, unless repaid from the issue of further Funding Loan Notes) made by QVC or any QVC Affiliate to (in the case of Funding Loans) or on behalf of (in the case of Guarantee Payments) the Venture.

"Reserve Fund" has the meaning ascribed to that term in Clause 8.2.

"Restricted Program Service" has the meaning ascribed to that term in Clause 9.1 (a).

"Restrictive Covenants" has the meaning ascribed to that term in Clause 9.10.

"Second Lease" has the meaning ascribed to that term in Clause 9.8(a).

"Second Venturer" has the meaning ascribed to that term in Clause 9.1(b).

"Section 247 Election" has the meaning ascribed to that term in Clause 6.5(c).

"Service" has the meaning ascribed to that term in Recital A.

* shall have the meaning referred to in Recital C.

"Shares" has the meaning ascribed to that term in Clause 2.1(a)(i).

"SMS" means the subscriber management system operated by BSkyB's Subsidiary, Sky Subscriber Services Limited, and which carries out functions including subscriber phone contact, enablement and disenablement, complaints handling and billing;

"Sub-Leases" has the meaning ascribed to that term in Clause 9.8(a).

"Sub-Lease Guarantee" has the meaning ascribed to that term in Clause 2.2.

"Subscribers" means all Persons to whom the Service is distributed by any television distribution system.

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

"Subsidiary" has the meaning attributed to it by Section 736 of the Companies Act 1985 but, for the avoidance of doubt, as if all references therein to companies included any body corporate, wherever incorporated.

"Successor" means, with respect to any former Parent, the

current Parent which is the direct or indirect transferee of such former Parent's equity interest in a Venturer.

"Tax Loss" has the meaning ascribed to that term in Clause 6.5 (b)(i).

"Term" has the meaning ascribed thereto in Clause 2.5.

"Termination Events" has the meaning ascribed to that term

in Clause 10.1.

"Territory" has the meaning ascribed to that term in Recital A.

"Transponder Footprint" means the reception footprint of the Astra Transponder (being the area in which domestic reception of signals from the Astra Transponder are received of a quality regarded as normal broadcast reception quality and as further indicated in the Transponder Lease).

"Transponder Lease" means the lease of usage of an Astra Transponder from SES, directly or indirectly, in the form or substantially in the form referred to in Clause 9.7.

"Transponder Sub-Lease" has the meaning ascribed to that term in Clause 9.7.

"Transponder Sub-Lease Guarantee" has the meaning ascribed to that term in Clause 2.2(vi).

"Venture Interest" means and includes a Venturer's entire equity and debt (or other) interest in the Venture, including:

(i) its Shares and Percentage Shares;

(ii) all its interest in and rights under this Agreement; and

(iii) all rights or claims of any kind in respect of any of the foregoing;

but shall exclude in the case of QVC the QVC Payment Balance and Funding Loan Notes.

"Winding Up" has the meaning ascribed thereto in Clause 10.3.

1.2 Interpretation

In this Agreement (and in any document that states in substance that it is governed by the rules of interpretation contained herein, except as expressly provided therein):

(i) a reference to a Person includes, unless the context otherwise requires, its permitted Assignees;

(ii) a reference in such document to a law includes any amendment, modification or replacement to such law;

(iii) accounting terms used in such document have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis by the accounting

entity to which they refer;

(iv) references to any document, instrument or agreement:

(A) shall be deemed to include all appendices, exhibits, schedules and other attachments thereto and all documents, instruments or agreements issued or executed in replacement thereof; and

(B) means such document, instrument or agreement, or replacement thereto, as amended, modified and supplemented from time to time in accordance with its terms and as the same is in effect at any given time;

(v) unless otherwise specified, the words "hereof", "herein" and "hereunder" and words of similar import when used in such document shall refer to such document as a whole and not to any particular provision of such document;

(vi) the words "include" and "including" and words of similar import when used in such document are not limiting and shall be construed to be followed by the words "without limitation", whether or not they are in fact followed by such words;

(vii) the word "during" when used in such document with respect to a period of time shall be construed to mean commencing at the beginning of such period and continuing until the end of such period;

(viii) all time explicitly or implicitly referenced in such document shall be deemed to be Greenwich Mean Time;

(ix) all amounts required to be paid by any party pursuant to such document to any other party thereunder shall, unless otherwise specified in such document, be paid in such freely transferable coin or currency of the United Kingdom or the

United States of America, as the case may be, as at the time of payment shall be legal tender for the payment of public and private debts, or shall be paid by banker's draft or certified check, as the case may be, by wire transfer to an account located in the United Kingdom or the United States, as the case may be, as such party may specify by notice to the other party(s):

(x) if any payment under such document is required to be made on a day other than a Business Day, the date of payment shall be extended to the next Business Day;

(xi) except as otherwise specifically provided in such document, each party thereto shall, at its own cost and expense, obey and comply with all applicable laws, as they may pertain to each party's performance of its obligations under such document; and

(xii) the parties to such document shall execute and deliver all further documents and perform all further acts that may be reasonably necessary to consummate the transactions contemplated by such document.

2. THE VENTURE

2.1 Formation

(a) Prior to the closing of the transactions contemplated hereby (the "Closing"):

(i) BSkyB and QVC shall cause the Venture:

(A) to be incorporated as an unlimited company under the Companies Act 1985; and

(B) to have an authorised share capital of (British Pounds) 100 divided into 100 shares of one pound each ("Shares") consisting of a class of 50 A shares par value one pound per share ("A Shares") and a class of 50 B shares par value one pound per share ("B Shares"). The Memorandum of Association and the Articles of Association substantially in the forms in which they will be adopted by the Venture and filed with the Registrar of Companies immediately after the Closing are attached hereto as Exhibits B-1 and B-2; and

(ii) (A) QVC shall procure that QVC Sub shall subscribe and

pay for 1 A Share for a consideration of British Pound 1; and

(B) BSkyB shall procure that BSkyB Sub shall subscribe and pay for 1 B Share for a consideration of British Pound 1.

(b) For the purposes of this Agreement all acts done by QVC Sub (or Funding Loans made by an Affiliate of QVC) shall be as effective as if done by QVC and references to requiring such acts to be done by QVC shall be construed accordingly, PROVIDED THAT if not done, QVC shall be liable for such breach. For the purposes of this Agreement all acts done by BSkyB Sub shall be as effective as if done by BSkyB and references to requiring such acts to be done by BSkyB shall be construed accordingly, PROVIDED THAT if not done, BSkyB shall be liable for such breach. For the avoidance of doubt (and without derogating from Clause 12.3) the provisions of this Clause 2.1(b) shall be for the benefit of QVC, QVC Sub, BSkyB and BSkyB Sub and no other person shall be entitled to rely thereon.

(c) Prior to the Closing, (x) the persons designated as A Directors by QVC and the persons designated as B Directors by BSkyB pursuant to Clause 3.2 shall be duly appointed as Directors of the Venture, subject to their signing a consent to act as such, and the Venturers shall procure that any other persons then holding office as a Director of the Venture shall resign and (y) a meeting of the Board of Directors shall be held at which:

(i) the applications for Shares referred to in Clause 2.1 (a)(ii) shall be approved, the allotment and issue of the Shares applied for shall be approved, share certificates shall accordingly be issued to QVC Sub and BSkyB Sub as appropriate and their names shall be entered in the Register of Members of the Venture as the respective owners of the Shares so allotted to them;

(ii) the Board of Directors shall approve the entering into of, and the performance of the transactions contemplated by, this Agreement and each of the Ancillary Agreements;

(iii) Neal Grabell and Richard Brooke shall be appointed joint Company Secretaries of the Venture;

(iv) Arthur Andersen & Co. shall be appointed as Accountants to the Venture:

(v) Midland Bank PLC shall be appointed as bankers to the Venture, for the purposes of Clause 3.10;

(vi) the accounting reference date of the Venture shall be altered to June 30 so that the first accounting reference period of the Venture shall end on June 30. 1994: and

(vii) the address of the Premises shall be confirmed as the registered office of the Venture.

2.2 The Closing

The following actions shall take place at or prior to Closing:

(i) QVC shall make a Funding Loan in accordance with Clause 5.1 representing in the aggregate any amounts due (giving effect to any and all Funding Loans made prior to such Closing) on the date thereof as set forth in the Budget Certificate with respect to the 1994 Annual Budget;

(ii) the Venture and BSkyB shall execute and deliver the DTH

Distribution Agreement PROVIDED THAT the parties agree that if for any reason the Videocrypt encryption technology shall not be available to the Venture or shall fail to function properly, then until such time as BSkyB shall nominate and provide an alternate encryption technology acceptable to QVC (which acceptance shall not be unreasonably withheld) the Venture shall be entitled to broadcast the Channel unencrypted or "in the clear" until such encryption becomes available;

(iii) the Venture shall execute the Sub-Leases PROVIDED THAT if the landlord's consent has not been obtained by the date of this Agreement or if the Sub-Leases are not ready for execution the Venture shall occupy the Premises as licensee of BSkyB in accordance with Clause 9.8;

(iv) QVC shall execute the Sub-Lease Guarantee (as contained in the Sub-Leases);

(v) the Venture shall execute the Transponder Sub-Lease; and

(vi) QVC shall execute the Transponder Sub-Lease Guarantee (as contained in the Transponder Sub-Lease).

2.3 Principal Office

The principal office of the Venture shall be located at the Premises, or such other place as the Board of Directors shall designate from time to time. The books and records of the Venture shall be kept and maintained at the principal office of the Venture.

2.4 Purpose

The Venture will be for the purpose of carrying on and expanding the Business. The Venture has all powers necessary, desirable or convenient, or which the Board of

Directors deems necessary, desirable or convenient, and may engage in any and all activities necessary, desirable or convenient, or which the Board of Directors deems necessary, desirable or convenient, to accomplish the purposes of the Venture or consistent with the furtherance thereof. The initial operating plan for the Venture that has been approved by the Venturers (the "Operating Plan") is attached hereto as Exhibit C.

2.5 Term

Subject to Clause 2.6 and to Clause 10, the Venture shall continue in existence for an initial term commencing on 1

July 1993 and ending on 30 June 2003 (the "Initial Term") PROVIDED HOWEVER that the Venture shall continue in existence for additional five year terms (the "Additional Term(s)") after the expiration of the Initial Term or any subsequent Additional Term unless, not less than one hundred and eighty (180) days prior to the expiration of such term, the Board of Directors elects to terminate the Venture. (As used herein, "Term" means the Initial Term and, if applicable, any Additional Term(s) referred to collectively.)

2.6 Early Termination

(a) Either Venturer may elect to terminate this Agreement if by 1st April, 1994 the "Operational Start Date" shall not have occurred under the Transponder Sub-lease by delivering a written notice to such effect to the other Venturer within thirty (30) days after such date and the Venture shall terminate on delivery of such notice.

(b) If the EC Commission or the Office of Fair Trading or

other competent body shall require any modification or change in the terms of this Agreement or any of the Ancillary Agreements or the manner in which the Business is conducted that, in the reasonable judgment of a Venturer (taking into account possible means to overcome such modification or change), has a Material Adverse Effect on the benefits to be derived from the Venture by such Venturer and its Affiliates, such Venturer may elect to terminate this Agreement by delivering a written notice to such effect to the other Venturer within ninety (90) days after becoming aware of such requirement.

3. MANAGEMENT AND OPERATIONS OF THE VENTURE

3.1 Board of Directors

Except as otherwise provided herein, the Venture shall be managed by its Board of Directors (the "Board of Directors") pursuant to the provisions of this Agreement and, except as aforesaid, the Board of Directors has and shall exercise full power and discretion and exclusive and final authority with respect to the management of the affairs of the Venture for the accomplishment of its purposes.

3.2 Designation

The Board of Directors initially shall have six members ("Directors") consisting of two classes ("Classes") of three Directors each ("A Directors" and "B Directors"). Prior to the Closing, QVC Sub shall designate by written notice to

BSkyB Sub three persons (one of whom shall be Barry Diller so long as he is employed in any capacity by QVC or any of its Affiliates) to serve as the initial A Directors of the Venture and BSkyB shall designate by written notice to QVC three persons (one of whom shall be Sam Chisholm so long as his services are made available to BSkyB or any of its Affiliates) to serve as the initial B Directors of the Venture. Except as required above with respect to Messrs. Diller and Chisholm, thereafter:

(i) QVC Sub shall have the right from time to time to remove or replace any such A Director and to fill any vacancies arising from the death or resignation of any such A Director, in each case by written notice to the other Venturer and to the Venture setting forth such action and designating any such new A Directors; and

(ii) BSkyB Sub shall have the right from time to time to remove or replace any B Director and to fill any vacancies arising from the death or resignation of any B Director, in each case by written notice to the other Venturer and to the Venture setting forth such action and designating any such new B Directors.

3.3 Decision-Making

The presence at any meeting of the Board of Directors of at least one Director from each Class shall constitute a quorum for the transaction of business. Each Class of Directors shall be entitled collectively to one vote on all matters and the transaction of any business at any meeting shall require the affirmative vote of each Class of Directors. The vote of each Class shall be determined by agreement among the Directors of such Class present at the meeting or, failing such agreement, by the majority vote of such Directors. If the Directors of a Class present at a meeting cannot determine the vote of their Class on a matter before the meeting by agreement or majority vote (and the Directors of the other Class are entitled to vote), their Class shall be deemed to have cast such vote on such matter so as to create a unanimous vote of both Classes.

3.4 Meetings of the Board of Directors

(a) The Board of Directors shall hold regular meetings to review, among other things:

(i) the Annual Budget and balance sheet of the Venture;

(ii) the expenditure and revenue levels of the Venture; and

(iii) the allocations made and services provided by the Affiliates of each Parent to the Venture;

such meetings shall take place no less frequently than quarterly, at such times as shall be designated by any Director (and reasonably satisfactory to the other Directors) no later than ten (10) days in advance of any such meeting PROVIDED HOWEVER that regular meetings may be held more frequently during the start-up period of the Venture, as determined bY the Board of Directors.

(b) Meetings other than regular meetings may be called by any Director and may be held at any time, upon:

(i) five Business Days' prior written notice with respect to meetings at which Directors are expected to attend at a single location, subject to a Director not electing to participate in person in accordance with Clause 3.4(d); and

(ii) two Business Days' prior written notice with respect to conference telephone or similar communications meetings;

in each case given by or to any A Director by or to any B Director.

(c) Except to the extent otherwise agreed from time to time by the Board of Directors, all meetings shall be held at the Premises. Any A Director may waive, on behalf of the other A Directors, and any B Director may waive, on behalf of the other B Directors, notice of a meeting, in writing, before, at or after the meeting. The attendance of any A Director at a meeting of the Board of Directors shall constitute a waiver of notice of such meeting by the other A Directors and the attendance of any B Director at any meeting of the Board of Directors shall constitute a waiver of notice of such meeting by the other B Directors, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly called or convened.

(d) Directors may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other, and participation by such means shall constitute attendance in person at such meeting.

(e) Any action to be taken by the Board of Directors may be taken without a meeting of the Board of Directors by written consent of a majority of the Directors of each Class.

(f) All actions by the Board of Directors shall be reflected in minutes of the meeting or conference telephone call or similar communications, which minutes will be furnished to each Venturer within ten Business Days after the date of

such meeting. Subject to the provisions of this Agreement, the Board of Directors may regulate its proceedings as the Board of Directors determines.

(g) Each of the A Directors and each of the B Directors may communicate to the Venturer appointing him (and the Parent of such Venturer) any information acquired by him in relation to the Venture, subject always to the Venturers'

duty of confidentiality contained in Clause 9.12.

3.5 Actions Requiring Board Approval

The following actions shall not be authorized or taken by the Venture without approval of the Board of Directors:

(i) approval of the Annual Budget as set forth in Clause 3.6;

(ii) any change in the Business of the Venture;

(iii) the incurrence by the Venture or any of its subsidiaries of any Indebtedness for Borrowed Money (other than Indebtedness for Borrowed Money (x) relating to any contract, agreement, commitment or arrangement that has been approved by the Board of Directors or (y) consistent with or contemplated by, or approved in connection with the approval of, the Annual Budget, or the entering into of any contract, agreement, commitment or arrangement to effect the foregoing);

(iv) the grant by the Venture of any security or additional security for (x) any Indebtedness for Borrowed Money of the Venture or (y) the performance of any other material obligation of the Venture, other than liens granted to trade creditors in the ordinary course of business;

(v) the making by the Venture of any guarantee of any obligation of any Person;

(vi) all Funding Loan requests in addition to those required pursuant to Clause 5.1;

(vii) any repayment of Funding Loans other than repayments required pursuant to Clause 5.2;

(viii) the issue of any Shares or any obligation convertible into Shares or the grant of any option or right to acquire any of the foregoing;

(ix) any amendment or modification of the Memorandum of Association or the Articles of Association;

(x) the entering into of any contract, agreement, commitment or arrangement in respect of any transaction between the Venture and any Venturer or any Affiliate of any Venturer (other than to the Ancillary Agreements) relating to:

(a) matters covered by Clause 4; and

(b) any matters the terms of which have been expressly approved under the provisions of Clause 9;

(xi) the making by the Venture of any loans, or advances in the nature of loans in excess of British Pounds 5,000, to any other entity (other than advance payments or prepayments of amounts payable under contracts consistent with or contemplated by, or approved in connection with the approval of, the Annual Budget) other than in the ordinary course of business;

(xii) the authorization of the payment of any dividend or other distribution with respect to, or the repurchase of, any Shares;

(xiii) the making of (or commitment to make) any discretionary expenditures by the Venture in any Financial Year that are not consistent with or contemplated by, or approved in connection with the approval of, the Annual Budget and which are in excess of British Pounds 100,000 in the aggregate for all such unbudgeted discretionary expenditures in such Financial Year;

(xiv) the making of (or binding commitment to make) any capital expenditure (in a single transaction or a series of related transactions) in excess of British Pounds 10,000 whether or not approved in connection with the approval of the Annual Budget;

(xv) the Disposition by the Venture of assets which have an aggregate Fair Market Value in excess of British Pounds 10,000 or a book value in excess of British Pounds 10,000, in each case for any one Disposition or related series of Dispositions in any Financial Year, except, in either case for (and excluding from any determination as to whether such British Pounds 10,000 limit has been or would be exceeded) (x) Dispositions consistent with or contemplated by, or approved in connection with the approval of, the Annual Budget and (y) Dispositions in the ordinary course of business;

(xvi) the acquisition by the Venture, by purchase or otherwise, of any business (including the purchase of any interest in or equity securities of any business or

the purchase of the assets of any business as an entirety or

substantially an entirety), or the entering into of any agreement, commitment or arrangement to make any such acquisition;

(xvii) the appointment or removal of the Accountants, or auditors or principal outside counsel for the Venture;

(xviii) the commencement or abandonment by the Venture of any litigation or arbitration involving matters outside the ordinary course of business or the settlement of any litigation or arbitration as to the Venture which (x) involves a dispute in excess of British Pounds 25,000 or (y) has been brought or commenced by or against any Governmental Authority PROVIDED HOWEVER that the CEO/MD has the right to commence or abandon any litigation or arbitration prior to the receipt of Board approval in the event that time is of the essence in such litigation or arbitration subject to the commencement or abandonment of such litigation being submitted to the Board of Directors for ratification as promptly as possible thereafter;

(xix) the voluntary commencement of any liquidation, dissolution or winding-up of the affairs of the Venture;

(xx) the commencement of any legal proceedings or the taking of any action or other preparatory steps for the winding up or dissolution of the Venture, or for the appointment of a liquidator, trustee, receiver, administrative receiver or similar officer in relation to the Venture or over the whole or any part of the undertaking, assets, rights or revenues of the Venture;

(xxi) the execution by the Venture of any contract (other than any employment contract, bonus plan or contract relating to employee benefit plans or programs) involving aggregate expenditures in a Financial Year by the Venture of more than British Pounds 50,000 other than contracts consistent with or contemplated by or approved in connection with the approval of the Annual Budget;

(xxii) the entering into of contracts, agreements, commitments or arrangements of the Venture (other than relating to matters covered by Clause 3.5(xiv)) for a term (including possible extensions or renewals of the term thereof at the option of the other party thereto) greater than one year, other than contracts, agreements, commitments or arrangements involving expenditures of not more than British Pounds 100,000 in any one year;

(xxiii) the entering into of any employment contract which

has a term in excess of one year or which provides for compensation to any employee of the Venture (including bonuses) in excess of British Pounds 50,000 per annum;

(xxiv) the adoption by the Venture of (i) bonus or employee benefit plans or programs, (ii) any material amendment to or change in any such plans or programs or (iii) awards of bonuses or other incentive compensation under such plans;

(xxv) the entering into of any collective bargaining agreement regarding or otherwise affecting employees of the Venture or the commencement of negotiations with any collective bargaining unit;

(xxvi) the election or modification of (i) the Financial Year of the Venture or (ii) any material tax or accounting practices or policies;

(xxvii) any other significant action relating to the Venture's financial statements, accounting practices or policies, tax returns or elections for tax purposes;

(xxviii) the admission of a new Venturer to the Venture, including the identity of the new Venturer and the terms of any sale of a Venture Interest to the new Venturers;

(xxix) the adoption by the Venture of any trademark, service mark or trade name or the filing by the Venture of an application to register any trade mark, service mark or trade name; and

(xxx) any material amendment or modifications of any contract, agreement, commitment or arrangement required to be approved by the Board of Directors pursuant to this Clause 3.5.

3.6 Annual Budget Approval

(a) The Annual Budget for the first Financial Year of the Venture ending on June 30 1994 attached hereto as Exhibit D as in the Exhibit List (the "1994 Annual Budget") is incorporated herein for reference and is hereby ratified by the Venture as the initial Annual Budget of the Venture.

(b) The CFO shall submit to the Board of Directors at least sixty (60) days prior to the start of each Financial Year beginning with the Financial Year ended June 30, 1995:

(i) a proposed budget and projected cash flow statement for the Venture for such ensuing Financial Year (collectively, the "Proposed Annual Budget"), in substantially the same form and containing substantially all of the information contained in the 1994 Annual Budget; and

(ii) a draft Budget Certificate relating to the Proposed Annual Budget. The Proposed Annual Budget shall be prepared on a basis consistent with the Venture's Financial Statements and GAAP, except as noted therein. The Proposed Annual Budget shall be subject to the approval of the Board of Directors.

(c) If by the first day of any Financial Year beginning with the Financial Year ended June 30, 1995 an Annual Budget for such year shall not have been adopted by the Board of Directors, then:

(i) the Annual Budget in effect for the preceding Financial Year of the Venture, as adjusted by the CFO to reflect:

(I) increases of all revenue, disbursement and expense items by the greater of (x) the increase in the RPI during the prior year and (y) 10%; and

(II) in addition to clause (I), any increases ("Commitment Increases") required to satisfy commitments under contracts or agreements that were entered into in a prior year ("Prior Year's Contracts") PROVIDED HOWEVER that, if such adjusted Annual Budget includes a Commitment Increase, any payment in the preceding year's Annual Budget required under the related Prior Year's Contract shall not be increased and included in such adjusted Annual Budget as contemplated by sub-clause (I) above;

shall become the Annual Budget (and shall be deemed to be the approved Annual Budget) for the then-current Financial Year; and

(ii) the Budget certificate for such Annual Budget shall be revised accordingly as provided in Clause 5.1.

The Board of Directors may ratify any Annual Budget deemed

to be in effect pursuant to this Clause 3.6(c). Any action taken, or authorized to be taken, by the Board of Directors which is inconsistent with the Annual Budget shall be deemed to amend the Annual Budget.

(d) Each Annual Budget shall be capable of amendment or modification by the Board of Directors.

(e) The Venturers shall procure that the CFO shall provide to QVC's accountants such additional information as is reasonably required for them to modify the proposed Annual

Budget to United States GAAP for QVC's United States reporting purposes. For the avoidance of doubt, the official annual budget shall be the version compiled according to GAAP.

3.7 Officer and Senior Executives

The Venture shall have a Chief Executive Officer/Managing Director (the "CEO/MD"), a Chief Financial Officer (the "CFO"), and such other officers and senior executives as the Board of Directors shall determine. The officers shall have such powers as may be delegated to them from time to time by the Board of Directors.

(a) The CEO/MD shall be mutually selected by the Venturers, and the Venturers shall cause the appointment of such CEO/MD by the Board of Directors. The terms of employment of the CEO/MD shall be approved by the Board of Directors. The CEO/MD shall report to and shall be subject to direction and removal by the Board of Directors. Except as otherwise provided in this Clause, the CEO/MD has the right to terminate the employment of the other executives of the Venture.

(b) The CFO shall be mutually selected by the Venturers, and the Venturers shall cause the appointment of such CFO by the Board of Directors. The terms of employment of the CFO shall be determined by the Board of Directors. The CFO shall report to and be subject to the direction of the CEO/MD. The CFO shall be appointed by and subject to removal by the Board of Directors.

3.8 Other Employees and Services

The Venture shall operate as an independent entity and shall hire its own employees. Employees of the Venture shall have such compensation and benefits as shall be approved by the Board of Directors.

3.9 Insurance

The Venture shall maintain insurance in such amounts (within the limits of the Annual Budget), with such deductibles and against such risks as may be customary for like businesses and properties and as the Board of Directors deems appropriate for the Business. The Venturers shall be named as additional insureds on all liability insurance policies of the Venture.

3.10 Venture Funds

The funds of the Venture shall be deposited in such bank accounts of the Venture or invested in such investments of the Venture as shall be designated by the Board. Withdrawals

from any such bank account shall be made only in the regular course of business of the Venture upon the signature of such person or persons as the Board shall

determine. Venture funds shall not be commingled with those of any other Person. If either Venturer or any of such Venturer's Affiliates receives any funds to which the Venture is entitled under any Ancillary Agreement or otherwise such funds shall promptly (and, in any event, within five Business Days upon knowledge of receipt thereof) be remitted to the Venture and deposited in a Venture bank account.

3.11 Shareholder and Parent Covenants

Each Venturer and Parent shall exercise all its powers to ensure that:

(i) the Venture shall:

(a) comply with the provisions of and conditions attaching to the non-domestic satellite licence granted to the Venture;

(b) comply with the terms of each Ancillary Agreement; and

(c) not take any action which might lead to the withdrawal or revocation of the non-domestic satellite licence; and

(ii) no action is taken by it or its Affiliates which might result in the revocation or withdrawal of the non-domestic satellite licence granted to the Venture.

4. TRANSACTIONS BETWEEN THE VENTURERS AND THE VENTURE

4.1 Renewal ot Contracts Between a Venturer and the Venture

If any contract, agreement, commitment or arrangement

between the Venture and any Venturer or any Affiliate of such Venturer expires or terminates, the Venturer that is not a party thereto (or whose Affiliate is not a party thereto) shall, in its sole discretion, after good faith consultation with the other Venturer, determine whether the Venture shall renew such contract, agreement, commitment or arrangement, and the terms of such renewal.

4.2 Termination of Contracts Between a Venturer and the Venture

If any contract, agreement, commitment or arrangement in respect of any transaction between the Venture and either

Venturer or any Affiliate of such Venturer is terminable at any time by the Venture, the Venturer that is not a party thereto (or whose Affiliate is not a party thereto) may determine, in its sole discretion, after good faith consultation with the other Venturer, to cause the Venture to exercise such right of termination in accordance with and subject to the terms thereof.

4.3 Consideration of Transactions with the Venture

If a Venturer or any of its Affiliates offers to provide services, goods or facilities to the Venture on a basis comparable to the basis on which such services, goods or facilities are proposed to be provided by an independent third party, the Venture shall give favourable consideration to purchasing such services, goods or facilities from such Venturer or Affiliate, as the case may be.

4.4 Payment of Fees and Expenses

Except as expressly provided in this Agreement or any Ancillary Agreement or as expressly approved by the Board of Directors, no Venturer shall be reimbursed for any of its overhead or general or administrative expenses attributable to the Venture, nor shall salaries, fees, commissions or other compensation be paid by the Venture to any Venturer or to any Affiliate of a Venturer for services rendered to the Venture.

4.5 Venture Obligations

If any obligation in this Agreement or the Ancillary Agreements is expressed to be an obligation of the Venture, it shall also be an obligation of each Venturer to the other to take all steps within its power to cause the Venture to perform such obligation. The obligations of each Venturer shall include the obligation to exercise the voting rights attaching to the Shares registered in its name from time to time to give effect to such obligation, and the obligation to procure that the Directors of the Venture appointed by such Venturer shall, so far as not inconsistent with their fiduciary duties to the Venture, cause the Venture to perform such obligation.

4.6 Venture Payments

All payments by the Venture to a Venturer shall be in Pounds except as otherwise expressly provided herein or in any Ancillary Agreement.

5. BORROWINGS BY, AND FUNDING OF, THE VENTURE

5.1 Funding to the Break Even Date

(a) Prior to the Break Even Date, QVC agrees to make or cause to be made all Funding Loans called for pursuant to this Agreement PROVIDED HOWEVER that QVC shall not be required to make any Funding Loan or any portion thereof (other than pursuant to Clause 5.1(g)) to the extent that, after giving effect thereto, the QVC Payment Balance would exceed the amount of the Agreed Cap (without derogating from QVC's liability to make Funding Loans up to the Agreed Cap). Funding Loans shall:

(i) *

(ii) be subordinated to all other creditors of the Venture but shall rank prior to any distribution to any Venturer in respect of such Venturer's Venture Interest;

(iii) rank for repayment on the winding up of the Venture in accordance with Clause 10.3; and

(iv) be evidenced by zero coupon Funding Loan Notes in the form set out in Exhibit E.

(b) Following the approval (or deemed approval) by the Board

of Directors of each Annual Budget after the 1994 Annual Budget, the CFO shall cause a copy thereof to be delivered to each Venturer, and shall, if the projected cash flow statement included in such Annual Budget reflects a negative cash flow for any period (a "Deficit"), prepare and distribute to each Venturer a certificate (the "Budget Certificate") setting forth, based on the Annual Budget for such Financial Year:

(i) the amount of the Deficit to be funded through Funding Loans;

(ii) the Funding Date or Funding Dates, which shall be monthly in advance, on which such Funding Loans will be required to be made; and

(iii) the aggregate amount of the Funding Loans required to be made on each such Funding Date(s). The Budget Certificate with respect to the 1994 Annual Budget is attached thereto as Exhibit D.

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

Subject to the terms of Clause 5.3, prior to the Break Even Date QVC shall make Funding Loans during the Financial Year

covered by the Annual Budget in an aggregate amount equal to the Deficit ("QVC's Annual Funding Obligation") on the basis set forth in this Clause 5.

(c) In the event that during any Financial Year the Board of Directors amends or is deemed to have amended the Annual Budget then in effect (including any change in QVC's Annual Funding Obligation), the CFO shall promptly issue a revised Budget Certificate for such Financial Year (or remainder thereof). Subject to the terms of Clause 5.3, QVC shall prior to the Break Even Date make all Funding Loans as and when called for by any Budget Certificate as in effect from time to time.

(d) Subject to the terms of Clause 5.3, the CFO may increase or decrease the aggregate amount of the Funding Loans required to be made on any Funding Date, up to a maximum adjustment of 10% for each such Funding Loan, by giving written notice thereof (together with a revised Budget Certificate for the remainder of the Financial Year) no later than five Business Days prior to such Funding Date PROVIDED HOWEVER that no such adjustment by the CFO shall

affect QVC's Annual Funding Obligation.

(e) Should the conduct of the Business of the Venture at any time prior to the Break Even Date result in the incurrence of losses or a Deficit greater than allowed in the Budget for the Financial Year in which the loss is incurred or as at the last preceding Funding Date ("Extraordinary Shortfall") and should the Venture be unable to obtain from its bankers funding for such amount without requiring the furnishing of guarantees, letters of comfort or other guarantees from its shareholders, then subject to the terms of Clause 5.3 QVC shall make a further Funding Loan to the Venture equal to the amount of the Extraordinary Shortfall. In case there is any dispute as to the amount of such Extraordinary Shortfall, a statement by the Accountants shall be conclusive as to such amount and the parties shall co-operate in aiding the Accountants to issue such statement within two (2) Business Days of any Venturer deciding that there has been an Extraordinary Shortfall (or in any event on request by the CEO/MD or the CFO) and the date on which the Accountants issue such certificate (or the parties otherwise decide the amount of an Extraordinary Shortfall) shall be deemed to be a Funding Date for the purposes of this Clause 5.1. In giving such certificate the Accountants shall act as experts and not arbitrators and their determination shall be final and binding on the parties hereto.

(f) Subject to the terms of Clause 5.3, on each date that a Funding Loan becomes due for repayment the Venture shall consider to what extent the Funding Loan is repayable out of profits in accordance with Clause 5.2 below or otherwise

under the terms of this Agreement and QVC shall, if required by the Venture, make further Funding Loans on the terms set out in Clause 5.1 to enable the Venture to fund the Deficit and repayment of the Funding Loans or Loans then due for repayment which shall be repaid.

(g) Subject to the terms of Clause 5.3, on each Funding Date QVC shall make a Funding Loan to the Venture in immediately available funds in an amount equal to the aggregate amount of the Funding Loans due on such Funding Date. In addition to any other remedies provided herein, any such Funding Loan not made on the Funding Date shall accrue interest at the rate of 3% over the Bank Base Rate for the period commencing on the date such payment was due until the day such payment is paid.

(h) All Funding Loans shall be made in Pounds by wire transfer or other direct funds transfer of immediately

available funds to the bank account of the Venture specified in the applicable notice from the Board of Directors.

(i) QVC shall not be permitted to set-off or appropriate and apply against its Funding Loans any credits, indebtedness or claims, in each case whether direct or indirect, absolute or contingent, matured or unmatured at any time owed by the Venture to QVC under any Ancillary Agreement or otherwise.

(j) In determining for the purpose of this Clause whether the QVC Payment Balance after giving effect to a proposed Funding Loan would exceed the Agreed Cap, the Agreed Cap shall be deemed to be increased by an amount equal to the discount element of any Funding Loan which has been repaid from the issue of further Funding Loan Notes in accordance with Clause 5.1(f).

5.2 Repayment of Funding Loans; Dividend Policies

(a) If in respect of any Fiscal Quarter the Venture has profits available for distribution (within the meaning of Part VIII of the Companies Act) and available cash, being cash balances after:

(i) the provision of working capital to finance the continuing operations and internal growth of the Business; and

(ii) transfers to cash reserves consistent with the normal commercial requirements of businesses similar to those

carried on by the Venture;

the Venturers (and, without requiring any financial commitment, their respective Parents) shall procure that an amount equivalent to the lower of the distributable profits and the available cash shall be applied in the following order of priority:

(A) repayment of Funding Loans as and when they fall due for repayment to QVC or its Affiliate making such Funding Loan; and

(B) the payment of cash dividends to the maximum level possible within 3 months after the end of such Fiscal

Quarter;

(b) in deciding whether in respect of any Fiscal Quarter the Venture had or has profits available for distribution the parties hereto shall procure that the Accountants shall certify whether such profits are available or not and the amount thereof (if any). In giving such certificate the Accountants shall act as experts and not arbitrators and their determination shall be final and binding on the parties hereto.

5.3 Funding After the Break Even Date

For the avoidance of doubt notwithstanding anything contained in this Agreement or any other agreement between any of the parties hereto, QVC's obligation to make Funding Loans (save only as required to repay outstanding Funding Loans) and Guarantee Payments shall only exist prior to the Break Even Date and shall at all times be subject to the QVC Payment Balance not exceeding the Agreed Cap after giving effect to any proposed Funding Loan or Guarantee Payment PROVIDED THAT in determining for the purpose of this Clause whether the QVC Payment Balance after giving effect to a proposed Funding Loan would exceed the Agreed Cap, the Agreed Cap shall be deemed to be increased by an amount equal to the discount element of any Funding Loan which has been repaid from the issue of further Funding Loans in accordance with Clause 5.1(f). Upon the earlier of (a) the Break Even Date or (b) the date upon which the QVC Payment Balance equals or exceeds the Agreed Cap, the funding of the Venture shall be as agreed between the Venturers PROVIDED FURTHER THAT:

(a) in the event that the Venturers are unable to agree on the funding of the Venture either Venturer may give to the other notice in writing (a "Funding Notice") and if the Venturers shall not have agreed as to the on-going funding of the Venture by the expiration of twenty-one (21) days after the giving of a Funding Notice, either Venturer shall be entitled to terminate the Venture by giving a further written notice to the other; and

(b) nothing shall make any Venturer, Parent or its nominated Directors liable in any way for repayment of outstanding Funding Loans to QVC.

5.4 Funding Loan by Affiliate

Any Funding Loan required to be made hereunder by QVC may, at the election of QVC, be made by an Affiliate of QVC.

6. ACCOUNTING AND TAXATION

6.1 Financial Year

(a) The books and records of the Venture shall be kept on an accrual basis and the Financial Year of the Venture for financial accounting and tax purposes shall be July 1 - June 30.

(b) The Venture shall if requested by QVC cause to be prepared and made available to QVC such financial statements and other reports and shall take any other action as QVC may reasonably require by reason of the fact that QVC's fiscal year is February 1 - January 31.

6.2 Maintenance of Books and Records

At all times during the continuance of the Venture, the CFO shall keep or cause to be kept, at the principal office referred to in Clause 2.3, full and complete books of account. The books of account shall be maintained as required by law and in a manner that provides sufficient assurance that:

(a) transactions of the Venture are executed in accordance with the general or specific authorization of the Board of Directors consistent with the provisions of this Agreement and the Ancillary Agreements;

(b) transactions of the Venture are recorded in such form and manner as will (x) permit preparation of United Kingdom and United States federal, state and local corporation, income and franchise tax returns and information returns by the Venture and the Venturers in accordance with this Agreement and as required by law, and as needed to accommodate QVC's fiscal year, (y) permit preparation of the Venture's financial statements in accordance with GAAP, and

(z) maintain accountability for the Venture's assets; and

(c) recorded assets are compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

6.3 Access to Books of Account

Notwithstanding any other provision of this Agreement (but subject to Clause 9.12), each Venturer has the right upon reasonable advance notice at all reasonable times during usual business hours to (i) audit, examine and make copies of the books of account of the Venture, (ii) visit the facilities of the Venture and (iii) discuss the affairs of the Venture with its officers, employees, attorneys, accountants, customers and suppliers PROVIDED HOWEVER that such audit, examination and/or visit shall be conducted in such a manner

as not to interfere unreasonably with the business of the Venture. Such right may be exercised through any agent or employee of such Venturer designated in writing by it or by independent certified public accountants or counsel designated in writing by such Venturer. Each Venturer shall bear all expenses incurred in any examination made for such Venturer's account.

6.4 Financial Statements

(a) Annual Statements

As soon as practicable following the end of each Financial Year, but in any event within ninety (90) days after the end of the Financial Year, the CFO shall prepare and deliver to each Venturer an audited balance sheet of the Venture as at the end of such Financial Year, and audited statements of income (loss) and changes in financial position of the Venture for such Financial Year, each prepared in accordance with GAAP and accompanied by the Accountants' report thereon.

(b) Quarterly Statements

As soon as possible following the end of each Fiscal Quarter, but in any event within twenty (20) Business Days after the end of each such quarter, the CFO shall prepare and deliver to each Venturer unaudited statements of income (loss) and changes in financial position of the Venture for such Fiscal Quarter and for the year to date and an unaudited balance sheet of the Venture, together with:

(i) a reconciliation of actual and budgeted results at

budgeted cost code level:

(ii) modified balance sheet and changes in financial position;

(iii) cash utilisation report;

(iv) stock control report;

(v) selling data for each main product line;

(vi) a certificate of the CFO to the effect that such financial statements have been prepared under his supervision and that, although such financial statements do not contain the footnotes and other disclosures required by GAAP, such financial statements, in his judgment, fairly present in all material respects the interim results of operations and financial position of the Venture for the period and as of the date indicated, subject to normal audit adjustments; and

(vii) any reasonable information that may be required by QVC's United States accountants to enable the reports or accounts to be adjusted to reflect US GAAP or to comply with United States tax and statutory reporting.

At such time, the CFO shall also prepare and deliver to each Venturer current forecasts of year-end results of the Venture.

(c) Monthly Statements

As soon as possible following the end of each month, but in any event within 15 Business Days after the end of each such month, the CFO shall prepare and deliver to each Venturer unaudited profit and loss statements of the Venture for such month, together with a reconciliation of actual and budgeted results.

(d) Other Information

At the request of any Venturer, the CFO shall prepare and deliver to each Venturer, as soon as practicable following such request, any additional financial information and statements as such Venturer shall from time to time reasonably request.

(a) Except as otherwise provided herein, all tax elections by the Venture shall be determined by the Board of Directors except where law provides that the election shall be made by the Venturers. The CFO shall prepare and file or cause to be prepared and filed all tax returns required to be filed by the Venture. The CFO shall submit copies of such tax returns to the Venturers for their review at least fifteen (15) Business Days prior to the due date for filing such returns. Such returns shall be filed only after the Venturers have approved such returns (such approval not to be unreasonably withheld).

(b) (i) If the Venture has a trading loss or other amount (hereinafter, a "Tax Loss") which, pursuant to Sections 402 through 413 of the Income and Corporation Taxes Act 1988 (hereinafter, the "Consortium Provisions") may be surrendered to a Venturer or an Affiliate of a Venturer (hereinafter, the "Claimant Company") by way of a consortium claim, the Venture shall, subject to the consent of each Venturer, surrender such portion, not to exceed such Venturer's Percentage Share, of such Tax Loss to the Claimant Company as may be requested by such Venturer. The Claimant Company shall make (or, if the Claimant Company is an Affiliate of a Venturer, such Venturer shall cause the Claimant Company to make) a payment to the Venture in an amount equal to the product of the rate of United Kingdom corporation tax in effect for the relevant Financial Year of the Claimant Company (or the average rate calculated on a time basis where more than one such rate is applicable in respect of the relevant Financial Year) and the amount of the surrendered Tax Loss.

(ii) If a Venturer or an Affiliate of a Venturer has a Tax Loss which, pursuant to the Consortium Provisions, may be surrendered to the Venture, such Venturer may, at its election and subject to the consent of the other Venturer, surrender or cause the surrender of all or a portion of such Tax Loss to the Venture. The Venture shall make a payment to the Person surrendering the Tax Loss in an amount equal to the product of the United Kingdom corporation tax rate in effect for the relevant Financial Year of the Venture (or the average rate calculated on a time basis where more than one such rate is applicable in respect of the relevant Financial Year) and the amount of the surrendered Tax Loss.

(iii) Any payment required pursuant to paragraph (i) or (ii) above shall be made nine months after the end of the relevant accounting period of the party to which the Tax

Loss is surrendered. Appropriate adjusting payments shall be made in the event that the amount of the

surrendered Tax Loss is adjusted by the Inland Revenue (including adjustments in the nature of total or partial disallowance of (x) the surrendered Tax Loss or (y) the application of consortium relief). In the case of a Tax Loss surrendered to the Venture pursuant to paragraph (ii) above, the Venturer which surrenders (or whose Affiliate surrenders) the Tax Loss shall indemnify and hold harmless the Venture from and against any interest and penalties payable as a result of any adjustment made by the Inland Revenue.

(iv) If a Tax Loss is surrendered to the Venture pursuant to paragraph (ii) above, then for United States federal income tax purposes, the amount of United Kingdom corporation taxes deemed to have been paid by the Venture for the relevant accounting period allocated to QVC shall equal (x) QVC's Percentage Share of the amount of United Kingdom corporation taxes which would have been payable by the Venture absent surrender of the Tax Loss minus (y) the amount of United Kingdom corporation tax liability saved by the Venture for the relevant period as a result of Tax Losses surrendered to the Venture by QVC or its Affiliates.

(v) QVC shall at all times ensure that its Subsidiary QVC Sub owns its entire Shares in the Venture and that QVC Sub is at all times a UK resident company for tax purposes.

(c) The Venturers agree to jointly make an election under Section 247 of the Income and Corporation Taxes Act 1988 (the election permitted under such provision being referred to herein as the "Section 247 Election") with respect to dividends paid by the Venture PROVIDED HOWEVER that unless the Venturer receiving the dividend payment elects to the contrary (in which case the Section 247 Election shall apply with respect to any dividend payment to such Venturer and the Venture shall not account for advance corporation tax with respect to such dividend payment to such Venturer), the Venture shall cause such Section 247 Election not to apply with respect to any dividend payment and the Venture shall account to the Inland Revenue for advance corporation tax with respect to dividends in accord with Schedule 13 of the Income and Corporation Taxes Act 1988. The Venturers agree to jointly make the Section 247 Election with the Venture with respect to any payments of interest made by the Venture

to the Venturers.

(d) All references herein to provisions of the Income and Corporation Taxes Act 1988 shall be deemed to include references to any successor provisions thereto.

7. RESTRICTIONS ON DISPOSITION OF VENTURE INTERESTS

7.1 Prohibition on Direct Disposition of Venture Interests

(a) BSkyB agrees with respect to BSkyB Sub and QVC agrees with respect to QVC Sub that, except as otherwise provided in Clause 7.3:

(i) BSkyB Sub and QVC Sub shall at all times be and remain the record and beneficial owner of the Shares purchased by it pursuant to Clause 2.1(a) and of any new Shares which may hereafter be issued to it by the Venture;

(ii) it will not Dispose of all or any portion of its Venture Interest or any of such Venturer's rights or interests under this Agreement (including without limitation such Venturer's rights to participate in the management of the Venture); and

(iii) it will not enter into any agreement which gives any other Person any voting or other rights with respect to such Venturer's Venture Interest.

(b) QVC and any QVC Affiliate having made a Funding Loan shall not dispose of all or any portion of the Funding Loans outstanding to it (including its Funding Loan Note or any other note evidencing a Funding Loan).

7.2 Subsidiary Status

QVC agrees that:

(i) QVC Sub will at all times remain a Subsidiary of QVC;

(ii) the occurrence of any event which results in QVC Sub ceasing to be a Subsidiary of QVC shall be deemed to constitute a Disposition by QVC of its interest in the Venture in violation of the terms of this Agreement; and

(iii) it will procure that QVC Sub shall at all times fully

comply with its obligations under this Agreement.

BSkyB agrees that:

(i) BSkyB Sub will at all times remain a Subsidiary of BSkyB;

(ii) the occurrence of any event which results in BSkyB Sub ceasing to be a Subsidiary of BSkyB shall be deemed to constitute a Disposition by BSkyB of its interest in the Venture in violation of the terms of this Agreement; and

(iii) it will procure that BSkyB Sub shall at all times fully comply with its obligations under this Agreement.

7.3 Effect of Prohibited Dispositions

No actual or purported Disposition of:

(a) any Shares or of all or any portion of a Venture Interest; or

(b) the QVC Payment Balance (or any part thereof) (including any Funding Loan Notes) (except in connection with any "blanket" bona fide security interest granted by QVC to a financing entity in the ordinary course of such financing entity's financing business,

nor any right with respect thereto, whether voluntary or involuntary, in violation of any provision of this Agreement shall be valid or effective to grant to any other Person any right, title or interest in or to such Shares or Venture Interest (or portion thereof) and the Venturers agree that all Shares and Funding Loan Notes shall bear an appropriate legend setting forth such restriction.

8. EVENTS OF DEFAULT: CONSEQUENCES AND REMEDIES; SPECIAL TERMINATION EVENTS

8.1 Events of Default

An "Event of Default" means, with respect to a Venturer, the occurrence of any of the following:

(a) the failure by QVC (the "Non-Funding Venturer") to make any Funding Loan required pursuant to Clause 2.2(b) or Clause 5.1 when due (a "Defaulted Funding Loan") and such

failure continues for a period of five (5) Business Days after receipt of notice from BSkyB that such Funding Loan (or any portion thereof) is overdue (a "Funding Event of Default") PROVIDED THAT QVC shall not be required to make any Funding Loan or any portion thereof in excess of the Agreed Cap as adjusted in accordance with Clause 5.1(f) above;

(b) the Disposition of a Venturer's Shares or all or any portion of such Venturer's Venture Interest except as permitted by this Agreement PROVIDED HOWEVER that no Event of Default shall be considered to have occurred for thirty (30) days following the involuntary encumbrance of all or any part of such Shares or Venture Interest if during such 30-day period such Venturer acts diligently to, and does, remove any such encumbrance, including, but not limited to, by effecting the posting of a bond to prevent foreclosure

where necessary;

(c) the Disposition by the Parent of a Venturer of all or any part of such Parent's interest (equity or other) in such Venturer;

(d) the failure by a Venturer to perform any other material obligation to be performed by such Venturer hereunder or the violation by such Venturer of any other material term or condition hereof, which failure or violation continues for ten (10) Business Days after written notice thereof from the other Venturer PROVIDED HOWEVER that with respect to any failure or violation which if not a failure to pay money:

(i) if such failure or violation is curable but is of such a nature that it cannot reasonably be cured within such ten (10) Business Day period; and

(ii) such Venturer in good faith begins efforts to cure such failure or violation within such ten (10) Business Day period and continues diligently to do so;

then in such case such Venturer has a reasonable additional period thereafter to effect the cure.

8.2 Termination of Venture

Upon the occurrence and during the continuance of an Event of Default, the Venturer not responsible for such Event of Default (the "Non-Breaching Venturer") may at any time, by written notice to the Venturer responsible for such Event of Default (the "Breaching Venturer") elect to terminate the Venture in which event the Venture shall be liquidated and

dissolved in accordance with Clause 10. If such election is made, the amount of all damages, losses, costs and expenses incurred or suffered by the Non-Breaching Venturer as a result of the Event of Default shall be deducted from any amounts otherwise payable to the Breaching Venturer in connection with such liquidation and dissolution and such amount shall be paid to the Non-Breaching Venturer. To the extent that the amount of any such damages, losses, and costs and expenses are uncertain, the Venture shall establish a reserve fund (a "Reserve Fund") into which shall be deposited funds equal to

the Non-Breaching Venturer's bona fide estimate of such amounts. In the event that the Breaching Venturer disagrees with the amount of such estimate, the amount of such estimate shall be determined by an independent appraiser who shall be mutually selected by the Venturers. The Breaching Venturer shall bear all fees and costs with respect to the

use of such independent appraiser PROVIDED HOWEVER that in the event that the appraiser determines that the Non-Breaching Venturer's estimate with respect to the amount of damages, losses, costs and expenses suffered by the Non-Breaching Venturer (a) exceeds the appraiser's estimate by more than 10%, the Non-Breaching Venturer shall bear all fees and costs with respect to the use of such appraiser or (b) exceeds the appraiser's estimate by more than 5% but less than 10%, the Venturers shall equally share the fees and costs with respect to the use of such appraiser. All monies placed in the Reserve Fund shall be deducted from any amounts otherwise payable to the Breaching Venturer in connection with such liquidation and dissolution. Upon a final settlement of the amount of such damages, losses, costs and expenses, the Non-Breaching Venturer shall receive all amounts due to it from the Reserve Fund pursuant to the second sentence of this Clause 8.2. In the event that any monies remain in the Reserve Fund after the Non-Breaching Venturer has been paid in full, such monies shall be paid to the Breaching Venturer (to the extent otherwise distributable to him pursuant to the terms of Clause 10). Notwithstanding any other provision of this Agreement, in the event that the only Event of Default is an Event of Default under Clause 8.1(a), QVC shall in no event be liable for damages in excess of an amount equal to the Agreed Cap minus the QVC Payment Balance as of the date of the Event of Default.

8.3 Additional Remedies

Notwithstanding any provision of Clause 8.2 to the contrary, the foregoing provisions of this Clause 8 shall be in addition to and not in limitation of any other rights or remedies that the Venture or the Non-Breaching Venturer may have against the Breaching Venturer or its Affiliates at law or in equity, pursuant to statute or regulation or otherwise and the Venture and the Non-Breaching Venturer shall be entitled to recover from the Breaching Venturer in an appropriate proceeding any damages incurred by either of them in connection with such Event of Default.

9. BUSINESS OF THE VENTURE

9.1 Restrictive Provisions

(a) Each Venturer and Parent covenants and agrees that during the Term, except as permitted under this Clause 9.1, it will not, directly or indirectly:

(i) operate, own any interest in or participate in the profits of a program service similar in theme or content to the Service and distributed in any language via television in any form, whether pay, free-to-air, satellite or terrestrially delivered, directed at audiences in the

Territory (a "Restricted Program Service") except through the Venture; and

(ii) become or remain interested in any Person (other than the Venture) engaged in a Restricted Program Service in any capacity, including, without limitation, as a shareholder, director, partner, principal, employee, agent or consultant.

(b) Without derogating from Clause 9.1(a), each Venturer and Parent covenants and agrees that during the Term, except as permitted under this Clause 9.1, it (the "First Participant") will not, directly or indirectly:

(i) operate, own any interest in or participate in the profits of a program service similar in theme or content to the Service and distributed in any language via television in any form, whether pay, free-to-air, satellite or

terrestrially delivered, directed at audiences in the Transponder Footprint (a "Restricted European Program Service") except through the Venture or a venture structure

that complies with Clause 9.1 (c));

(ii) become or remain interested in any Person (other than the Venture or a venture structure which complies with Clause 9.1(c)) engaged in a Restricted European Program Service in any capacity, including, without limitation, as a shareholder, director, partner, principal, employee, agent or consultant:

(a "New Business") except as set out in Clause 9.1(c) or as otherwise approved by the other Venturer ("Second Participant").

(c) a proposal for a New Business complies with the provisions of this Clause 9.1(c) if:

(i) the only equity holders are BSkyB and QVC (or their respective Affiliates) (each a "Participant") in equal shares together with such other Persons as BSkyB and QVC mutually approve;

(ii) each Participant bears 50% of the new venture's investment costs and no Participant receives any percentage of gross sales (other than equally with the other Participant) and no Participant is entitled to interest on recoupment of capital expenditure incurred except pari passu with the other Participant;

(iii) the First Participant gives to the Second Participant

notice in writing (an "Offer Notice") setting out a business plan and other terms in respect of the New Business that comply with sub-paragraph (ii) above ("Offered Terms"). The Offered Terms shall in all respects be bona fide arms length terms capable of acceptance by the Second Participant and not providing any rights or benefits to the First Participant inconsistent with sub-paragraph (ii) above;

(iv) if the Second Participant does not accept the Offered Terms within 28 days of the date on which the Offer Notice is given to it, the First Participant shall be free to proceed on the Offered Terms with another Person but shall not proceed on terms more favourable to any other Person without giving a fresh Offer Notice to the Second Participant in accordance with this Clause 9.1(c); and

(v) if the First Participant having given an Offer Notice to the Second Participant (the terms of which Offer Notice are not accepted by the Second Participant) shall not conclude terms with another Person (or commence in its own right a business being no broader than as specified in the Offer

Notice) within 3 months of the date on which an Offer Notice is given, the First Participant may not commence the New Business without giving a further Offer Notice in accordance with this Clause 9.1(c).

(d) BSkyB shall not be in violation of this Clause 9.1 by virtue of:

(i) BSkyB's ownership and operation of its subscriber management system based at Livingston, Scotland;

(ii) BSkyB distributing any program service as part of the Basic Tier (or any other tier or package or programming) SAVE THAT BSkyB shall

only distribute a program service directly competitive with the Channel if they are judged by a court or similar regulatory authority of competent jurisdiction to be in violation of any applicable law or regulation;

(iii) BSkyB selling and promoting premiums and other merchandise and Sky-branded goods (whether or not such goods are advertised on BSkyB's programme services) which premiums, merchandise and goods are intended to promote the business of BSkyB;

(iv) BSkyB carrying advertisements on air whereby viewers are invited to call telephone numbers or make other responses

to obtain goods or services which are advertised (subject to applicable ITC advertising regulations or standards).

(e) QVC shall not be in violation of this Clause 9.1 as a result of its Spanish or Portuguese language broadcast services conducted or to be conducted pursuant to its agreement with Grupo Televiso.

(f) Any Venturer, either alone or in combination with any other Person, without violating any provision of this Agreement or any duty of such Venturer to the Venture or any other Venturer and without incurring any obligation or liability to the Venture or any other Venturer, may engage in activities that would otherwise be prohibited pursuant to Clause 9.1 if:

(i) such Venturer has given written notice to the other

Venturer specifying the nature of such activities; and

(ii) such Venturer receives the written approval of the other Venturer specifically authorizing such Venturer to exploit such activities outside of the Venture.

9.2 Other Activities; Right to compete

Any Venturer, and any Affiliate of any Venturer, may, subject only to the express provisions of this Clause 9, engage, directly or indirectly (including without limitation through and by means of an equity or profits interest in any other Person), in other businesses or Ventures of any nature or description, without regard to whether such businesses or Ventures are or may be deemed to be competitive with the Business. Any term of this Agreement to the contrary notwithstanding (other than and subject only to the express provisions of this Clause 9), no Venturer or any Affiliate of any Venturer shall be obligated to present or offer to the Venture any particular investment or business opportunity, regardless of whether the Venture could take advantage of such opportunity if it were presented to the Venture, but may avail itself of any such opportunity for its own behalf. Except to the extent otherwise expressly prohibited or required by this Agreement, each Venturer and its Affiliates has the right to act in any manner it believes to be in its own best interests without regard to the interests of the Venture.

9.3 Acknowledgments

The parties agree and acknowledge that:

(a) all trademarks, copyrights, patents, trade secrets, "trade dress" and other similar proprietary rights, property and information now or hereafter owned by QVC and used by the Venture shall remain the sole property of QVC but shall

wherever possible be made available to the Venture during the term of the Venture on the basis that the Venture shall acquire no property rights or goodwill therein other

than the right to use the same during the term of the Venture as licensee of QVC provided, however, that upon termination of the Venture BSkyB and its Affiliates shall not use the initials "QVC" alone or in conjunction with any other words in any form; and

(b) all proprietary and intellectual property rights in and to the SMS and the database of Subscribers shall remain the exclusive property of BSkyB and notwithstanding anything else in this Agreement in no circumstances shall BSkyB be under any liability to disclose the identity or addresses of Subscribers.

9.4 Additional QVC Covenants

(a) *

(b) QVC shall make available, and shall cause its Affiliates to make available, to the Venture, in the form of a license at no cost (other than copying, shipping and conversion costs), any on-air IDs that are produced for any programming service of QVC or its Affiliated entities or licensees in the United States or elsewhere in the world.

9.5 Additional BSkyB Covenants

(a) *

(b) BSkyB agrees to provide uplinking services at cost to the Venture.

(c) BSkyB agrees to provide the following administrative services at cost to the Venture: office space, computer services, finance, payroll and traffic.

9.6 Covenants of the Venturers

BSkyB hereby agrees that, during the Term, each of BSkyB and BSkyB Sub shall remain a limited company under the Companies Act 1985. QVC hereby agrees that, during the Term, QVC Sub shall remain a company under the Companies Act 1985.

9.7 Transponder

(a) BSkyB shall provide an Astra Transponder to the Venture * . Such provision will be achieved by BSkyB

sub-leasing an Astra Transponder to the Venture in accordance with a sub-lease ("the Transponder Sub-lease") attached hereto as Exhibit J. A copy of the terms of the head lease of the Astra transponder (the "Transponder Lease") has been supplied to the Venture and to QVC, which shall each be deemed to have full knowledge of its contents and shall raise no requisition, enquiry or objection in relation to it. The Venture as from the Operational Start Date (as defined in the Transponder Lease) shall (x)

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

pay the rent and other moneys payable under the Transponder Sub-Lease to BSkyB or at QVC's election, directly to * PROVIDED THAT where payment is made direct reasonable prior notice shall be given to BSkyB to avoid multiplicity of payment and (y) observe and perform the covenants on the part of the lessee and the conditions contained in the Transponder Lease and (z) indemnify BSkyB and QVC against all claims, demands, proceedings, damages, costs and expenses arising out of or incidental to their breach, non-observance or non-performance by the Venture. QVC shall join in the Transponder Sub-Lease to give the guarantee therein. The parties shall use all reasonable endeavours to obtain, and will pay the incidental costs for obtaining, * consent to the sub-lease and QVC shall ensure that the Venture shall co-operate in obtaining such consent by supplying such information and references as may reasonably be required. The Venture shall indemnify BSkyB and QVC against all or any costs, claims, demands and losses incurred or suffered by BSkyB or QVC as a result of the use of the Transponder by the Venture as sub-lessee.

(b) QVC hereby guarantees to BSkyB that the Venture shall make all payments due to BSkyB under Schedule VI of the Transponder Sub-Lease (including payments due pursuant to any indemnity) or at QVC's election, directly to * PROVIDED THAT where payment is made direct reasonable prior notice shall be given to BSkyB to avoid multiplicity of payment, in either case, on the due dates and in the event of any failure by the Venture to make any such payments QVC will on demand make payments to BSkyB on a full indemnity basis PROVIDED THAT any payments made by QVC pursuant to such guarantee shall be treated as Funding Loans to the Venture and QVC's aggregate liability under the said guarantee shall not exceed the Agreed Cap less the QVC Payment Balance. For the avoidance of doubt, QVC shall have no further liability under such guarantee from the earlier of:

(i) the termination of this Agreement, the Venture or the Transponder Sub-Lease (whichever shall first occur);

(ii) the QVC Payment Balance equalling or exceeding the Agreed Cap; and

(iii) the Break Even Date.

(c) On the termination of the Transponder Sub-Lease for any reason the Astra Transponder shall revert to BSkyB.

(d) BSkyB represents and warrants to QVC that:

(i) BSkyB has negotiated the terms of the head lease with * on a fair basis and that there is no cross subsidisation between that lease and any other lease of transponder capacity by BSkyB PROVIDED THAT BSkyB has disclosed to QVC the arrangements between * and BSkyB in the event that BSkyB uses an alternate satellite system for digital transmission; and

(ii) all necessary consents, approvals and permits have been or will be obtained in connection with the execution of the Transponder Sub-Lease.

9.8 Sub-Lease of Premises

(a) The main business premises of the Venture shall be at Block A MarcoPolo House, Queenstown Road, London, SW8 (the "First Premises") and the adjoining Arches Nos 94 to 96 inclusive) and part Arch 93 Queenstown Road, London, SW8 (the "Second Premises") (the First Premises and the Second Premises

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* Subject to Application for Confidential Treatment pursuant to Rule 24b-2.

together called the "Premises"). The First Premises are currently held by BSkyB under a Lease dated 23 December 1988 between Universities Superannuation Scheme Limited (the "Landlord") (1) and British Satellite Broadcasting Limited (BSkyB's former name) (2) (the "First Lease") and the Second Premises are currently held under a lease dated 1 October 1992 between the Landlord (1) and BSkyB (2) (the "Second Lease") (the First Lease and the Second Lease together called the "Leases"). The parties shall do all things reasonably required of them to ensure that the Venture shall take a sub-lease of each of the First Premises and the Second Premises in the form of the draft sub-leases attached hereto as Exhibits G and H, respectively (the "Sub-Leases").

(b) The term of the Sub-Lease of the First Premises shall

commence on 24 June 1993 and expire on the day before the

expiry of the term of the First Lease and the term of the Second Lease shall commence on 24 June 1993 and expire on the day before the expiry of the term of the Second Lease.

(c) QVC shall guarantee the payments of the Venture thereunder in the terms of the guarantee contained in the Sub-Leases.

(d) BSkyB shall at the cost of the Venture use all reasonable endeavours to obtain the reversioner's licence to the grant of the Sub-Leases. QVC shall provide all necessary information and lend all assistance as may reasonably be required to obtain the licences. The Venture shall join in the licences to covenant direct with the Landlord to observe and perform the covenants on the part of the Venture contained in the Sub-Leases.

(e) From 24 June 1993 BSkyB shall permit the Venture to occupy the Premises as licensee only and the Venture shall with effect from the 24 June 1993:

(i) pay to BSkyB a licence fee equal to the rents reserved by and other amounts due to the Landlord pursuant to the Sub-Leases on the dates due for the payment of such rents and other amounts pursuant to the Sub-Leases;

(ii) pay and discharge all rates and other outgoings and insurance premiums in respect of the Premises and all charges for gas, electricity, water, telephones and other services consumed on the Premises (apportioned on a daily basis) (or in the absence of direct assessment on the Venture will reimburse BSkyB on demand for any such outgoings or charges);

(iii) observe and perform all covenants and conditions on the part of the tenant contained in the Sub-Leases as if the same had been granted and shall indemnify BSkyB for any loss suffered as a result of any breach, non-observance or non-performance of such covenants and conditions; and

(iv) assume all third party public liability and employer's liability risks attached to the occupation and use of the Premises and keep BSkyB indemnified in respect of any claim arising out of such risks.

(f) In the event that the requisite reversioner's licences to the grant of the Sub-Leases has not been granted by the date six (6) months after the date of this Agreement BSkyB shall at the request of the Venture apply to the court for an order declaring that the reversioner's licences have been unreasonably withheld or delayed.

(g) Each of the Sub-Leases shall be granted on the date seven days after the date of the relevant reversioner's licence (or an order of the court declaring that such licence has been unreasonably withheld) provided that if such licence has not been granted (or order made) by the date nine months after the date of this Agreement the Sub-Leases shall forthwith be completed in any event.

(h) Copies of the Leases have been supplied to the Venture and the Venture shall accept BSkyB's title to the grant of the Sub-Leases without any objection requisition or enquiry PROVIDED THAT BSkyB shall not have knowingly done or permitted to be done anything which adversely affects the title between the date hereof and completion of the Sub-Lease. Within one month of the date hereof BSkyB shall furnish to QVC or QVC's solicitors evidence reasonably satisfactory to QVC that the charge referred to in entries numbers 1 and 2 of the Charges Register of BSkyB's title number TGL14416 has been released.

(i) The Venture shall indemnify BSkyB and QVC against all or any costs, claims, demands and losses incurred or suffered by BSkyB or QVC as a result of:

(i) the occupation of the Premises by the Venture as licensee; and/or

(ii) the completion of the grant of the Sub-Leases,

pursuant to the Agreement without in either case the requisite consent or licence of the reversioner pursuant to the Leases.

(j) QVC hereby guarantees to BSkyB that the Venture shall make all rent payments due to BSkyB under the Sub-Leases (including payments due pursuant to any indemnity) or at QVC's election, directly to * PROVIDED THAT where payment is made direct reasonable prior notice shall be given to BSkyB to avoid multiplicity of payment, in either case, on the due dates, and in the event of any failure by the Venture to make any such payments QVC will on demand make payments to BSkyB on a full indemnity basis PROVIDED THAT any payments made by QVC pursuant to such guarantee shall be treated as Funding Loans to the Venture and QVC's aggregate

liability under the said guarantee shall not exceed the amount of the Agreed Cap less the QVC Payment Balance. For the avoidance of doubt, QVC shall have no further liability under the said guarantee from the earlier of:

(i) the termination of this Agreement, the Venture or the Sub-Leases (whichever shall first occur); and

(ii) the QVC Payment Balance equalling or exceeding the Agreed Cap; and

(iii) the Break Even Date.

(k) BSkyB shall have the right to remove from the Premises such equipment as shall not reasonably be required for the conduct of the Business in the reasonable discretion of the Venture.

9.9 Hiring Restrictions

Each Venturer covenants and agrees that during the Term such Venturer shall not, and shall cause each of its Affiliates not to, solicit, directly or indirectly, any of the Venture's employees (other than employees who have previously been employed by such Venturer) to leave the employ of the Venture or otherwise interfere with the relationship of the Venture with any Person employed by the Venture. Notwithstanding anything to the

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contrary contained herein, the Board of Directors may grant exceptions to the restrictions contained in this Clause 9.9 on a case by case basis.

9.10 Rights and Remedies Upon Breach

If a party (either directly or by virtue of the activities of any of its Affiliates) breaches, or threatens to commit a breach of, any of the provisions of Clauses 9.1, 9.9 or 9.12 (collectively, the "Restrictive Covenants"), the other parties and the Venture shall each have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and

each of which is in addition to, and not in lieu of, any other rights and remedies available to such parties or the Venture under law or in equity:

(a) the right and remedy to have the Restrictive Covenants specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to such other party's Venture Interest and the Venture and that money damages will not provide an adequate remedy to such

other party or the Venture; and

(b) the right and remedy to require such party to account for and pay over to the Venture, all compensation, profits, monies, accruals, increments or other benefits derived or received by such Venturer or any of its Affiliates as the result of any transactions constituting a breach of the Restrictive Covenants.

Nothing in this Clause 9.10 shall be construed to limit the right of any party or the Venture to collect money damages in the event of a breach of any Restrictive Covenant.

9.11 Reasonableness; Severability

(a) Each of the parties acknowledges and agrees that the Restrictive Covenants are reasonable and valid in scope (geographical, temporal and otherwise) and in all other respects and that it shall not raise any issue of reasonableness as a defence in any proceeding to enforce any such Restrictive Covenants.

(b) In the event that any court or other competent regulatory authority determines that any of the Restrictive Covenants, or any part thereof, is unenforceable against any party because of the duration or scope (geographic or otherwise) of such provision, but would be valid if some part thereof were deleted or the duration or scope thereof were reduced, such restrictions shall apply with such modifications as shall be necessary to make them effective with the maximum competitive restraint and consent to such revision is hereby granted.

9.12 Confidential Information
Each Venturer, Parent and its Affiliates:

(i) shall use any and all Confidential Information only for purposes of the Venture and shall not use such Confidential Information for the benefit of or in connection with any other business or enterprise of such Venturer or any of its

Affiliates; and

(ii) shall, and shall cause its and their respective officers, directors, employees, attorneys, accountants and agents (collectively "Agents"), to keep secret and retain in strictest confidence any and all Confidential Information, and shall not disclose such Confidential Information, and shall cause its Agents not to disclose such Confidential Information, to any Person other than such Venturer, its Affiliates, the Venture or their respective Agents, except for such disclosures as may be required by law, disclosures to such Venturer's counsel, or disclosures

pursuant to any listing agreement with, or the rules or regulations of, any national securities exchange on which securities of such Venturer or any such Affiliate are listed or traded (in which event the Venturer making such disclosure or whose Affiliates or Agents are making such disclosure shall so notify the other Venturer as promptly as practicable (and if possible, prior to making such disclosure) and shall seek confidential treatment of such information) as may be necessary to establish or enforce its rights hereunder. The obligations under this Clause 9.12 shall survive the termination of the Venture, any Venturer's withdrawal therefrom and any Person ceasing to be an Affiliate of a Venturer for a period of three (3) years. Any press release concerning the formation or operation of the Venture must be approved by the Board of Directors prior to release.

10. TERMINATION OF THE VENTURE

10.1 Termination

Termination of this Agreement shall take place upon the first to occur of the following:

(i) the mutual agreement of the Venturers to terminate the Venture;

(ii) any termination of the Venture in accordance with Clauses 2.5 or 2.6;

(iii) any termination of the Venture in accordance with Clause 5.3(a);

(iv) any termination of the Venture in accordance with Clause 8.2; or

(v) (x) the commencement by either Venturer or its Parent of any Bankruptcy Proceeding; (y) the making by either Venturer of a general assignment for the benefit of its creditors; or

(z) the commencement against either Venturer or its Parent of any Bankruptcy Proceeding which either:

(A) results in the entry of an order for relief or any such adjudication or appointment; or

(B) remains undismissed, undischarged or unbonded for a period of sixty (60) days;

(vi) if the Astra Transponder is unavailable for in excess of sixty (60) days and either no back-up or alternative transponder or other delivery system acceptable to each Venturer (such acceptance not to be unreasonably withheld) is made available to the Venture during that time PROVIDED THAT before exercising such right to terminate the Venture shall have regard to the cable distribution of the Channel:

(vii) withdrawal of any license or consent materially

necessary for the conduct of the Business;

(the events set forth in (i) - (vii) of this Clause shall be collectively referred to herein as "Termination Events").

10.2 Consequences of a Termination

(a) Upon the occurrence of any Termination Event, the Venture shall be liquidated and dissolved in accordance with the applicable provisions of the laws of England and Wales. In such event, the Venturers hereby agree to take all such steps as shall be reasonably necessary to ensure that the Venture is voluntarily wound-up promptly and that the liquidator shall be an independent chartered accountant to be appointed by agreement between the Venturers or, in the event

of default of such agreement, on the application of either Venturer by the then current, President of the Institute of Chartered Accountants of England and Wales. Unless the Break Even Date has occurred QVC agrees that, in the event of a liquidation or dissolution of the Venture, if the Board of Directors of the Venture is unable to make the Statutory-Declaration of solvency required by Section 89 of the Insolvency Act 1986 or would have been unable to make such Declaration had it been proposed to wind the Venture up voluntarily, QVC shall forthwith make such non-returnable

capital contributions to the Venture as shall be necessary to enable the Board of Directors to make such Declaration PROVIDED THAT the amount of such contribution shall not exceed an amount which when added to the QVC Payment Balance, exceeds the Agreed Cap.

(b) The Parties hereby agree that each of the Ancillary Agreements shall terminate upon the dissolution of the Venture PROVIDED HOWEVER that no termination of any Ancillary Agreement shall relieve any party thereto of any of its obligations or liabilities thereunder arising prior to (including, without limitation, any obligations or liabilities arising out of or based upon transactions or events occurring prior to) the date of such termination.

10.3 *

11. REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties

In order to induce each other to enter into this Agreement

and to perform its obligations hereunder, each party hereby severally represents and warrants to each other party that:

(a) it is a corporation duly organized and validly existing under the laws of the jurisdiction of its incorporation and it has all corporate power and authority necessary to carry on its business as it is now being conducted, to enter into this Agreement and to perform its obligations hereunder;

(b) all corporate and other proceedings required to be taken by or on behalf of such Venturer to authorize it to enter into and carry out this Agreement have been duly taken, and this Agreement has been duly executed and delivered by, and constitutes a legal, valid and binding obligation of, such Venturer, enforceable aqainst such Venturer in accordance with its terms except:

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(i) as such enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors rights generally; and

(ii) to the extent that equitable remedies, such as

injunctive relief or specific performance, are within the discretion of courts of competent jurisdiction;

(c) the execution and delivery of this Agreement, the performance by such Venturer of its terms, and the consummation of the transactions contemplated hereby, will not conflict with, or result in any violation of, or default or loss of a benefit under, or permit the acceleration of any obligation under:

(i) the certificate of incorporation, articles of association, by-laws or memorandum of association (or comparable instruments with different names) of such Venturer;

(ii) any contract, agreement or commitment of such Venturer; or

(iii) any permit, concession, grant, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation (excluding any UK or EC competition laws, rules and regulations) applicable to such Venturer or to its respective properties, other than such conflicts, violations, defaults or losses which do not and will not, individually or in the aggregate, have a material adverse effect on the business or financial condition of such Venturer or the ability of such Venturer to consummate the

transactions contemplated hereby;

(d) no consent, approval, order, or authorization of, or registration, declaration or filing with, any Governmental Authority is required in connection with the execution and delivery of this Agreement by such Venturer or the consummation by such Venturer of the transactions contemplated hereby; and

(e) All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by such Venturer or its Affiliates directly with the other Venturer or Affiliates thereof and without the intervention of any person who, either as a result of any act of such Venturer or otherwise to the knowledge of such Venturer, has or will have a valid claim against any of the Venturers or their Affiliates for a finder's fee, brokerage commission or other like payment with respect to this Agreement or such transactions.

11.2 Additional Representatlons

In order to induce BSkyB to enter into this Agreement and to perform its obligations hereunder, QVC hereby represents and

warrants to BSkyB that QVC Sub is a Subsidiary of QVC. In order to induce QVC to enter into this Agreement and to perform its obligations hereunder, BSkyB hereby represents and warrants to QVC that BSkyB Sub is a SubsidiarY of BSkvB.

11.3 Survival

The representations and warranties contained in this Agreement shall survive the termination of this Agreement and any investigation made by or on behalf of any of the parties hereto at any time with respect thereto.

12. MISCELLANEOUS

12.1 Entire Agreement; Construction

This Agreement, together with the Ancillary Agreements and the other Exhibits and Annexures hereto (and any other agreements expressly contemplated hereby or thereby), constitute the entire agreement and understanding and supersede all other prior agreements and understandings, both written and oral, between the Venturers or their Affiliates or any of them with respect to the subject matter

hereof (including without limitation the Heads of Agreement signed between BSkyB and QVC in Los Angeles, California, USA on 5 June 1993 and the amendment thereto signed between BSkyB and QVC on 17 August 1993, copies of which are attached hereto as Exhibit K). In construing this Agreement, none of the parties hereto shall have any term or provision construed against such party solely by reason of such party having drafted the same.

12.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of England and Wales and each party hereby consents to the non-exclusive jurisdiction of the Courts of England and Wales.

12.3 Third Party Beneficiaries

None of the provisions of this Agreement, including, without limitation, Clause 10, shall be for the benefit of or

enforceable by any third party, including, without limitation, any creditor of the Venture or of any Venturer. No such third party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability, or obligation (or otherwise) against the Venture or any of the Venturers.

12.4 Expenses

Each party hereto shall assume and pay its own expenses incidental to the negotiation and execution of this Agreement, the preparation for carrying it into effect and the consummation of the transactions contemplated hereby. Without limiting the generality of the foregoing, each Venturer shall pay all legal and accounting fees, and other fees to consultants and advisers incurred by it, including, if any, brokers' or investment banking fees relating to this Agreement and such transactions and shall indemnify and hold the Venture and the other Venturer free and harmless from any of such expenses and fees. It is understood and agreed that no legal fees or accounting fees for services rendered relating to this Agreement shall be paid or assumed by the Venture.

12.5 Waivers and Amendments

This Agreement may be amended, superseded, cancelled, renewed or extended and the terms hereof may be waived, only by a written instrument signed by both Venturers, or, in the case of a waiver, by the Venturer waiving compliance. Except where a specific period for action or inaction is provided herein, no failure on the part of any Venturer to exercise, and no delay on the part of a Venturer in exercising, any

right, power or privilege hereunder shall operate as a waiver thereof; nor shall any waiver on the part of a Venturer of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12.6 Notices

All notices, requests, demands, and other communications required or permitted to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be given by certified or registered mail,

postage prepaid, or delivered by hand or by nationally recognized air courier services or in the form of telegram, directed to the address or telecopy number of such Person set forth below:

If to the Venture, to:

MarcoPolo House
Queenstown Road
London SW8 4NQ

Attn: Peter Ridsdale
Telecopy number: (44.71) 627 6103

with a copy to:

all other Persons specified in this notice section

If to BSkyB or BSkyB Sub:

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex TW7 5QD

Telecopy number: (44.71) 705 3008
Attn: Chris Mackenzie

with a copy to:

Telecopy number: (44.71) 705 3254
Attn: Deanna Bates

If to QVC or QVC Sub:

Goshen Corporate Park
West Chester
Pennsylvania 19380

Telecopy number: (215) 430 2380
Attn: Michael Boyd and Neal Grabell

Any such notice shall become effective seven (7) Business Days after posting in the United States Mail or the United Kingdom Mail as aforesaid or, in the case of notices delivered by hand, air courier service or telegram, when received as confirmed by receipt or other confirmation signed by the receiving party. A party serving notice by post shall use its best endeavours to copy the receiving party by telecopy. From time to time any party hereto may

designate a new address or telecopy number for purposes of notice hereunder by notice to the other party hereto.

12.7 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall together constitute one and the same instrument. It shall not be necessary for any counterpart to bear the signature of all parties hereto.

12.8 Severability

If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement or the application of such provision to other Persons or circumstances shall not be affected thereby; provided, however, that the parties shall negotiate in good faith worth respect to an equitable modification of the provision or application thereof held to be invalid. To the extent that it may effectively do so under applicable law, each party hereto hereby waives any provision of law which renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

12.9 Successors and Assigns

Except as otherwise specifically provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Venturers, and their legal representatives, successors and assigns.

12.10 No Right of Set-Off

No Venturer shall be entitled to offset against any of its financial obligations to the Venture under this Agreement, any obligation owed to it or any of its Affiliates by any other Venturer or any of such other Venturer's Affiliates.

12.11 Headings; Clause References

The Clause headings contained in this Agreement are for reference purposes only and are to be given no effect in the construction or interpretation of this Agreement. All Clause and paragraph references contain herein shall refer to this Agreement unless otherwise specified.

12.12 No Partnership

Nothing contained herein shall be deemed to create any relationship of partnership or agency, nor shall any similar relationship be deemed to exist by virtue of this Agreement between any of BSkyB or any of its Affiliates on the one hand and QVC or any of its Affiliates on the other.

12.13 Restrictive Trade Practices Act

No provisions of this Agreement or of any agreement or arrangement of which it forms part, by virtue of which the agreement constituted by all of the foregoing is subject to registration (if such be the case) under the Restrictive Trade Practices Act 1976 and 1977, shall take effect until the day after particulars of such agreement have been furnished to the Director General of Fair Trading pursuant to Clause 24 of the Restrictive Trade Practices Act 1976.

12.14 Conflicts with Ancilliary Agreements

In the event of any conflict between the terms and provisions of this Agreement and those contained in any Ancillary Agreement, the terms and provisions of this Agreement shall govern.

12.15 Conflicts with Memorandum of Association and Articles of Association

In the event of any conflict between the terms and provisions of this Agreement and those contained in the Memorandum of Association and Articles of Association of the Venture, the terms and provisions of this Agreement shall govern.

12.16 Termination

This Agreement (including the provisions of Clause 9) shall terminate upon the consummation of the dissolution of the Venture PROVIDED HOWEVER that no termination of this

Agreement shall relieve either Venturer of any liability under this Agreement prior to (including, without limitation, any obligations or liabilities arising out of or based upon transactions or events occurring prior to) the

date of such termination.

AS WITNESS the hands of the respective duly authorized officers of each of the parties hereto on the date first above written.

SIGNED By QVC NETWORK, INC. by MICHAEL C BOYD in the presence of:	)	MICHAEL C BOYD
Ann Leinhauser		DIRECTOR PRESIDENT AND CHIEF OPERATING OFFICER Title
SIGNED by BRITISH SKY BROADCASTING LIMITED by RICHARD BROOKE in the presence of:	)	RICHARD BROOKE
Michael Stern		SECRETARY Title
SIGNED by PRECIS (1192) LIMITED by CHRISTOPHER MACKENZIE) in the presence of:	)	CHRISTOPHER MACKENZIE
Michael Stern	)	DIRECTOR Title
SIGNED by QVC BRITAIN by MICHAEL C BOYD and NEAL S GRABELL in the presence of:	)	MICHAEL C BOYD NEAL S GRABELL
Ann Leinhauser	)	DIRECTORS Title
SIGNED By QVC by CHRISTOPHER MACKENZIE in the presence of:	)	CHRISTOPHER MACKENZIE
Michael Stern	)	DIRECTOR Title

EXHIBITS

A. Exhibit B-1 -- Memorandum of Association.

B. Exhibit B-2 -- Articles of Association.

C. Exhibit C -- Five Year Operating Plan.

D. Exhibit D -- 1994 Annual Budget.

E. Exhibit E -- Funding Loan Note.

F. Exhibit F -- DTH Distribution Agreement.

G. Exhibit G -- the Sub-Lease (in respect of the First Lease).

H-I. Exhibit H -- the Sub-Lease (in respect of the Second Lease).

J-K. Exhibit J -- Transponder Sub-Lease.

L. Exhibit K -- Heads of Agreement (with amendment).

EXHIBIT 10.53

LICENSE AGREEMENT

This License Agreement (the 'Agreement') is made as of the 15th day of March, 1994 by and between Silvercup Studios Associates Limited Partnership ('Silvercup'), a Connecticut Limited Partnership, authorized to do business in the state of New York, with its principal offices located at 42-22 22nd Street, Long Island City, in the County of Queens, City of New York, State of New York, 11101, and Q2 Inc. ('Q2') a New York corporation with offices presently located at 745 Fifth Avenue, Suite 2403, New York, New York 10151.

WHEREAS, Silvercup presently occupies and is empowered to grant licenses for the use of the building located at 42-22 22nd Street, Long Island City, New York 11101 a/k/a/ the Silvercup Studios (the 'Building'); and

WHEREAS, at the Building, Silvercup provides broadcast and cable televison programming facilities including, but not limited to, studio, control, edit and storage facilities on a twenty-four hour per day, seven (7) day per week basis for use by broadcast and cable television programmers (collectively the 'Programming Facilities'); and

WHEREAS, Silvercup wishes to allow Q2 to use and occupy a portion of the Programming Facilities ('the Q2 Programming Facilities') on the terms and conditions hereinafter set forth; and

WHEREAS, at the Building, Silvercup also provides office space for use by, among others, the entities utilizing the Programming Facilities (the 'Office Space'); and

WHEREAS, Silvercup wishes to allow Q2 to use and occupy a portion of the Office Space (the 'Q2 Office Space') on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and agreements contained herein, the parties, intending to be legally bound, hereby agree as follows:

1. License.

Silvercup hereby grants to Q2: a) an exclusive license to use and occupy on a twenty-four hour per day, seven day per week basis, (i) the Q2 Programming Facilities which will consist of Studio 9 as shown on Exhibit 'A' (the 'Studio'), control, edit and graphics rooms located on the second floor of the Building as shown on Exhibit 'B' (collectively, the 'C, E & G Rooms'), including the control room equipment as shown on Exhibit 'C' ('Control Equipment'), edit equipment as shown on Exhibit 'D'('Edit Equipment'), graphics equipment as shown on Exhibit 'E' ('Graphics Equipment'), Studio 8 for storage as shown on Exhbit

'A' ('Show Control'), dressing rooms on mezzanine level as shown on Exhibit F and (ii) the Q2 Office Space consisting of the entire third floor, excluding only the caretaker's apartment as shown on Exhibit 'G', and b) a non-exclusive licenses to use all public areas in, near, adjacent or related to the Building which are reasonably necessary to enable Q2 to derive the benefits of the license granted hereunder ('Common Areas'). All of the Exhibits referred to in this Paragraph 1 are attached to and made a part of this Agreement. Control Equipment, Edit Equipment and Graphics Equipment are sometimes hereinafter collectively referred to as 'Programming Equipment'. The exclusive and non-exclusive licenses will sometimes hereinafter collectively be referred to as the 'License'.

2. Term.

The initial term ('Initial Term') of this Agreement will commence on March 15, 1994 ('Commencement Date') and expire at midnight on September 14, 1995 ('Expiration Date'), unless sooner terminated in accordance with this Agreement. Q2 will have the right to extend the Initial Term for one period of nine (9) months and fifteen (15) days and then two consecutive one (1) year terms (each such extension will hereinafter be referred to as a 'Subsequent Term'), upon notice to Silvercup at least ninety (90) days prior to the end of the Initial Term or any Subsequent Term being extended, as the case may be. If extended, this Agreement will continue during each Subsequent Term upon the same terms and conditions set forth herein, except as may otherwise be expressly provided in this

Agreement. The Initial Term and any and all Subsequent Terms will be referred to herein as the 'Term'.

3. License Fee.

A. Q2 will pay the following monthly license fee ('License Fee') to Silvercup for the License and all other rights granted to Q2 and services to be performed by Silvercup hereunder: (i) During the Initial Term, two hundred sixty-nine thousand ($269,000.00) dollars per month, (ii) During Subsequent Terms, if any, the License Fee shall increase by five (5%) percent during each twelve month period in accordance with the schedule attached hereto as Exhibit H. Such payment will be made in advance to Silvercup at its address set forth above on the dates indicated on Exhibit H attached hereto. The first of such payments shall be made by check made payable to Silvercup Studios, Inc. on behalf of Silvercup to be endorsed to the order of Silvercup. The License Fee will commence on the Commencement Date. If the Term ends on a day other than the last day of a License Month (as hereinafter defined), then the License Fee for such fractional License Month will be prorated on the basis of 1/30th of the monthly License Fee for each day of such fractional License Month. License Month shall mean a period commencing on a specific date and ending on a date in the succeeding month which is one day prior to the specific period commencement date except for the period commencing June 15, 1996 and ending June 30, 1996 in which

the proration during such period shall be based on 1/15th of the License Fee set forth for such period on Exhibit H. The parties acknowledge that the time periods set forth in this Agreement for the purpose of calculation of the License Fee increases does not correspond directly to the time period constituting Subsequent Terms hereunder.

B. During the Term, in addition to the License Fee set forth in Paragraph 3A, above, Q2 will reimburse Silvercup in an amount equal to fifteen (15%) percent of any and all increases in Real Estate Taxes (as defined below) or Payments in Lieu of Real Estate Taxes covering the real property located in Queens County, City of New York, and designated as Block 427, Lots 27 and 60 on the Tax Map, above the Real Estate Taxes for the 1994-1995 fiscal tax year, whether any such increase results from a higher tax rate or an increase in the assessed valuation of the property, or both. 'Real Estate Taxes' shall mean (a) real estate taxes and assessments, whether general or special, transit taxes, business improvement district charges, levied or assessed against the land on which the building is located and the Building, by any governmental authority and (b) all water and sewer rents, meter charges, taxes and frontage assessed or imposed against the Building. Real Estate Taxes shall not include any penalties, fines, fees or interest charges arising out of the Real Estate Taxes and any federal, state, municipal, city or other income, profit, franchise, capital stock, estate or inheritance tax. All such payments will be appropriately pro-rated for any partial fiscal years in which the Initial Term or Subsequent Term, as applicable, will commence or expire based on the number of days during the then current term of the Agreement as such total bears to 365. Within sixty (60) days after its receipt of the tax bills for each fiscal tax year, subsequent to the 1994-95 fiscal year, during the Term and with proof of payment of such Real Estate Tax, Silvercup wil provide notice of such increases to Q2 specifying the method of calculation of amounts due hereunder. Such notice will be accompanied by a copy of the applicable tax bill and such proof of payment. Amounts due hereunder will be payable by Q2 in twelve equal monthly installments

commencing with the next License Fee payment made pursuant to Paragraph 3A, above, after receipt of such notice. Silvercup will immediately pay to Q2 the pro rata portion of any Real Estate Tax refunds for any period during the Term, net of expenses reasonably incurred by Silvercup in contesting Real Estate Taxes related to such refund, received by Silvercup or, at Q2's option, will credit such amount against the License Fee. In no event will Q2 be responsible for any payments of penalties, interest, fines or fees resulting from Silvercup's failure to timely file returns required and pay any taxes applicable to it.

C. The License Fee payable by Q2 pursuant to this Agreement includes, inter alia, reimbursement to Silvercup for its cost of supplying and furnishing electrical service. During the Term, if the rates for supplying the Building with electricity published by the utility or municipality supplying the Building with same, shall be increased or decreased over the rates in effect as of the Commencement Date, Q2 shall reimburse Silvercup or be credited, as the case may be, fifteen (15%) percent of such increase or

decrease. Within sixty (60) days of the earlier of its receipt of a rate increase or decrease from the utility or municipality supplying electrical service, or its receipt of a bill reflecting any such rate change, Silvercup will provide a copy of such notice or bill to Q2 along with the commencement date of same. Within fifteen (15) days of receipt by Q2 of each such notice or bill and specification of the method of calculation of amounts due hereunder and proof thereof, payment or credit, as applicable, shall be made in an amount equal to fifteen percent (15%) of adjusted rate multiplied by the current usage as indicated on the bill less the immediately preceding rate multiplied by the current usage as indicated on the bill.

D. In the event that Silvercup will, at any time during the Term of this Agreement, construct an addition or expansion on to the Building the percentages set forth in Subparagraphs 3A and B, above, shall be equitably adjusted to reflect Real Estate Taxes and electricity attributable to such expansion or addition. In the event Q2 and Silvercup are unable to agree as to the calculation of such percentages, the matter shall be submitted to arbitration in New York City, New York, which arbitration the parties agree shall be final and binding as to these matters. American Arbitration Association rules shall apply to such arbitration.

4. Alterations.

A. Silvercup will, at its sole expense, provide (i) all materials, construction, installation and other work necessary for the use of operational Q2 Programming Facilities, as follows: (a) all work, materials and equipment set forth in Exhibits B, C, D E, F and G, (b) incandescent lighting instruments, dimmers and bulbs (which bulbs are to be replaced upon burnout by and at the expense of Q2) as set forth in Exhibit 'I' attached hereto (c) will arrange with a recognized and qualified third party provider for two fiber optic lines from the Building to what is commonly known in the New York Metropolitan Area television industry as 'the Switch', WTN or any other comparable designation selected by Q2 (the 'Fiber Optics'), and (d) a wall construction with a basic pipe lighting grid in Show Control creating an area for use by Q2 as an MOS insert stage as per Exhibit 'J', and (ii) the Q2 Office Space in broom clean

condition, with Silvercup's standard HVAC distribution installation, as presently exists in Studio 42. Q2 at its expense will arrange with Silvercup or a third party for the demolition of the Q2 Office Space, other than in Studio 34. In addition, Silvercup will install in a portion of the Q2 Office Space, i.e., Silvercup's existing Studio 34, as shown in Exhibit 'G', ten (10) picture windows in appearance similar to those located, as of the date of this Agreement, in Studio 42 in the Building (the 'Windows'). Q2 will contribute $50,000 towards Silvercup's purchase and installation of the Windows, payable upon completion of installation of the Windows. Other than as expressly set forth in this Paragraph 4, the Q2 Office Space will be delivered in 'as-is' condition. Silvercup will use its best efforts to ensure that its obligrations under this Paragraph 4 will be fulfilled at the earliest time taking into consideration weather, material availability, occupancy by Q2 and other possible delays beyond Silvercup's control. If the Programming Facilities are not fully installed and operational by the Commencement Date, Silvercup will, at no

additional cost to Q2, provide exclusive use to Q2 of a 40 foot truck from All-Mobile Video Inc., or similar mobile unit (the 'VD Truck') which will be fully equipped with programming equipment in good and operating working order comparable to that described in Paragraph 1, above by April 6, 1994.

B. Q2, at its sole cost and expense, will be responsible for the construction of storage units in the Show Control space and the build out of the Q2 Office Space. Such installations will at all times be and remain the property of Q2 and may be removed by Q2 at any time during or upon the expiration of earlier termination of this Agreement. Q2 will have the right at any time during the Term to establish return video capabilities in the Q2 Programming Facilities and Q2 Office Space at its sole expense and to install its own telephone switch at the Building. Such installation and equipment shall be located within the space licensed hereunder. Q2 shall have the right to install, at its own expense, a satellite dish, having a diameter of approximately four feet, on the roof of the Buiding without charge, at a location designed by Silvercup. The location of said satellite dish will be changed by Q2 at the reasonable request of Silvercup, at Q2's expense.

C. At the commencement of the Term, the Q2 Office Space will be in the process of being altered by Q2 and not immediately available for Q2's use. Silvercup, at no additional expense to Q2, will provide Studio 42 as presently constituted and shown on the attached Exhibt K for temporary office space for Q2's exclusive use until May 31, 1994. Silvercup will provide electric current to one location in Studio 42 from which Q2 may arrange distribution of electric current to outlets throughout Studio 42.

D. Notwithstanding anything to the contrary contained in this Agreement, in the event the control, edit and graphic rooms and Programming Equipment are not operational by September 15, 1994, Q2 may, at its option, terminate this Agreement by giving Silvercup notice on or before September 20, 1994 of such termination and this Agreement will cease and end without the payment by Q2 of the early termination fee as set forth in Paragraph 14 below, and without any further liability on the part of Q2, except for amounts due and owing hereunder at the time of such termination.

5. Relocation.

Silvercup will have the right to cause the broadcast production of Q2's programming to be relocated from Studio 9 to Studio 2 (as shown on Exhibit A attached hereto) and Show Control to be relocated from Studio to an equivalent storage area having the same or greater floor area, located on the north side of the Building (collectively the 'Relocation') provided that Silvercup will: a) provide to Q2 and Q2 will receive written notice of such Relocation at least five (5) months prior to the date of Relocation which notice will specify a schedule for the Relocation, b) bear the full cost and expense of the relocation of the physical contents and other property belonging to or used by Q2 and located in Studio 9 and Show Control, including strike and reset, c) provide Q2

Show Control space and Control Room adjacent to the relocated studio, and E and G Rooms of the same or greater floor area at such location on the first or second floors as designated by Silvercup, and d) schedule and execute the Relocation without interruption of the then current programming broadcast schedule, except to the extent of one interruption of up to 120 seconds. Silvercup and Q2 will execute an amendment to this Agreement confirming the Relocation prior to the Relocation. Upon completion of the Relocation, this Agreement will cease to cover the areas from which Q2 was relocated and shall automatically thereafter cover the areas to which Q2 has been relocated on the same terms and conditions in this Agreement in effect immediately before the relocation. Relocation space will also be referred to herein as 'Q2 Programming Facilities'.

6. Maintenance, Repair and Replacement.

Except as otherwise set forth in this Agreement, Silvercup will be responsible, at its sole expense, for the maintenance, operation and repair of the Building, including, but not limited to Common Areas, bathrooms and hallways, and those areas set under license to Q2. The maintenance will include, but is not limited to, janitorial services and trash removal for Q2's C, E, & G rooms and Q2 Office Space. Q2 will provide daily cleaning of Studio 9 and Show Control and will remove and place trash from those areas to the location designated by Silvercup for collection by Silvercup. Q2 will pay Silvercup for trash removal from the Q2 Show Control and Studio areas at its standard rate then being charged other licensees, or users of the Building. Silvercup will keep the Building, including all mechanical systems, structural and non-structural components thereof, in good condition, working order and repair throughout the Term. Silvercup will use its best efforts to promptly provide any required or necessary repairs, maintenance or replacements without interruption of Q2's broadcast programming schedule. Silvercup agrees to provide at all times during the Term, at no additional expense to Q2, back-up equipment in good condition and working order as shown on Exhibit L attached hereto. In the event that Silvercup fails to provide fully operating back-up equipment as set forth on Exhibit L within one-half (1/2) hour of failure of any such piece of equipment, Q2 may arrange with a third party for the same and deduct expenses incurred by Q2 in connecting therewith from the License Fee. In the event that Silvercup does not promptly provide any required or necessary repairs, maintenance or replacements, other than as set forth in the foregoing sentence, Q2 may arrange with a third party for the same and, with Silvercup's consent, may deduct expenses incurred in connection therewith from the License Fee.

In the event that Q2 and Silvercup shall be unable to agree upon such deduction or the amount of any such deduction, the parties agree to submit the matter to arbitration in New York, New York under the rules of the American Arbitration Association. The determination of the arbitrators shall be final and binding on the parties.

7. Utilities.

Provided Q2 is not in default of the terms of this Agreement, Silvercup will provide, at no additional charge, all utilities, including, but not limited to, electricity, water and HVAC, on all days and hours during the Term. However, Silvercup shall not be responsible to Q2 in the event Con Edison or other providers of electricity or water shall fail to provide such utility to the Building, other than due to the acts or omissions of Silvercup.

8. Security.

Silvercup will, at its sole expense, provide one security person twenty-four (24) hour per day, seven (7) days per week for the Building at the main lobby located on 22nd Street as shown in Exhibit A attached hereto. All other entrances to the Building will be locked except when in use by Silvercup personnel or by other occupants of the Building.

9. Control Room.

Upon written request of Silvercup, Q2 may, at its discretion, agree effective only in writing, to permit Silvercup to use the Q2 control room and Control Equipment on a temporary basis. In that event, Silvercup will pay to Q2 an amount equal to the daily rate charged by Silvercup to other users of similar space, or such other fee as may be agreed upon in advance by Q2 and Silvercup. Q2 will invoice Silvercup and payment will be made by Silvercup to Q2, within thirty (30) days of the use date either by check or by deduction from the License Fee, as agreed upon in advance by the parties.

10. Non-Studio Broadcast.

A. If Q2 desires to broadcast its programming from the roof of the Building ('Roof') or other areas in and about the Building, excluding those areas licensed hereunder ('Other Areas'), Silvercup will use its best efforts to accommodate the request. If Q2 uses the Roof for broadcast purposes or if Q2 uses Other Areas for broadcast purposes, Q2 will pay to Silvercup the standard daily rate being charged by Silvercup to other users of the Roof or Other Areas. Silvercup will invoice Q2 for amounts, if any, due under this Paragraph 10A at the end of the month of actual use and payment will be due within thirty (30) days of receipt of such invoice. In the event Q2 uses the Roof or Other Areas, such use shall be solely at the risk of Q2 and Silvercup makes no representation that such use shall be permitted or proper use in accordance with the laws of the city and/or state of New York or any other governmental authority having jurisdiction over such location.

B. If Q2 shall desire to use technical programming equipment (such as the Programming Equipment) or facilities outside of the Building, Silvercup is hereby granted the right to furnish such programming equipment or facilities on the same terms and conditions as those being offered by the supplier offering to

provide such programming equipment or facilities to Q2, provided that Silvercup exercises its right to furnish such programming equipment and facilities within four (4) hours of Q2's notice to Silvercup, which notice may be oral or written.

In the event Silvercup's response is not received by Q2 in writing signed by an authorized representative of Silvercup within said four (4) hour period, Q2 shall be free to have such programming components or facilities furnished by any other supplier. Notwithstanding the foregoing, in the event that circumstances exist such that a four (4) hour turnaround time is not practicable, in Q2's sole determination, for Q2 to accomplish its needs, Silvercup need not be notified by Q2 and Silvercup shall not have the right to match such other offer at Q2 may accept any Silvercup offer. Further, anything in this Article 10B to the contrary notwithstanding, Q2 shall have the absolute right not to use Silvercup to furnish such programming equipment or facilities, if Q2 determines, in its sole and absolute discretion, that Silvercup is not

qualified to provide same. Q2's determinations under this Subparagraph 10B shall be final and binding upon the parties. Excluded from the provision of this Subparagraph 10B are tapes provided by third parties to Q2.

11. Parking.

Employees, guests and invitees of Q2 shall have the same right to park in the Building's parking lot located across the street from the Building, on a non-exclusive 'first come, first serve' basis, as all other licensees, and visitors of the Building. Silvercup acknowledges that the Building's parking lot is currently leased by Silvercup from the City of New York under a lease which is cancellable by the City of New York on thirty (30) days notice.

12. Transportation Allowance.

Silvercup will contribute one-half (1/2) of the cost, but in no event more than ten thousand ($10,000.00) dollars per each twelve month period during the Term, commencing on the Commencement Date, towards Q2's use of a bus, van, or similar multi-person vehicle as and for transportaion of Q2's personnel from the Building to a location, and during such hours during the Term as may be determined by Q2. Such amounts shall be due and payable by Silvercup to Q2 on a monthly basis (1/12 of the annual amount) commencing on the first of the month after receipt of an invoice therefor and shall be due to Q2 without further invoice therefor on the first of each month thereafter during each such twelve month period. Any use of such multi-perosn vehicle shall be, as between Q2 and Silvercup, contracted for solely in the name of Q2.

13. Twenty-Four (24) Hour Service.

Silvercup will provide its standard building maintenance, security and studio services in no event less than as enumerated on Exhibit 'M', twenty-four (24) hours per day, seven (7) days per week. Silvercup employees, agents and contractors performing such services will not be deemed for any purposes whatsoever to be Q2 employees.

14. Early Termination.

A. Q2 will have the right to terminate this Agreement early, without cause, upon the following terms and conditions: a) at any time after the end of the first six (6) months of the Initial Term but prior to the end of the twelfth month of the Initial Term by forwarding written notice to Silvercup of Q2's intention to terminate at least ninety (90) days prior to such termination, accompanied by the payment to Silvercup of a termination fee of $618,000 which sum is to be reduced by the sum of $51,500 for each month that Q2 does not terminate this Agreement after six (6) months and up to twelve (12) months (i.e., if Q2 terminates as of the twelfth month, the fee to be paid is $309,000; and b) at any time after the end of the first twelve (12) months of the Initial Term but prior to the Expiration Date by forwarding written notice to Silvercup of Q2's intention to terminate at least ninety (90) days prior to such termination accompanied by payment to Silvercup of a termination fee of $309,000 which sum is to be reduced by the sum of $51,500 for each month that Q2 does not terminate this Agreement after twelve (12) months and up to eighteen (18) months (i.e., if Q2 terminates after the fifteenth month, the fee to be paid is $154,500). The right to early termination provided for in Subparagraph 14A is only available to Q2 provided Q2 shall cease broadcasting for a period of one year from the date of such termination.

B. If Q2 extends the Initial Term or any Subsequent Term of this Agreement pursuant to Paragraph 2, above, Q2 will have the similar right to terminate this Agreement during each Subsequent Term by providing written notice to Silvercup at least ninety (90) days prior to such termination accompanied by the payment to Silvercup of a termination fee of $50,000.

15. Signage and Publicity.

Q2 may install signs inside and outside the Building, with the prior written approval of Silvercup, provided that such signs comply with all applicable New York City rules and regulations. Neither party will issue any publicity or press release regarding the other party or such party's activities hereunder without first obtaining the prior written consent of such other party.

16. Default.

A. If Q2 defaults in fulfilling any of the covenants of this Agreement or if this Agreement is rejected under Article 365 of Title II of the U.S. Code (hereinafter referred to as the 'Bankruptcy Code') or any similar or successor provisions; then, in any one or more of such events, upon Silvercup serving a written (i) eight (8) day notice for monetary default and (ii) thirty (30) day notice for non-monetary default specifying the nature of such default, and upon the expiration of the applicable notice period, if Q2 will have failed to remedy such default, or if such default shall be non-monetary and of a nature that the same cannot be completely remedied within such thirty (30) day period, and if Q2 will have diligently commenced during such default within such thirty (30) day period and shall not thereafter with reasonable diligence and in good faith

proceed to remedy or cure such default, then this Agreement and the Term hereunder will end and expire and Q2 will then quit and surrender the Q2 Programming Facilities and Office Space licensed hereunder to Silvercup or if Q2 shall fail to quit and surrender, Silvercup may without notice reenter the Q2

Programming Facilities and Q2 Office Space by force or otherwise and remove Q2's effects and hold such Q2 Programming Facilities and Q2 Office Space as if this Agreement had not been made. Such termination shall not relieve the obligations of Q2 hereunder. The curative periods herein set forth shall include Saturdays, Sundays, or public holidays under the laws of the State of New York.

B. In the event that this Agreement is rejected by Silvercup under Article 365(h) of the Bankruptcy Code or similar provision contained in the Bankruptcy Code, then Q2 shall be afforded the same rights as if Q2 were a lessee of the Q2 Programming Facilities and Q2 Office Space. Notwithstanding the terms and conditions of this Paragraph 16, in the event that Silvercup serves a notice of non-monetary default upon Q2, and Q2 shall dispute such determination, the parties agree to submit such dispute for settlement to the American Arbitration Association in New York, New York and all cure periods set forth above will be tolled and will not commence until ten (10) days after receipt by Q2 of the arbitrator's decision that Q2 is in default. The parties agree that such arbitrator's determination shall be final and binding.

17. Restoration of Premises.

At the expiration of the Term, Q2 shall restore the Q2 Programming Facilities and Q2 Office Space, at the option of Silvercup, to the state and condition of such facilities at the commencement of this Agreement reasonable wear and tear and damage by fire or other casualty not occurring through the negligence of Q2 or its employees excepted. Q2 shall have the right to remove all personal property, trade fixtures, apparatus and improvements belonging to or installed by Q2 provided that any damage caused to the Building by such removal be repaired at Q2's expense. Any improvements, or alterations may remain without restoration of the space to its original condition upon the written consent of Silvercup.

18. Advanced Payment.

A. Q2 will deposit with Martin B. Epstein, Esq. ('Escrowee') by check made payable to Silvercup Studios Inc. on behalf of Silvercup to be endorsed to the order of Martin B. Epstein, as attorney, upon full execution of this Agreement, the sum of $618,000 as an advance payment for Q2's obligations hereunder including but not limited to the termination fee provided for in Paragraph 14 ('Advanced Payment'). Commencing on September 1, 1994, Silvercup will credit Q2 $34,333 per month toward the License Fee and other obligations due from Q2 to Silvercup until such time as $412,000 will have been credited to Q2 and $206,000 will remain as an Advance Payment against

obligations of Q2 due to Silvercup at the expiration of the Term as shown on Exhibit H. If Q2 defaults in respect of any of the terms, provisions and conditions of this Agreement, after expiration of all cure periods and provided that Silvercup has properly terminated this Agreement, Silvercup may use, apply or retain the whole or any part of the Advance Payment to the extent required for the payment of any License Fee or any other sum as to which Q2 is in default or for any sum which Silvercup may reasonably expend or reasonably be required to expend by reason of Q2's default. In the event that Q2 will faithfully comply

with all of the terms and conditions of this Agreement, the portion of the Advance Payment which has not been credited against the License Fee, increased by five (5%) percent per year for each 12 month period that has occurred after the Initial Term, and after deduction of any applicable termination fee, pursuant to Paragraph 14, and estimated restoration charges as provided in Paragraph 17 in an amount which shall be equal the average of one estimate provided by each party for the cost of such restoration, will be credited against the License Fee for the last month of use and within thirty (30) days after Q2 has vacated the Q2 Programming Facilities and Q2 Office Space, the parties hereto will adjust all money due and owing.

B. The Escrowee shall hold the Advance Payment in a separate escrow account at National Westminster Bank, Scarsdale, New York which account shall earn interest payable by said bank on such accounts, which interest shall belong to Silvercup. The Advance Payment shall be disbursed by Escrowee to Silvercup, from time to time, on the basis of a requisition signed by an officer of its corporate general partner, which shall state: (a) that funds have been expended by Silvercup in connection with the Q2 Programming Facilities and Q2 Office Space; (b) the nature of such expenditure and (c) the amount of such expenditure along with an invoice therefor. Upon receipt of such requisition and invoice, Escrowee, without determining the accuracy or validity thereof, may issue checks equal to the amount of such expenditure until all of the Advance Payment, and any interest earned thereon has been disbursed.

In the event the Advance Payment and interest earned thereon has not been fully disbursed by the end of the Term, it shall be paid over to Q2.

The Parties acknowledge that the Escrowee is holding the Advance Payment for Q2's account, for all other purposes Escrowee is acting as a Stakeholder at their request and for their convenience, and that Escrowee shall not be liable to either party for any act or omission on its part unless taken or suffered in bad faith or in willful disregard of this Agreement or involving gross negligence on the part of Escrowee. Q2 and Silvercup, jointly and severally, agree to defend, indemnify and hold Escrowee harmless from and against all costs, claims, and expenses (including reasonable attorney's fees) incurred in connection with the performance of Escrowee's duties hereunder, except with respect to actions or omissions taken or suffered by Escrowee in bad faith or in willful disregard of this Agreement or involving gross negligence on the part of Escrowee.

Escrowee may act or refrain from acting in respect of any matter referred

to herein in full reliance upon and with the advice of counsel which may be selected by him and shall be fully protected in so acting or refraining from action upon the advice of such counsel.

Escrowee shall be permitted to act as counsel for Silvercup in any dispute as to the disbursement of the Advance Payment or any other dispute between the parties whether or not Escrowee is in possession of the Advance Payment and continues to act as Escrowee.

19. Notices.

All notices and other communications hereunder will be in writing and will be deemed given when delivered personally, by reputable overnight courier or by facsimile transmission or on the third succeeding business day after being mailed by registered or certified mail, return-receipt requested to the appropriate party at its address below (or such other address for such party as will be specified by notice delivered pursuant hereto):

<TABLE>
<S> <C>
If to Silvercup: Silvercup Studios, Inc.
42-22 22nd Street
Long Island City, New York 11101
Attn: Alan or Stuart Suna

with a copy to: Martin B. Epstein, Esq.
50 Main Street, Suite 1000
White Plains, New York 10606

If to Q2: Q2 Inc.
42-22 22nd Street
Long Island City, New York 11101
Attn: Ann Sardini, Chief Financial Officer
and
Clayton Gsell, V.P. Broadcast Operations

with a copy to: Q2 Inc.
c/o QVC Network, Inc.
1365 Enterprise Drive
West Chester, Pennsylvania 19380
Attn: Neal S. Grabell, General Counsel
</TABLE>

20. Representations and Warranties.

A. Q2 represents, warrants and covenants to Silvercup, its successors and permitted assigns that (i) it is a corporation in good standing, duly organized

and validly existing under the law of its state of incorporation and is authorized to do business in the state of New York, (ii) it has the power and authority to own its own assets and to carry on its business as now being conducted, (iii) it has the power to execute, deliver and perform this Agreement, and (iv) the execution, delivery and performance by it of this Agreement has been duly authorized by all requisite corporate action and will not violate or contravene any provision of law applicable to it, any order of any court or other agency of the United States or any state thereof applicable to it, its certificate of incorporation or by-laws or any provision of any agreement or instrument to which it is a party or by which it is bound.

B. Silvercup represents, warrants and covenants to Q2 its successors and permitted assigns that:

(i) It is a limited partnership in good standing, duly organized and validly existing under the laws of Connecticut and is authorized to do business in the State of New York;

(ii) It has the power and authority to own its own assets and to carry on its business as now being conducted;

(iii) It has the power to execute, deliver and perform this Agreement;

(iv) The execution, delivery and performance by it of this Agreement has been duly authorized by all requisite action of its general partner, which general partner has been duly authorized to enter into this Agreement on its behalf, and will not violate or contravene any provision of law applicable to it, any order of any court or other agency of the United States or any state thereof applicable to it, its certificate or any provision of any agreement or instrument to which it is a party or by which it is bound;

(v) Any and all construction, alterations, repairs, replacements or other work to be performed by Silvercup under this Agreement will be performed in a good, workmanlike and timely manner in accordance with this Agreement, and the Programming Equipment will be in good working order in accordance with this Agreement;

(vi) Silvercup has entered into or will enter into a valid and binding written agreement with All Mobile Video Inc. regarding its obligations relating to providing Programming Equipment and VD Truck as set forth in this Agreement;

(vii) There are no existing tax abatements for the Building or real property on which the Building is situated which are scheduled to or will expire during the Term;

(viii) All Real Estate Taxes and assessments due and owing to any governmental authority by Silvercup in connection with the Building or the real

property on which the Building is situated have been paid in full;

(ix) Silvercup has and will maintain during the Term, all licenses and permits required or hereafter requested to permit Q2's use and occupancy of the Q2 Programming Facilities for the purpose contemplated herein;

(x) To the best of Silvercup's knowledge, there are no changes pending in laws, ordinances or regulations that would adversely affect the current operation of the Building;

(xi) Silvercup is not a party to a union contract or collective bargaining agreement;

(xii) Other than Crossland Savings FSB, a federal stock savings bank having an address at 211 Montague Street, Brooklyn, New York; the Bank of New York, a banking corporation having an address at 21 West Street, New York, New York as successor to Long Island Trust Co., a trustee pursuant to that certain indenture of mortgage and trust -- Series B dated as of July 1, 1981 as amended; New York City Industrial Development Agency, a corporate governmental agency existing under the laws of the State of New York having an address at 110 William Street, New York, New York; Financial Services Corporation of New York City, a New York

not-for-profit corporation having an address at 110 Williams Street, New York, New York; Citytrust, a Connecticut bank and trust company having an address at 961 Main Street, Bridgeport, Connecticut; the City of New York, a municipal corporation of the State of New York having an address at City Hall, New York, New York; New York Job Development Authority with offices at 603 Third Avenue, New York, New York, and their respective successors or assigns there are no mortgages or ground leases encumbering the Building or the land on which it is situated.

(xiii) Attached hereto as Exhibit N is a copy of the current Certificate of Occupancy for the Building which has not been revoked, modified or amended;

(xiv) The Building and only the Building is designated on the Tax Map of the City of New York, County of Queens as Block 427, Lots 27 and 60.

(xv) Attached hereto as Exhibit O are true and correct copies of pages 8, 9, 24, 25, 26 and 27 of the Silvercup Studios Associates Limited Partnership Agreement which empower the general partner to enter into this Agreement.

C. The representations, warranties and covenants contained in Subparagraphs 20A and 20B shall survive the expiration or earlier termination of this Agreement.

21. Indemnification.

Each party to this Agreement hereby agrees to indemnify, defend and hold harmless the other party, its parent, subsidiaries, affiliates and partners and each of their respective officers, directors, agents, employees, successors and permitted assigns from and against any and all claims, causes of action,

liabilities, damages and expenses, including reasonable attorneys' fees, arising by reason of, or in connection with, any of the following, whether or not any such claim is based on principals of contract law or tort or any other principal of law; (a) the breach, default or failure of a party to this

Agreement of any provisions of this Agreement, including, but not limited to the representations and warranties contained herein, or of any of such party's duties hereunder or at law; and (b) the acts or omissions of a party to this Agreement or of any of its servants, agents, employees or contractors, in connection with the performance of this Agreement. This indemnification provision shall survive the expiration of earlier termination of this Agreement.

22. Subordination.

A. This Agreement, and all rights of Q2 hereunder, are and shall be subject and subordinate in all respects to all present and future ground leases, and underlying leases and/or grants of term of the land and/or Building or the portion thereof in which the Q2 Programming Facilities and Q2 Office Space are or will be located in whole or in part now or hereafter existing ('Superior Leases') and to all mortgages and building loan agreements which may now or hereafter affect the land and/or the Building and/or any of such leases ('Superior Mortgages') whether or not the Superior Leases or Superior Mortgages

shall also cover other lands and/or buildings, to each and every advance made or hereafter to be made under the Superior Mortgages and to all renewals, modifications, replacements and extensions of the Superior Leases and Superior Mortgages and spreaders, and consolidations of the Superior Mortgages. This Subparagraph 22A shall be self-operative and no further instrument of subordination shall be required.

B. In confirmation of each subordination, Q2 shall promptly execute and deliver at its own cost, such instrument, in recordable form that Silvercup may reasonably require to evidence such subordination.

C. Promptly upon execution of this Agreement, Silvercup agrees to use its best efforts in obtaining from each and every holder of a Superior Lease or Superior Mortgage a non-disturbance agreement which shall provide that Q2 shall not be divested or in any way affected by foreclosure or other default proceedings under such Superior Lease and/or Superior Mortgage so long as Q2 shall not be in default under the terms of this Agreement.

23. Eminent Domain.

If the whole of the Building or the Q2 Programming Facilities or Q2 Office Space, or so much thereof that the remainder will not be sufficient for the continued operation of Q2's business as contemplated hereunder, will be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, then, and in that event, the Term will cease and

terminate, effective on the date on which the title will vest in the condemnor. Silvercup will have no claim for any portion of any License Fee or any payments due or which may become due under this Agreement by Q2. Q2 hereby waives the right to make a claim as licensee or otherwise in such condemnation proceedings, except its right to recover from the condemning authority such compensation as may be separately awarded or recovered by Q2 in Q2's own right on account of any damages to Q2's business by reason of the condemnation or loss which Q2 might be put in removing Q2's furniture, fixtures, equipment and other personal property.

24. No Broker.

Both Silvercup and Q2 represent to each other that no broker or finder brought about this Agreement and each party agrees to indemnify and hold the other harmless from claims made by any broker or finder claiming through such party.

25. Quiet Enjoyment.

Silvercup covenants that it has the right and authority to enter into this Agreement and that subject to covenants, easements and restrictions of record and any applicable zoning, building and other ordinances or requirements of the City of New York, Q2 may peaceably and quietly have, hold and enjoy the Q2 Programming Facilities and Q2 Office Space provided that Q2 perform and fulfills all the terms and conditions of this Agreement.

26. Assignment.

This Agreement is binding upon the parties and their respective successors and assigns. Neither party may assign or transfer this agreement or any rights or obligations hereunder without the prior written consent of the other party except Q2 may, without the prior written consent of Silvercup, permit the Q2 Programming Facilities and Q2 Office Space to be used and occupied by, or may assign this Agreement or any rights or obligations under this Agreement to a parent, subsidiary or affiliate of Q2 or its parent, provided that: a) Q2 will remain liable under this Agreement, b) the transferee, if any, will expressly assume Q2's obligations under this Agreement, and c) the facilities licensed hereunder will be used solely as provided for in this Agreement.

27. Casualty Damage.

A. If the Building or the Q2 Programming Facilities or Q2 Office Space and/or access thereto shall be partially or totally damaged or destroyed by fire or other casualty, then Silvercup shall, subject to its rights under this Paragraph 27, repair the damage and restore and rebuild the Building, the Q2 Programming Facilities or Q2 Office Space or access thereto at its expense as nearly as may be reasonably practical to its condition and character immediately prior to such damage or destruction, with reasonable diligence after notice to

it of the damage or destruction.

B. If the Q2 Programming Facilities or Q2 Office Space and/or access thereto shall be partially or totally damaged or destroyed by fire or other casualty not attributable to the fault, negligence or misuse thereof by Q2, its agents or employees the License Fee and other fees payable hereunder shall be abated to the extent that the Q2 Programming Facilities or Q2 Office Space shall have been rendered unusable from the date of such damage or destruction to the date that damage shall be substantially repaired or restored or rebuilt. Should Q2 reoccupy a portion of the Q2 Programming Facilities or Q2 Office Space during the period that the repair, restoration, or rebuilding is in progress and prior to the date that the same are made completely usable, fees allocable to such portion shall be payable by Q2 from the date of such use to the date the Q2 Programming Facilities or Q2 Office Space are made usable.

C. Notwithstanding the foregoing to the contrary, in case of substantial damage or destruction of the Q2 Programming Facilities or Q2 Office Space, Q2 may terminate this Agreement by notice to Silvercup at least thirty (30) days prior to the effective date of such termination, if Silvercup fails to commence restoration work to the Q2 Programming Facilities or Q2 Office Space and access thereto, within ninety (90) days after the damage occurs, fails to substantially complete such work within one hundred eighty (180) days after commencing the same, or such additional time as may be reasonably necessary due to strikes, labor troubles, shortages of equipment or materials, government requirements or other causes beyond Silvercup's reasonable control. Such termination rights are cumulative.

D. Notwithstanding the foregoing to the contrary, Silvercup may elect not to perform restoration work and instead terminate this Agreement by notifying Q2 in writing of such termination within ninety (90) days after the date of such damage, but Silvercup may so elect only if the Building shall be damaged by fire or other casualty or cause (whether or not the Q2 Programming Facilities and/or Q2 Office Space are affected) such that (a) repairs cannot reasonably be

completed within one hundred eighty (180) days after being commenced without the payment of overtime or other premiums, (b) any Superior Lease and/or Superior Mortgage holder shall require that the insurance proceeds, or any portion thereof be used to retire the mortgage debt (or shall terminate the ground lease, as the case may be), (c) the damage is not fully covered by Silvercup's insurance policies, or (d) the proceeds of the insurance are inadequate to restore the Building and its systems to its condition prior to the casualty.

E. No damages, compensation or claim shall be payable by Silvercup for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Q2 Programming Facilities and Q2 Office Space or of the Building pursuant to this Paragraph 27. Silvercup shall use its best efforts to effect such repair or restoration promptly and in such manner as not to unreasonably interfere with Q2's use and occupancy. Notwithstanding anything herein to the contrary, in the event that the Q2 Programming Facilities or Q2 Office Space shall be partially or totally damaged or

destroyed by fire or other casualty, then Silvercup shall use its efforts to relocate the Q2 Programming Facilities and Q2 Office Space as the case may be, to other comparable portions of the Building.

F. Silvercup will not carry insurance of any kind on Q2's personal property, and, except as provided by law or for its breach of any of its obligations hereunder, shall not be obligated to repair any damage thereto or replace the same unless not covered by insurance and caused by the negligence of Silvercup, its agents, contractors, or employees.

G. Notwithstanding any of the foregoing provisions of this Paragraph 27, if Silvercup or the lessor of any Superior Lease or the holder of any Superior Mortgage shall be unable to collect all of the insurance proceeds (including rent insurance proceeds) applicable to damage or destruction of the Building by fire or other cause, by reason of some action or inaction on the part of Q2 or any of its employees, agents or contractors, then, without prejudice to any other remedies which may be available against Q2, the abatement of Q2's rents provided for in Subparagraph 27B shall not be effective to the extent of the uncollected insurance proceeds.

28. Insurance.

A. Q2's Liability Insurance.

(i) Q2 shall purchase and maintain such insurance as will protect it from claims set forth below which may arise out of or result from its operations under this Agreement, whether such operations be by itself or by any subcontractor or by anyone directly or indirectly employed by any of them, or by any one for whose acts, any of them may be liable:

(a) Claims under Workers' or Workmen's Compensation, Disability Benefit and other similar employee benefit acts;

(b) Claims for damages for occupational bodily injury, sickness or disease, or death of Q2's employees;

(c) Claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees;

(d) Claims for damages insured by professional broadcasters liability insurance which coverage shall include claims for libel, slander, defamation of character, invasion of privacy, infringement of copyright, unfair competition and which claims are sustained by any person as a result of an offense directly or indirectly related to the employment of such person by Q2;

(e) Claims for damages, because of injury to or destruction of tangible property of Q2 and others, including loss of use resulting therefrom; and

(f) Claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle owned, by Q2, hired, non-owned.

(ii) The insurance required by Sub-Paragraphs 28(A)(i)(a) and (b) shall be written for not less than any limits or liability specified by statute. The insurance required by Subparagraph A(i)(c) through (f), inclusive shall be written for not less than limits of twenty million dollars ($20,000,000) per occurrence/aggregate.

(iii) The insurance required by this Paragraph shall include contractual liability insurance applicable to Q2's obligations under the indemnification provisions of this Agreement.

(iv) The Certificates of Insurance acceptable to Silvercup shall be filed with Silvercup prior to commencment of the term. The Certificate shall contain the provision that coverage afforded under the policies will not be canceled until at least thirty (30) days prior written notice has been given to Silvercup.

B. Q2's Property Insurance -- Q2 shall, during the Term, purchase and maintain property insurance on all scenery, costumes, electrical, lighting and sound equipment, furniture, furnishings, fixtures, improvements, appurtenances, lighting and musical material, inventory, and all other properties and material owned, rented, licensed or brought into the studio facilities of Silvercup by Q2, its subcontractors or others. Q2 acknowleges that Silvercup will not carry insurance on any such property and agrees that Silvercup will have no obligation to repair any damage thereto or to replace any of such property. Such insurance shall be for the full replacement value of such property. This insurance shall include the interest of Q2, its subcontractors, and Silvercup, if any, and shall insure against the perils of fire and extended coverage and shall include 'all risk' insurance for physical loss or damage including, but not limited to, without duplication of coverage, theft, vandalism and malicious mischief.

C. Silvercup's Insurance -- Silvercup shall maintain during the Term comprehensive general liability insurance with combined single limits of not less than eleven million dollars ($11,000,000) for public liability, bodily injury, sickness, disease or death and for damage or injury to or destruction of property, including loss of use thereof, for any one occurrence. Silvercup shall also maintain during the Term primary, non-contributory insurance on the Building against so-called 'all risk' in an amount equal to the full insurable replacement value of the Building. Silvercup shall also maintain workers

compensation and employer's liability insurance and such other coverages as required by law. Evidence of all such insurance coverage shall be provided to Q2 within seven (7) days of commencement date including a provision of notice of cancellation to Q2, Att: Ann Sardini, Chief Finanical Officer at the address set forth above with a copy to Q2 Inc., c/o QVC Network, Inc. 1365 Enterprise Drive, West Chester, PA 19380 Att: Neal Grabell, General Counsel.

D. Q2 and Silvercup waive all rights against each other and their respective subcontractors, agents and employees each of the other for damages caused by fire or other perils to the extent covered by the insurance obtained pursuant to this Agreement or any other property insurance applicable to the personal property being insured herein.

E. Q2, at its option, may purchase and maintain such insurance as will insure against loss of use or loss of profit due to fire or other hazards, however caused.

F. On general liability policies of insurance, Silvercup and All Mobile Video Inc., shall be named as an addtional insured. On policies of property insurance required hereunder Silvercup and All Mobile Video, Inc. shall be named as an additional insured as respects any property owned by them.

29. Force Majeure.

If Silvercup or Q2 is delayed at any time in the performance of its obligations hereunder by any act or neglect of the other party or its employees, contractors or agents or by labor disputes, fire, unusual delay in transportation, adverse weather conditions, unavoidable casualties or any cause beyond such parties' reasonable control, the time for its performance shall be equitably adjusted and such party shall use its best efforts to seek reasonable alternatives if this provision shall be relied upon.

30. Q2's Compliance with Laws, Etc.

A. Q2, at its own cost and expense, shall promptly comply with all present and future laws, orders and regulations of all state, Federal, Municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law and all orders, rules and regulations of the New York Board of Fire Underwriters or the Insurance Service Office or any similar body which shall impose any violations, order or duty upon Silvercup or Q2 with respect to the Q2 Programming Facilities or Q2 Office Space as a result of Q2's use or manner of use thereof.

B. Q2 shall not do or permit any act or thing to be done in or to the Q2 Programming Facilities or Q2 Office Space which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies

of insurance at any time carried by or for the benefit of Silvercup.

C. Q2 shall not keep anything in the Q2 Programming Facilities or Q2 Office Space, except as permitted by the Fire Department, Board of Fire Underwriters, Fire Insurance Rating Organization and other authority having jurisdiction and then only in such manner and such quantity so as not to increase the rate of fire insurance applicable to the Building, nor use the Q2 Programmable Facilities and Q2 office space in a manner which will increase the insurance rates for the Builiding. If by reason of Q2's failure to comply, Silvercup shall receive an increase in its fire insurance or other insurance premiums, such increase will be paid to Silvercup by Q2.

31. Mechanic's Liens.

If any mechanic's lien is filed against the Building for addtions, alterations or improvements made by Q2 or materials furnished to Q2 in connection therewith, the same shall be discharged by Q2 within 30 days thereafter, at Q2's expense, by filing the bond required by law or otherwise.

32. Silvercup's Exculpation.

A. Neither Silvercup nor any agent or employee of Silvercup shall be liable to Q2, its employees, agents, contractors, licensees, parent or affiliated companies for any injury or damage to Q2 or to any other persons for any damage to, or loss (by theft, vandalism or otherwise) of, any property of Q2 and/or of any other person, irrespective of the cause (unless caused by the negligence of Silvercup, its agents or employees) of such injury, damage or loss, including without limitations that caused by water regardless of its source, from electrical interruptions and/or failure of the Fiber Optics or other utilities or communication media so that Q2 is unable to broadcast.

B. Silvercup shall not be liable in any event for loss of or damage to, any property entrusted to any of Silvercup's employees or agents by Q2 without Silvercup's specific written consent.

C. Silvercup shall not be liable for the security or physical safety of Q2, its employees, agents or visitors to the Building or land except that it shall provide security personnel as provided in this Agreement.

D. In the event of a breach of this Agreement by Silvercup, Q2's damages shall not include consequential damages and/or loss of profit as a result of Silvercup's acts.

33. Q2's Licenses and Permits.

Q2, at its own cost and expense, shall obtain all licenses and permits in connection with its use of the Q2 Programming Facilities and Q2 Office Space and broadcasting or transmissions via the Fiber Optics.

34. Q2's Right to Cure Default of Silvercup.

In the event Silvercup shall be in default under the terms of any Superior Lease or Superior Mortgage, and the holder of such Superior Lease or Superior Mortgage shall institute a proceeding in which Q2 is made a party in order to abrogate or terminate this Agreement, Q2 shall have the right to cure such default, if it is monetary in nature by payment to the holder of such Superior Lease or Superior Mortgage and deduct such sum paid to cure the default from the next License Fee payments due hereunder.

35. Miscellaneous Provisions.

A. This Agreement and the Exhibits hereto incorporate and supersede all prior negotiations, agreement and understandings, oral or written, contain all warranties and representations made by either party, and set forth the entire understanding of the parties with respect to the subject matter hereof, and will not be modified, waived or rescinded, in whole or in part, except in a writing executed by the parties.

B. This Agreement will be construed in accordance with the laws of the State of New York.

C. Should any part of this Agreement for any reason be declared invalid, void or unenforceable by a court or governmental agency of competent jurisdiction, such decision will not affect the validity of any remaining portion hereof and the balance of this Agreement will be enforced as if such invalid, void or unenforceable provision had not been included herein.

D. No failure or delay on the part of either party in exercising any power or right under this Agreement operates as a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or of any breach or default is effective unless in writing and signed by the parties.

E. This Agreement may be executed in one or more counterparts, each of which when so executed and delivered will be deemed an original, and all of which together will constitute one and the same instrument.

F. The Exhibits and Schedule referred to herein and attached hereto are incorporated herein by this reference.

G. The captions inserted in this Agreement are inserted only as a matter of convenience and for reference and in no way, define, limit or describe the scope of this Agreement nor the intent of any provision hereof.

H. Nothing contained in this Agreement shall be deemed or constructed to create a partnership or joint venture between the parties. Q2 shall not in any way be responsible for the debts, losses, obligations or duties of Silvercup regarding the Building, Q2 Programming Facilities, Q2 Office Space or otherwise.

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

SILVERCUP STUDIOS ASSOCIATES, LIMITED PARTNERSHIP

SILVERCUP STUDIOS, INC., GENERAL PARTNER

By: _____

Title: _____Secretary_____

Q2 INC.

By: _____

Title: _____CFO_____

AS TO PARAGRAPH 18 ONLY

_____
Martin B. Epstein, Escrowee

AS TO PARAGRAPH 20(xv) ONLY
Certified as true and correct

_____
Alan Suna, Individually

EXHIBIT 10.54

EXECUTION COPY

STOCK OPTION AGREEMENT dated as of February 15, 1994 (this 'Stock Option Agreement'), among QVC NETWORK, INC., a Delaware corporation (the 'Company'), COX ENTERPRISES, INC., a Delaware corporation ('Cox'), ADVANCE PUBLICATIONS, INC., a New York corporation ('Advance'), and BELLSOUTH CORPORATION, a Georgia corporation ('BellSouth', and Cox, Advance and BellSouth each individually a 'Purchaser').

WHEREAS the Company had proposed to acquire (the 'Acquisition') Paramount Communications Inc., a Delaware corporation; and

WHEREAS the Acquisition has been abandoned, and each Purchaser wishes to have the option to acquire from the Company shares of the Company's Common Stock, par value $.01 per share (the 'Common Stock'), as provided in this Stock Option Agreement.

NOW, THEREFORE, in consideration of the representations, warranties and agreements herein contained, the parties hereto agree as follows:

1. Grant of Options. The Company hereby grants to (i) BellSouth an irrevocable option (the 'BellSouth Option') to purchase 8,627,934 shares of Common Stock (the 'BellSouth Optioned Shares') for a purchase price of $517,676,040 (the 'BellSouth Purchase Price'), (ii) Cox an irrevocable option (the 'Cox Option') to purchase 2,833,333 shares of Common Stock (the 'Cox Optioned Shares') for a purchase price of $170,000,000 (the 'Cox Purchase Price') and (iii) Advance an irrevocable option (the 'Advance Option') to purchase 2,833,333 shares of Common Stock (the 'Advance Optioned Shares') for a Purchase Price of $170,000,000 (the 'Advance Purchase Price'). The period during which the BellSouth Option, the Cox Option or the Advance Option may be exercised (the 'Option Period') shall begin on the date hereof and shall end (the 'Option Expiration Date') at 5:00 p.m. on the later of the date that is (i) August 15, 1994, or (ii) if receipt of the approval of the stockholders of the Company of the issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares is required pursuant to Section 5(i) of Part III of Schedule D of the By-laws of the National Association of Securities Dealers, Inc. (the 'Stockholder Approval'), ten Business Days after the stockholders vote with respect to such matter (whether or not such approval is received, and provided that consummation of a Closing (as defined in Section 2(a)) shall remain subject to satisfaction of all conditions contained herein, including, without limitation, the conditions contained in Sections 8(iv) and 9(v)).

2. Exercise of the Options; Termination. (a) BellSouth, Cox or Advance may exercise the BellSouth Option, Cox Option or Advance Option, as the case may be, in whole only at any time during the Option Period. In the event that BellSouth,

Cox or Advance wishes to exercise the BellSouth Option, the Cox Option or the Advance Option, as the case may be, such exercising party shall give written notice thereof (the date of such notice being the 'Notice Date') to the Company and the closing in connection therewith (a 'Closing') shall take place at the offices of Wachtell, Lipton, Rosen Katz, 51 West 52nd Street, New York, N.Y. 10019, on a date (subject to the provisions of paragraph (b) below) not later than the later of ten Business Days following the Notice Date or two Business Days following the satisfaction or waiver of the Closing conditions contained in Sections 8 and 9 of this Stock Option Agreement; provided, however, that (subject to the provisions of paragraph (b) below) if a Closing does not occur before the tenth Business Day after the Option Expiration Date (the 'Option Termination Date'), the BellSouth Option, the Cox Option or the Advance Option, as the case may be, shall automatically terminate on such date and the parties with respect to whom such termination has occurred shall have no further rights or obligations hereunder.

(b) To the extent that the condition to BellSouth's obligation to purchase the BellSouth Optioned Shares set forth in Section 8(vii) hereof (the 'MFJ Condition') has not been satisfied, the Closing with respect thereto (but not the Option Period) may be delayed by BellSouth (if BellSouth has given the

written notice of exercise described above during the Option Period) until the tenth Business Day after satisfaction of the MFJ Condition, and the consummation of the exercise of the BellSouth Option may be conditioned upon satisfaction of the MFJ Condition; provided, however, that if the Company

fulfills its obligations pursuant to Section 6(c) hereof and BellSouth nevertheless is unable to acquire the BellSouth Optioned Shares as a result of the failure of the MFJ Condition to be satisfied on or prior to February 15, 1996, then the BellSouth Option shall automatically be terminated on such date and the Closing with respect thereto shall not occur (the 'MFJ Option Termination Date'). BellSouth agrees to provide the Company prompt written notice of the receipt of approval, waiver or other resolution of any MFJ problems, with the date for the Closing then being the 10th Business Day after the day such notice is given. The term 'Business Day' shall mean any day of the year other than a day on which banks are required or authorized to be closed in the City of New York.

(c) On the Option Expiration Date, if the BellSouth Option, the Cox Option, or the Advance Option, as the case may be, has not been exercised on or before such date, or upon termination of the Bellsouth Option, the Cox Option or the Advance Option, as the case may be, on the Option Termination Date or the MFJ Option Termination Date, the terms of this Stock Option Agreement shall thereafter become void and have no effect as to the Company and the Purchaser with respect to whom such termination or expiration occurs, and no such party shall have any liability to the other such party hereto or directors or officers in respect thereof, except for the obligations set forth in Section 6(f), and except that nothing herein will relieve any party from liability for any breach of this Stock Option Agreement (except a non-wilful breach of the

representations and warranties in Sections 4 and 5, in which case termination of this Stock Option Agreement shall be the sole remedy) prior to such termination .

3. Payment of Purchase Price and Delivery of Certificates for Optioned Shares. At a Closing of the BellSouth Option, the Cox Option or the Advance Option, as the case may be, (i) BellSouth will pay the Company the BellSouth Purchase Price, Cox will pay the Company the Cox Purchase Price and Advance will pay the Company the Advance Purchase Price, in each case by wire or intrabank transfer in immediately available funds to an account or accounts designated by the Company as far in advance of such Closing as is reasonably practicable and (ii) the Company will deliver to BellSouth, Cox or Advance, as the case may be, a duly executed certificate or certificates representing the BellSouth Optioned Shares, Cox Optioned Shares or Advance Optioned Shares, as the case may be, registered in the name of BellSouth, Cox or Advance, as the case may be, in the denominations designated by BellSouth, Cox or Advance, as the case may be, in its notice of exercise.

4. Representations and Warranties of Company. The Company hereby makes the following representations and warranties to each Purchaser (except the representation and warranty set forth in paragraph (o), which is for the sole benefit of BellSouth):

(a) Corporate Existence. The Company and each corporation which is a 'significant subsidiary' as defined in Regulation S-X under the Securities Act of 1993, as amended (the 'Securities Act'), of the Company (a 'Significant Subsidiary') is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has full corporate power and authority to own and operate its properties and conduct its business as now conducted by it. Each of the Company and each Significant Subsidiary is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such corporation owns or leases substantial properties or in which the conduct of its business requires such qualification and in which failure of such corporation to be so qualified and in good standing would have a material adverse effect upon the business, financial condition or results of operations of the Company and its consolidated subsidiaries considered as a whole.

(b) Authorization; Enforcement. The Company has full corporate power and authority to execute and deliver this Stock Option Agreement and (subject to obtaining the Stockholder Approval) to perform its obligations hereunder in accordance with its terms. The Company has taken all necessary corporate action to authorize the execution and delivery of this Stock Option Agreement and (other than obtaining the Stockholder Approval) the consummation of the transactions contemplated hereby. This Stock Option Agreement is a valid and legally binding obligation of the Company, enforceable in accordance with its terms (assuming due authorization,

execution and delivery by each Purchaser), subject to bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally and to general equity principles.

(c) Compliance with Law. (i) Neither the Company nor any Significant Subsidiary has received notice, nor believes that it is in violation of any statute, regulation or order of, or any restriction imposed by, the United States of America, any state, municipality or other political subdivision having jurisdiction over it or any agency thereof, in respect of the conduct of its business or the ownership of its properties, that is expected to have a material adverse effect on the business, financial condition or results of operations of the Company and its consolidated subsidiaries considered as a whole.

(ii) Subject to expiration or early termination of the applicable waiting period under the HSR Act (as defined in paragraph (e) of this Section 4), the execution and delivery by the Company of this Stock Option Agreement does not, and the performance by the Company of its obli gations hereunder and the transactions contemplated hereby will not, violate any provision of any material law or regulation, or any existing writ or decree of any court or governmental authority applicable to it.

(d) Compliance with Obliqations. (i) Neither the Company nor any Significant Subsidiary is in violation of or in default under any obligation, agreement, covenant or condition contained in its Certificate

of Incorporation or By-laws, or in any contract, lease or other instrument to which it is a party (or which is binding on it or its assets), other than for such violations or defaults the occurrence of which would not have a material adverse effect on the business, financial condition or results of operations of the Company and its consolidated subsidiaries considered as a whole.

(ii) The execution and delivery by the Company of this Stock Option Agreement does not, and the performance by the Company of its obligations hereunder and the transactions contemplated hereby will not, violate, conflict with or constitute a breach of, or a default under, its Restated Certificate of Incorporation or By-laws, or any other material agreement or instrument to which it is a party (or which is binding on it or its assets) and will not result in the creation of any lien on, or security interest in, any of its assets.

(e) Consents and Approvals. All consents, approvals, authorizations and orders (other than (i) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the 'HSR Act') and (ii) Stockholder Approval) required for the Company to execute and deliver this Stock Option Agreement and to consummate the transactions contemplated hereby have been obtained.

(f) Exchange Act Reports. Each of the Company's (i) Annual Reports on Form 10-K, for the fiscal years ended after January 31, 1990, (ii) Quarterly Reports on Form 10-Q for the current fiscal year and (iii) proxy statement for the most recently called annual meeting (collectively, the 'SEC Documents'), has been duly and timely filed, and when filed was in substantial compliance with the requirements of the Securities Exchange Act of 1934 and the applicable rules and regulations of the Securities and Exchange Commission thereunder (the 'Exchange Act'). Each of the SEC Documents was complete and correct in all material respects as of its date and, as of its date, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Financial Condition. The consolidated balance sheets of the Company and its consolidated subsidiaries as of (i) January 31, 1990, 1991 and 1992, and (ii) October 31, 1993, together with consolidated statements of operations, shareholders' equity and cash flows for the fiscal year then ended in the case of (i) above, or the three months and nine months then ended, in the case of (ii) above, contained in the SEC Documents and, in the case of (i) above, certified by KPMB Peat Marwick, fairly present the financial condition of the Company and its consolidated subsidiaries and the results of their operations and changes in financial position as of the dates and for the periods referred to and have been prepared in accordance with generally accepted accounting principles in the United States consistently applied (except, in the case of (ii) above,

that the consolidated financial statements have been prepared in accordance with Exchange Act Form 10-Q and do not necessarily reflect all

normal audit adjustments throughout the periods involved).

(h) Litigation. Except as disclosed in the SEC Documents or as otherwise disclosed in writing to each Purchaser and identified as an exception to this representation, there is no legal action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries or the assets of any of them which is expected by the Company to materially and adversely affect the business, financial condition or results of operations of the Company and its consolidated subsidiaries considered as a whole, or its ability to perform or observe any obligation or condition under this Stock Option Agreement.

(i) Material Adverse Change. Except as disclosed in the SEC Documents or as otherwise disclosed in writing to each Purchaser prior to the exercise of the BellSouth Option, Cox Option or Advance Option, as the case may be, there has been no material adverse change in the business, financial condition, results of operations or prospects, of the Company and its consolidated subsidiaries since October 31, 1993, it being understood

that the incurrence and payment of fees and expenses related to the Acquisition shall not give rise to or result in a breach of this representation.

(j) Governmental Investigations. To the knowledge of the Company, except as disclosed to each Purchaser in writing and identified as an exception to this representation, there are no pending or threatened governmental investigations or proceedings against the Company or any of its controlled affiliates or against any officers, directors or employees of the Company or any of its controlled affiliates, related to possible violations of any material Federal, state or local law.

(k) Outstanding Capital Stock. As of the date hereof, the authorized capital stock of the Company consists of 175,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, par value $.10 per share. As of February 28, 1994, 27,788 shares of Series B Preferred Stock, 530,757 shares of Series C Preferred Stock, 938 shares of Series D Preferred Stock and 39,902,822 shares of Common Stock were validly issued and outstanding, fully paid and nonassessable. The Company is the sole beneficial owner of all of the outstanding capital stock of each Significant Subsidiary and has good and valid title to all shares of such outstanding capital stock, free and clear of all liens and encumbrances, and all shares of such outstanding capital stock are duly authorized and validly issued and outstanding, fully paid and nonassessable. Except for the rights set forth in the Stockholders Agreement (as defined in Section 6(e)) and the Understanding Among Stockholders (as defined in Section 8(viii)), there are no preemptive or similar rights in respect of the capital stock of the Company or any Significant Subsidiary. The Company has previously delivered to each Purchaser true, complete and correct copies of the Restated Certificate of Incorporation and By-laws of the Company, which are in full force and effect on the date hereof. Except as provided in this Stock Option Agreement and the Liberty-QVC Agreement dated as of November 11, 1993 (the 'Repurchase Agreement'), between the Company and Liberty Media Corporation ('Liberty'), as disclosed in the SEC Documents, or as disclosed to each Purchaser in writing and identified as an exception to this representation,

there are no outstanding options, warrants, agreements, convertible or exchangeable securities or other commitments pursuant to which the Company or any Significant Subsidiary is obligated to issue, sell, purchase, repurchase, return or redeem any shares of capital stock or other securities of the Company or any Significant Subsidiary and there are not any securities of the Company or any Significant Subsidiary reserved for such purpose.

(l) Common Stock. The BellSouth Optioned Shares, the Cox Optioned Shares and the Advance Optioned Shares to be issued in accordance with the terms of this Stock Option Agreement have been duly authorized; upon issuance to the Purchasers as provided hereunder, such shares will be validly issued, fully paid and nonassessable; and such shares are not subject to any preemptive or similar rights.

(m) Nasdaq National Market. The outstanding Common Stock has been included for quotation in the Nasdaq National Market. The Company's agreement with the NASD with respect thereto is in full force and effect and no action has been taken or threatened by the NASD with respect to the suspension from trading of the Common Stock.

(n) Securities Act Registration. Assuming the accuracy of the representation contained in paragraph (g) of Section 5 with respect to the applicable Purchaser, the issuance and sale of the BellSouth Optioned Shares, the Cox Optioned Shares and the Advance Optioned Shares, as the case may be, will be exempt from the registration and prospectus delivery requirements of the Securities Act.

(o) MFJ Activities. Set forth on Exhibit 1 is a complete list, as of the date hereof, of (i) all interLATA transmission facilities and services (including, without limitation, satellite uplink facilities, satellite transponders, receive-only earth stations and 800 numbers) and (ii) any activities which constitute the manufacture or distribution of telecommunications equipment or the manufacture of customer premises equipment (but not the distribution of customer premises equipment) (collectively, 'MFJ Activities'), owned or provided by the Company or any of its subsidiaries. Neither the Company nor any of its subsidiaries directly or indirectly, engages or participates, alone or with any individual or entity, whether as a principal, agent, reseller, representative, consultant or independent contractor, in any MFJ Activity, other than activities listed on Exhibit 1. For purposes of this Stock Option Agreement, 'interLATA' means telecommunications between a point or points located in one LATA, or within one service area of an independent telephone company associated with that LATA, and a point or points located in one or more LATAs or points outside a LATA, in each case as LATAs and associated telephone company areas have been approved in the Modification of Final Judgment entered August 24, 1982, by the U.S. District Court of the District of Columbia (the 'MFJ'). BellSouth acknowledges that the Company has no expertise in MFJ matters and that the Company's knowledge with respect to MFJ matters consists solely of BellSouth's descriptions of such matters.

5. Representations and Warranties of Each Purchaser. Each Purchaser hereby severally with respect to itself only, and not jointly, makes the following representations and warranties to the Company (except that the representation and warranty contained in paragraph (i) is made solely by BellSouth):

(a) Corporate Existence. Such Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of its state of incorporation.

(b) Authorization; Enforcement. Such Purchaser has full power and authority to execute and deliver this Stock Option Agreement, and to perform its obligations under and as contemplated by this Stock Option

Agreement in accordance with its terms. Such Purchaser has taken all necessary action to authorize the execution and delivery of this Stock Option Agreement and the transactions contemplated hereby. This Stock Option Agreement is a valid and legally binding obligation of such Purchaser, enforceable in accordance with its terms (assuming due authorization, execution and delivery by the Company), subject to bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally and to general equity principles.

(c) Compliance with Law. (i) Such Purchaser has not received notice, and does not believe, that it is in violation of any statute, regulation or order of, or any restriction imposed by, the United States of America, any state, municipality or political subdivision having jurisdiction over it or any agency thereof, in respect of the conduct of its business or the ownership of its properties, that it expects to materially and adversely affect the ability of the Purchaser to consummate the transactions contemplated by this Stock Option Agreement.

(ii) Subject to the consents and approvals listed in paragraph (e) of this Section 5, the execution and delivery by such Purchaser of this Stock Option Agreement does not, and the performance by such Purchaser of its obligations and the transactions

contemplated hereby will not, violate any provision of any material law or regulation, or any existing writ or decree of any court or governmental authority applicable to it.

(d) Compliance with Obligations. (i) Such Purchaser is not in violation of or in default under any obligation, agreement, covenant or condition contained in its organizational documents or by-laws, or in any contract, lease or other instrument to which it is a party (or which is binding on its assets), other than such violations or defaults the occurrence of which would not materially and adversely affect such Purchaser's ability to consummate the transactions contemplated by this Stock Option Agreement.

(ii) The execution and delivery by such Purchaser of this Stock Option Agreement does not, and the performance by such Purchaser of its obligations hereunder and the transactions contemplated hereby will not,

violate, conflict with or constitute a breach of, or a default under, any charter or similar instrument, or any other material agreement or instrument to which it is a party or which is binding on it or its assets.

(e) Consents and Approvals. All consents, approvals, authorizations and orders (other than (i) under the HSR Act, (ii) with respect to BellSouth, matters related to the MFJ and (iii) the Stockholder Approval)

of governmental or other third parties required for such Purchaser to execute and deliver this Stock Option Agreement, and to consummate the transactions contemplated hereby have been obtained.

(f) Litigation. There is no legal action, suit, investigation or proceeding pending or, to the knowledge of such Purchaser, threatened against or affecting such Purchaser or any of its subsidiaries or the assets of any of them which is expected by such Purchaser materially and adversely to affect its ability to perform or observe any obligation or condition under, or consummate the transactions contemplated by, this Stock Option Agreement.

(g) Status and Investment Intent. Such Purchaser is an 'accredited investor' within the meaning of Regulation D under the Securities Act, and it is purchasing the securities hereunder for its own account and (subject to its property being at all times within its control) not with a view to any resale, distribution or other disposition thereof.

(h) Governmental Investigation. To the knowledge of such Purchaser there are no pending or threatened governmental investigations or proceedings against it or any of its controlled affiliates or against any officers, directors or employees of such Purchaser or any of its controlled affiliates which are expected by such Purchaser to materially and adversely affect its ability to perform or observe any obligation or condition under this Stock Option Agreement.

(i) MFJ Activity. BellSouth represents that, to its knowledge, neither the Company nor any of its subsidiaries, directly or indirectly engages or participates, alone or with any individual or entity, as a principal, agent, reseller, representative, consultant or independent contractor, in any MFJ Activity, other than activities listed on Exhibit 1. BellSouth further represents that, to its knowledge, the Company's implementation of its Q-2 programming will not result in the Company engaging or participating, alone or with any individual or entity, as a principal, agent, reseller, representative, consultant or independent contractor, in any MFJ Activity. The parties acknowledge that BellSouth's representations hereunder are made in reliance upon the truthfulness and completeness of the responses to the questions BellSouth has asked the Company.

6. Covenants of the Parties. Each of the Company and each Purchaser makes the following covenants applicable to it (provided, however, that paragraphs (c), (d), (e), (i) and (m) are made only between and for the benefit of the Company and BellSouth, and that paragraph (k) is made only between and for the benefit of the Company and each of Cox or Advance, as the case may be):

(a) Stockholder Approval. As promptly as practicable (which may be as late as the Company's next annual stockholders meeting), the Company shall call a stockholders meeting to obtain Stockholder Approval for the issuance of the BellSouth Optioned Shares, the Cox Optioned

Shares and the Advance Optioned Shares and shall use its reasonable best efforts to obtain the Stockholder Approval.

(b) Reservation of Common Stock. The Company shall reserve and keep available out of its authorized but unissued shares of Common Stock the full number of the BellSouth Optioned Shares, the Cox Optioned Shares and the Advance Optioned Shares.

(c) Satisfaction of MFJ Condition. Exhibit 2 sets forth the steps that the Company is required to take to permit BellSouth to purchase the BellSouth Optioned Shares pursuant to this Stock Option Agreement in compliance with the MFJ (the 'MFJ Transactions'). As promptly as practicable, the Company and BellSouth shall use their reasonable best efforts to permit BellSouth to make the investments contemplated hereby (including acquiring the BellSouth Optioned Shares pursuant to the terms of this Stock Option Agreement or participating in certain acquisitions and joint ventures as contemplated by Section 6(g)) without violation of the MFJ. Without limiting the foregoing, the Company agrees to effectuate the MFJ Transactions promptly, and in any event within one year of the date hereof.

(d) Other MFJ Related Activities. So long as (i) the Option Period has not expired, (ii) BellSouth has exercised the BellSouth Option to acquire the BellSouth Optioned Shares and is attempting in good faith to cause the satisfaction of all conditions to Closing with respect to such exercise, including the MFJ Condition, or (iii) BellSouth continues to own at least 2,588,380 shares of Common Stock (as adjusted consistently with the provisions of Section 7), the Company will avoid engaging in new activities in a manner that would, in BellSouth's good faith judgment, based upon the written advice of counsel (which may be internal corporate counsel), advance written notice of which has been provided to the Company, result in a potential violation of the MFJ, as applicable to BellSouth, subject to BellSouth's obligation to make all reasonable efforts to permit the Company to undertake an activity it wishes to pursue without any such violation. In connection with the Company's obligation to avoid conducting new activities in a manner that would result in a violation of the MFJ, such activities may be conducted in a separate entity in which BellSouth owns no interest (or otherwise structured to BellSouth's reasonable satisfaction) so long as (i) BellSouth shall have been given a reasonable opportunity (including obtaining the Company's reasonable cooperation) to take steps to conduct such potentially violative activities (or a portion thereof, to the extent reasonable) in the Company in a manner or to the extent permitted by the MFJ and (ii) the Company will have the right to reacquire such activities from such other entity if such potentially violative activities are no longer prohibited by the MFJ; provided, however, that the reservation of such reacquisition right does not result

in a material economic detriment to the Company.

(e) Open Market Purchases. After BellSouth becomes a party to the Stockholders Agreement dated as of July 16, 1993, among Comcast Corporation ('Comcast'), Arrow Investments, L.P. ('Arrow'), Liberty and Barry Diller (the 'Stockholders Agreement') and so long as Comcast, Liberty, Arrow or BellSouth, as the case may be, remains an Eligible Stockholder thereunder, the Company will not take any action to (i) block or prevent open market purchases by such Eligible Stockholder (or Liberty, if it has become a party to the Stockholders Agreement pursuant to Section 5 of the Repurchase Agreement) of shares of Common Stock so long as such entity's total fully diluted voting power of the Company does not exceed 35% of the fully diluted outstanding voting power of the Company or (ii) discriminate against such Eligible Stockholder (or Liberty, if it has become a party to the Stockholders Agreement pursuant to Section 5 of the Repurchase Agreement) as a stockholder or deprive BellSouth, Comcast or Arrow (or Liberty, if it has become a party to the Stockholders Agreement pursuant to Section 5 of the Repurchase Agreement) of full rights as a stockholder of the Company.

(f) Additional Information and Confidentiality. Prior to the termination of this Stock Option Agreement with respect to a Purchaser, the Company agrees to provide such Purchaser with all information which such Purchaser may reasonably request concerning the Company's business, financial condition and prospects. Such Purchaser agrees to keep all such information

(and other confidential information previously supplied to such Purchaser) confidential and not to use such information other than in connection with its investment hereunder or to disclose any such information to any third party unless (i) it receives the express written consent of the Company, (ii) such information otherwise is or becomes publicly available (except where such Purchaser knows that such information became publicly available as a result of a breach of any confidentiality arrangement) or (iii) in its reasonable judgment it is required by applicable law to do so, and then only to the extent it is so required, in each case, to the extent practicable, only after notice to and consultation with the Company. In the event that this Stock Option Agreement is terminated, such Purchaser shall forthwith return to the Company or destroy all information (including all copies of any documents) obtained by such Purchaser and required to be kept confidential pursuant to this paragraph.

(g) Certain Acquisitions and Ventures. For a period of 18 months from the date hereof, if the Company proposes to invest in, acquire or form all or part of an originator, owner or other producer of programming or content (including, without limitation, a film studio, network, film library or television programming producer) in a transaction valued at greater than $250 million, if this Stock Option Agreement has not terminated with

respect to a Purchaser or such Purchaser has acquired shares of Common Stock pursuant to this Stock Option Agreement, the Company will give such Purchaser along with Comcast (and Liberty, if it has become a party to the

Stockholder's Agreement pursuant to Section 5 of the Repurchase Agreement), to the extent the Company requires third party financing in connection with such transaction, a preferential opportunity to participate meaningfully in any such transaction on an arm's-length basis and will negotiate in good faith concerning any such party's participation therein. In connection with the foregoing but subject to the obligations of BellSouth and the Company set forth in Section 6(c) hereof, none of Comcast, Cox, Advance, Liberty or BellSouth shall be entitled to any such preferential opportunity, to the extent it is not legally permitted to participate in the relevant transaction.

(h) Certain Consents and Approvals. Each of the Company and such Purchaser shall use its reasonable efforts to obtain, or to assist the other in obtaining, as soon as practicable (i) expiration or early termination of the applicable waiting period under the HSR Act and (ii) all other governmental approvals required in connection with the transactions contemplated by this Stock Option Agreement.

(i) Operations in Ordinary Course. From the date hereof until the Closing hereunder with respect to BellSouth or termination of this Stock Option Agreement with respect to BellSouth, except for those actions consented to by BellSouth in advance in writing, the Company shall conduct its business in the ordinary course and substantially in accordance with past practice. For purposes of this covenant, any actions that under the Company's practices existing on the date hereof are taken or authorized to be taken by the executive officers of the Company without approval of the Board of Directors shall constitute ordinary course. In addition, any action taken by the Company with the approval of the Eligible Stockholders (as defined in the Stockholders Agreement) or its Board of Directors shall be deemed to be in the ordinary course and substantially in accordance with past practice if the Eligible Stockholders or the directors designated by the Eligible Stockholders voted in favor of such action pursuant to and in compliance with Paragraph 3(a) of the Understanding Among Stockholders (as defined in Section 8(viii)).

(j) Transfers; Restrictive Legend. Each Purchaser acknowledges that the shares of Common Stock to be issued pursuant to this Stock Option Agreement have not been registered under the Securities Act and may be sold or disposed of in the absence of such registration only pursuant to an exemption from such registration. The certificates evidencing shares of Common Stock to be issued pursuant to this Stock Option Agreement shall bear the following legend until such time as such Purchaser or any transferee thereof delivers an opinion of counsel reasonably acceptable to the Company to the effect that such legend is no longer required:

THESE SECURITIES WERE SOLD IN A PRIVATE PLACEMENT, WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE OFFERED OR SOLD ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933 OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

In addition, certificates evidencing the BellSouth Optioned Shares shall bear the following additional legend:

THESE SECURITIES MAY BE SUBJECT TO THE RESTRICTIONS CONTAINED IN THE STOCKHOLDERS AGREEMENT DATED AS OF JULY 16, 1993, AMONG THE SIGNATORIES THERETO, AS MAY BE AMENDED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED WITHOUT CHARGE FROM THE SECRETARY OF QVC NETWORK, INC.

(k) Obtaining Consents. At any time from the date hereof, if any legally imposed condition exists to the issuance of Common Stock pursuant to the Cox Option or the Advance Option, Cox or Advance may notify the Company that it intends to exercise the Cox Option or the Advance Option, as applicable, upon the satisfaction of any such legally imposed condition and request that the Company use its reasonable efforts to assist Cox or Advance in satisfying such condition (including cooperating with the preparation of, or participating in, any governmental filing or application required to be made by Cox or Advance); provided, however, that (i) any such request by Cox or Advance shall not obligate Cox or Advance to exercise the Cox Option or the Advance Option, as applicable, and (ii) if Cox or Advance elects not to exercise the Cox Option or the Advance Option, as the case may be, such Purchaser shall indemnify the Company for the costs and expenses incurred by the Company in taking any action requested by such Purchaser pursuant to this paragraph that would not have been otherwise required under this Stock Option Agreement. Any such condition shall not extend the Option Termination Date.

(l) Cooperation. The parties shall cooperate with one another in determining whether any action by or in respect of, or filing with, any governmental body, agency, official or authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Stock Option Agreement. Subject to the terms and conditions of this Stock Option Agreement, the Company and each Purchaser agree to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and implement, as soon as reasonably practicable, the transactions contemplated by this Stock Option Agreement.

(m) Stockholders Agreement. At the Closing of the BellSouth Option, BellSouth agrees to become a party to the Stockholders Agreement in accordance with the terms of the Understanding Among Stockholders.

(n) Registration Rights. The Company will use reasonable efforts to

provide each of Advance and Cox, if such entity purchases shares of Common Stock pursuant to its option hereunder, with one demand registration of such shares purchased hereunder (or a portion thereof, but not less than 25% of the shares so purchased), subject to such selling entity entering into a registration rights agreement reasonably acceptable to the Company. Such registration rights shall not be transferable and may be exercised at any time after the first anniversary of the purchase of shares hereunder and not after the third anniversary thereof. The entity requesting registration shall bear all of the Company's expenses in connection with the registration and sale of such entity's shares.

7. Adjustments Upon Changes in Capitalization. If on or after the date of this Stock Option Agreement there shall occur any stock dividend, stock split, recapitalization, combination or exchange of shares, merger, consolidation, reorganization or other change or transaction of or by the Company as a result of which (i) shares of any class of stock, other securities, cash or other property would have been issued in respect of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance

Optioned Shares had such shares been outstanding at such time (the 'Additional Property') or (ii) the Common Stock issuable as the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares shall be changed into the same or a different number of shares of the same or another class of stock or other securities (the 'New Optioned Securities'), then, upon the Closing of the acquisition of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, BellSouth, Cox or Advance, as the case may be, shall receive for the BellSouth Purchase Price, Cox Purchase Price or the Advance Purchase Price payable upon such Closing (x) in the case of clause (i) above, the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares plus the Additional Property and (y) in the case of clause (ii) above, the New Optioned Securities.

8. Conditions to Obligations of each Purchaser. The obligations of each Purchaser to consummate a Closing after the exercise of the BellSouth Option, the Cox Option or the Advance Option, as the case may be, are, at the option of such Purchaser, subject to the satisfaction of the following conditions precedent (except the conditions precedent contained in paragraphs (vii) and (viii) are for the sole benefit of BellSouth):

(i) Representations and Warranties. The representations and warranties made by the Company in this Stock Option Agreement shall have been true and correct when made and, except for the representations set forth in paragraphs (c), (d), (f), (g), (h), (i), (j), (m) and (o) of Section 4 (the 'Exercise Representations'), shall be true and correct on the date of Closing as though such representations and warranties were made on and as of such date, and the Exercise Representations (except, with respect to Cox and Advance, paragraph (o) of Section 4) shall have been true and correct on the date the BellSouth Option, Cox Option or Advance

Option, as the case may be, was exercised (except that, in each case, representations and warranties that are made as of a specific date need be true and correct only as of such date).

(ii) Compliance with Agreements and Conditions. The Company shall have performed and complied in all material respects with all agreements, obligations and conditions required by this Stock Option Agreement to be performed or complied with by the Company at or before the date of Closing (unless such agreement, obligation or condition was not for the benefit of the relevant Purchaser).

(iii) Litigation. There shall not then be in effect any order enjoining or restraining the acquisition of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, or the other transactions contemplated by this Stock Option Agreement, and

there shall not then be threatened or instituted any action or proceeding by any governmental body or agency with respect to the acquisition of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares or the other transactions contemplated by this Stock Option Agreement.

(iv) Stockholder Approval. To the extent required in connection with the purchase of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares pursuant to the terms of this Stock Option Agreement, the Company shall have received the Stockholder Approval.

(v) Certificate. Such Purchaser shall have received a certificate executed on behalf of the Company by an executive officer acceptable to the Purchaser and dated the date of Closing, to the effect that the conditions set forth in clauses (i), (ii) and (iv) above have been satisfied.

(vi) Requisite Approvals. The Company and such Purchaser shall have obtained all requisite consents or approvals from each Federal, state and any other governmental agency, authority or regulatory body necessary in order to permit the acquisition and sale and issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, and the consummation of the other transactions contemplated under this Stock Option Agreement, and all HSR Act and other governmental waiting periods applicable to such transactions shall have expired.

(vii) MFJ Condition. The Company shall have effected the MFJ Transactions and BellSouth shall have concluded, in its good faith judgment based upon the written advice of counsel (which may be internal corporate counsel) that BellSouth's acquisition of the BellSouth Optioned Shares as contemplated by this Stock Option Agreement would not result in a potential violation of the MFJ.

(viii) Performance of Understanding Among Stockholders. Liberty Media Corporation, Comcast and Arrow Investments, L.P. shall have performed all their obligations pursuant to the Understanding Among Stockholders dated as of November 11, 1993, among BellSouth and such parties (the 'Understanding Among Stockholders'); BellSouth shall, concurrently with the Closing of the BellSouth Option, become a party to the Stockholders Agreement as contemplated by the Understanding Among Stockholders; and the Stockholders Agreement shall, concurrently with the Closing of the BellSouth Option, be amended as contemplated by the Understanding Among Stockholders in connection with a purchase of BellSouth Optioned Shares pursuant to this Stock Option Agreement.

9. Conditions to Obligations of the Company. The obligations of the Company to consummate a Closing after the exercise by a Purchaser of the BellSouth Option, the Cox Option or the Advance Option, as the case may be, are, at the option of the Company, subject to the satisfaction of the following conditions precedent:

(i) Representations and Warranties. The representations and warranties made by such Purchaser in this Stock Option Agreement shall have been true and correct when made, and shall be true and correct on the date of Closing as though such representations and warranties were made on and as of such date (except that representations and warranties that are made as of a specific date need be true and correct only as of such date).

(ii) Compliance with Agreements and Conditions. Such Purchaser shall have performed and complied in all material respects with all agreements, obligations and conditions required by this Stock Option Agreement to be performed or complied with by such Purchaser at or before the date of Closing.

(iii) Litigation. There shall not then be in effect any order enjoining or restraining the sale and issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, or the other transactions contemplated by this Stock Option Agreement, and there shall not then be threatened or instituted any action or proceeding by any governmental body or agency with respect to the sale and issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, or the other transactions contemplated by this Stock Option Agreement.

(iv) Certificate. The Company shall have received a certificate executed on behalf of such Purchaser by an executive officer acceptable to the Company to the effect that the conditions set forth in clauses (i) and (ii) above have been satisfied.

(v) Stockholder Approval. To the extent required in connection with the sale and issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, pursuant to the terms of this Stock Option Agreement, the Company shall have received the Stockholder Approval.

(vi) Requisite Approvals. The Company and such Purchaser shall have obtained all requisite consents or approvals from each Federal, state and any other governmental agency, authority or regulatory body necessary in order to permit the acquisition and sale and issuance of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, and the consummation of the other transactions contemplated by this Stock Option Agreement, and all HSR Act and other governmental waiting periods applicable to such transactions shall have expired.

10. Further Assurances. If a Purchaser shall exercise the BellSouth Option, the Cox Option or the Advance Option, as the case may be, in accordance with the terms of this Stock Option Agreement, from time to time and without additional consideration the Company will execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements, and other instruments as such Purchaser may reasonably request for the purpose of effectively transferring
ownership of the BellSouth Optioned Shares, the Cox Optioned Shares or the Advance Optioned Shares, as the case may be, to such Purchaser as contemplated by this Stock Option Agreement.

11. Assignment. Neither this Stock Option Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other party, except that a Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to any direct or indirect wholly-owned subsidiary of such Purchaser; provided, however, that at all times such entity remains a direct or indirect wholly-owned subsidiary of such Purchaser. Subject to the preceding sentence, this Stock Option Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

12. General Provisions. (a) Specific Performance. The parties hereto acknowledge that damages would be an inadequate remedy for any breach of the provisions of this Stock Option Agreement and agree that the obligations of the parties hereunder shall be specifically enforceable.

(b) Expenses. Whether or not the BellSouth Option, the Cox Option or the Advance Option is exercised, all costs and expenses incurred in connection with this Stock Option Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense.

(c) Amendments. This Stock Option Agreement may not be amended except by an instrument in writing signed by each of the parties hereto.

(d) Notices. All notices and other communications hereunder shall be validly given or served, as the case may be, if in writing and delivered personally or mailed by registered or certified mail (return receipt requested)

or sent by facsimile to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to the Company, to:
QVC Network, Inc.
1365 Enterprise Drive
Goshen Corporate Park
West Chester, PA 19380
Attention: Neal S. Grabell, Esq.
Senior Vice President and General
Counsel;
Fax: (610) 430-2380

With a copy to:
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York NY 10019
Attention: Pamela S. Seymon, Esq.
Fax: (212) 403-2000

(ii) if to BellSouth, to:

BellSouth Corporation
1155 Peachtree Street, N.E.
Atlanta, GA 30367-6000
Attention: Walter H. Alford, Esq.

Fax: (404) 249-5908

With a copy to:
Cravath, Swaine & Moore
825 Eighth Avenue
Worldwide Plaza
New York, New York 10019
Attention: Philip A. Gelston, Esq.
Fax: (212) 474-3700

(iii) if to Cox, to:

Cox Enterprises, Inc.
1400 Lake Hearn Drive
Atlanta, GA 30319
Attention: John R. Dillon
Fax: (404) 843-5104

With a copy to:
Dow, Lohnes & Albertson
1255 Twenty-Third Street
Washington, DC 20037
Attention: Stuart Sheldon, Esq.

Fax: (202) 857-2900

(iv) if to Advance:

Advance Publications, Inc.
c/o Newark Morning Ledger Co.
Star-Ledger Plaza
Newark, NJ 07101
Attention: Donald E. Newhouse
Fax: (201) 621-2604

With a copy to:
Sabin, Bermant & Gould
350 Madison Avenue
New York, NY 10017
Attention: Craig D. Holleman, Esq.
Fax: (212) 692-4406

(e) Interpretation. When a reference is made in this Stock Option Agreement to Sections or Exhibits, such reference shall be to a Section or Exhibit to this Stock Option Agreement unless otherwise indicated. The headings contained in this Stock Option Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Stock Option Agreement.

(f) Counterparts. This Stock Optlon Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more of the counterparts have been signed

by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

(g) Entire Agreement; Third-Party Beneficiaries. This Stock Option Agreement (including the documents and instruments referred to herein and Exhibits 3, 4 and 5 and the agreements referred to therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings (including, without limitation, the Memorandum of Understanding dated November 11, 1993, between BellSouth and the Company, the Commitment Letter dated November 19, 1993, between BellSouth and the Company and the Equity Commitment Letter dated November 11, 1993, among Comcast, the Company, Cox and Advance, each as heretofore amended), both written and oral, among the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person other than the parties hereto any rights or obligations hereunder, except with respect to (x) paragraphs (e) and (g) of Section 6, which are for the explicit benefit of the persons mentioned therein and (y) paragraph (m) of Section 6, which is for the benefit of the Eligible Stockholders, and such paragraphs may not be amended, waived or altered to the detriment of any person benefiting therefrom without the written consent of such person.

(h) SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS. WITH RESPECT TO ANY CLAIM ARISING OUT OF, OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS STOCK OPTION AGREEMENT, (A) THE COMPANY AND EACH PURCHASER EACH IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY, AND (B) THE COMPANY AND EACH PURCHASER EACH IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF, OR RELATING TO THE TRANSACTIONS CONTEMPLATED BY, THIS STOCK OPTION AGREEMENT, BROUGHT IN ANY SUCH COURT, IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER IRREVOCABLY WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. THE COMPANY AND EACH PURCHASER EACH AGREES THAT SERVICE OF PROCESS UPON I IN ANY SUCH SUIT, ACTION OR PROCEEDING SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON IT IF GIVEN IN THE MANNER SET FORTH IN SECTION 12(d); PROVIDED, HOWEVER, THAT SUCH SERVICE SHALL NOT BE EFFECTIVE IF MADE ONLY BY FACSIMILE.

(i) GOVERNING LAW. THIS STOCK OPTION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

IN WITNESS WHEREOF, the Company and each Purchaser have caused this Stock Option Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

QVC NETWORK, INC.,

by _____
Name:

Title:

BELLSOUTH CORPORATION,

by _____
Name:
Title:

COX ENTERPRISES, INC.,

by _____
Name:
Title:

ADVANCE PUBLICATIONS, INC.,

by _____
Name:
Title:

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Domestic Subsidiaries:

BANKRUPTCY, INC.
BPL, INC.
CABLE SHOPPING MALL, INC.
C.O.M.B. -- VCA, INC.
C-S MARKETING, INC.
CVN-ASC II, INC.
CVN COLORADO, INC.
CVN COMPANIES, INC.
CVN DIRECT MARKETING CORP.
CVN DISTRIBUTION CO., INC.
CVN MANAGEMENT, INC.
CVN-MICHIGAN, INC.
CVN-ST. LOUIS, INC.
CVN TV CO.
CVN-W, INC.
DIAMONIQUE CORPORATION
DIAMONIQUE (PENNSYLVANIA) CORPORATION
Q2 INC.
QVC BRITAIN I, INC.
QVC BRITAIN II, INC.
QVC BRITAIN III, INC.

QVC CHESAPEAKE, INC.
QVC DELAWARE, INC.
QVC HOLDINGS, INC.
QVC INTERNATIONAL INC.
QVC MEXICO, INC.
QVC MEXICO II, INC.
QVC MEXICO III, INC.
QVC NETWORK OF COLORADO, INC.
QVC OF THAILAND, INC.
QVC-QRT, INC.
QVC SAN ANTONIO, INC.

Foreign Subsidiaries:

QVC, an unlimited company registered and incorporated under the laws of England, No. 2807164

QVC BRITAIN, an unlimited company registered and incorporated under the laws of England, No. 2825241

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
QVC, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-32523, 33-43447 and 33-56100) on form S-8, and in the registration statement (No. 33-44817) on form S-3 of QVC, Inc. of our report dated March 4, 1994, related to the consolidated balance sheets of QVC, Inc. and subsidiaries as of January 31, 1994 and 1993, and the related consolidated statements of operations, shareholders' equity and cash flows and related schedules for each of the years in the three-year period ended January 31, 1994, which report appears in the January 31, 1994 annual report on form 10-K of QVC, Inc.

Our report refers to a change in accounting for income taxes.

Philadelphia, Pennsylvania
April 19, 1994