UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2015

Or

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

For the transition period from to

Commission File No. 001-34061

HSN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-2590893**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1 HSN Drive, St. Petersburg, Florida	**33729**
(Address of principal executive offices)	**(Zip Code)**

(727) 872-1000
(Registrant's telephone number, including area code)

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

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

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

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

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

As of August 5, 2015, the registrant had 52,892,480 shares of common stock, $0.01 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HSN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$ 885,642	$ 855,204	$ 1,727,529	$ 1,632,624
Cost of sales	549,105	542,069	1,090,787	1,043,715
Gross profit	336,537	313,135	636,742	588,909
Operating expenses:				
Selling and marketing	191,936	182,747	367,293	349,986
General and administrative	62,813	52,218	119,403	108,129
Depreciation and amortization	11,085	10,803	22,334	21,559
Total operating expenses	265,834	245,768	509,030	479,674
Operating income	70,703	67,367	127,712	109,235
Other income (expense):				
Interest income	94	44	134	114
Interest expense	(3,974)	(1,854)	(7,311)	(3,623)
Total other expense, net	(3,880)	(1,810)	(7,177)	(3,509)
Income before income taxes	66,823	65,557	120,535	105,726
Income tax provision	(25,191)	(24,617)	(45,214)	(40,604)
Net income	$ 41,632	$ 40,940	$ 75,321	$ 65,122
Net income per share:				
Basic	$ 0.79	$ 0.77	$ 1.43	$ 1.23
Diluted	$ 0.78	$ 0.76	$ 1.40	$ 1.21
Shares used in computing earnings per share:				
Basic	52,683	52,916	52,628	53,037
Diluted	53,675	53,745	53,718	53,954
Dividends declared per share	$ 0.35	$ 0.25	$ 10.70	$ 0.50

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

HSN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 41,632	$ 40,940	$ 75,321	$ 65,122
Other comprehensive income (loss):				
Change in fair value of derivative instrument, net of tax	18	(469)	(482)	(489)
Other comprehensive income (loss), net of tax	18	(469)	(482)	(489)
Comprehensive income	$ 41,650	$ 40,471	$ 74,839	$ 64,633

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

HSN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	June 30, 2015	December 31, 2014	June 30, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$ 74,177	$ 159,985	$ 122,332
Accounts receivable, net of allowance of $13,625, $18,824 and $15,663, respectively	195,468	317,785	199,897
Inventories	448,792	398,705	382,696
Deferred income taxes	29,775	32,668	26,849
Prepaid expenses and other current assets	61,241	44,728	63,350
Total current assets	809,453	953,871	795,124
Property and equipment, net	199,906	193,889	173,912
Intangible assets, net	261,863	261,962	262,159
Goodwill	9,858	9,858	9,858
Other non-current assets	18,264	12,614	18,367
TOTAL ASSETS	$ 1,299,344	$ 1,432,194	$ 1,259,420
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable, trade	$ 222,857	$ 255,287	$ 219,728
Current maturities of long-term debt	12,500	17,188	14,063
Accrued expenses and other current liabilities	183,634	241,074	187,237
Total current liabilities	418,991	513,549	421,028
Long-term debt, less current maturities	662,500	210,938	220,312
Deferred income taxes	81,998	88,787	80,733
Other long-term liabilities	21,405	16,579	15,368
Total liabilities	1,184,894	829,853	737,441
Commitments and contingencies (Note 12)			
SHAREHOLDERS' EQUITY:			
Preferred stock $0.01 par value; 25,000,000 authorized shares; no issued shares	—	—	—
Common stock $0.01 par value; 300,000,000 authorized shares; 52,781,048, 52,425,895 and 52,390,665 issued shares at June 30, 2015, December 31, 2014 and June 30, 2014, respectively	528	524	524
Additional paid-in capital	1,147,847	1,710,581	1,738,343
Accumulated deficit	(1,033,570)	(1,108,891)	(1,216,753)
Accumulated other comprehensive (loss) income	(355)	127	(135)
Total shareholders' equity	114,450	602,341	521,979
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,299,344	$ 1,432,194	$ 1,259,420

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

HSN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2013	—	$ —	53,002	$ 530	$ 1,810,072	$ (1,281,875)	$ 354	$ 529,081
Net income	—	—	—	—	—	172,984	—	172,984
Other comprehensive loss	—	—	—	—	—	—	(227)	(227)
Stock-based compensation expense for equity awards	—	—	—	—	15,606	—	—	15,606
Cash dividends declared on common stock	—	—	—	—	(57,824)	—	—	(57,824)
Issuance of common stock from stock-based compensation awards, including tax benefit of $8,293	—	—	435	4	(1,816)	—	—	(1,812)
Repurchases of common stock	—	—	(1,011)	(10)	(55,457)	—	—	(55,467)
Balance as of December 31, 2014	—	—	52,426	524	1,710,581	(1,108,891)	127	602,341
Net income	—	—	—	—	—	75,321	—	75,321
Other comprehensive loss	—	—	—	—	—	—	(482)	(482)
Stock-based compensation expense for equity awards	—	—	—	—	9,424	—	—	9,424
Cash dividends declared on common stock	—	—	—	—	(561,182)	—	—	(561,182)
Issuance of common stock from stock-based compensation awards, including tax benefit of $8,206	—	—	633	7	7,356	—	—	7,363
Repurchases of common stock	—	—	(278)	(3)	(18,332)	—	—	(18,335)
Balance as of June 30, 2015	—	$ —	52,781	$ 528	$ 1,147,847	$ (1,033,570)	$ (355)	$ 114,450

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

HSN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 75,321	$ 65,122
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,334	21,559
Stock-based compensation expense	9,424	7,810
Amortization of debt issuance costs	1,276	552
Deferred income taxes	(3,611)	(4,115)
Bad debt expense	13,338	9,225
Excess tax benefits from stock-based awards	(8,251)	(4,981)
Other	673	135
Changes in current assets and liabilities:		
Accounts receivable	108,998	55,993
Inventories	(50,087)	(55,377)
Prepaid expenses and other assets	(17,023)	(14,035)
Accounts payable, accrued expenses and other current liabilities	(80,092)	(53,690)
Net cash provided by operating activities	72,300	28,198
Cash flows from investing activities:		
Capital expenditures	(26,242)	(15,901)
Other	6	(491)
Net cash used in investing activities	(26,236)	(16,392)
Cash flows from financing activities:		
Borrowings under term loan	500,000	—
Repayment of term loan	(228,125)	(6,250)
Borrowings under revolving credit facility	225,000	—
Repayment of revolving credit facility	(50,000)	—
Repurchase of common stock	(18,335)	(50,979)
Payments of debt issuance costs	(6,620)	—
Cash dividends paid	(561,182)	(26,429)
Proceeds from issuance of common stock	11,357	1,441
Tax withholdings related to stock-based awards	(12,218)	(8,653)
Excess tax benefits from stock-based awards	8,251	4,981
Net cash used in financing activities	(131,872)	(85,889)
Total cash used in continuing operations	(85,808)	(74,083)
Total cash used in discontinued operations	—	(18)
Net decrease in cash and cash equivalents	(85,808)	(74,101)
Cash and cash equivalents at beginning of period	159,985	196,433
Cash and cash equivalents at end of period	$ 74,177	$ 122,332

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—ORGANIZATION

Company Overview

HSN, Inc. (“HSNi”) is an interactive multi-channel retailer that markets and sells a wide range of third party and proprietary merchandise directly to consumers through various platforms including (i) television home shopping programming broadcast on the HSN television networks and other direct-response television marketing; (ii) catalogs, consisting primarily of the Cornerstone portfolio of leading print catalogs which includes Ballard Designs, Chasing Fireflies, Frontgate, Garnet Hill, Grandin Road, Improvements and TravelSmith; (iii) websites, which consist primarily of HSN.com and the seven branded websites operated by Cornerstone; (iv) mobile applications; and (v) retail and outlet stores. HSNi’s television home shopping business, related digital sales and outlet stores are referred to herein as “HSN” and all catalog operations, including related digital sales and stores, are collectively referred to herein as “Cornerstone.”

HSN offerings primarily consist of jewelry, fashion (apparel & accessories), beauty & health, and home & other (including home, electronics, culinary and other). Merchandise offered by Cornerstone primarily consists of home furnishings (including indoor/outdoor furniture, home décor, tabletop, textiles and other home related goods) and apparel & accessories.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). They do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of HSNi's management, all normal recurring adjustments considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for a full year. The accompanying unaudited consolidated financial statements should be read in conjunction with HSNi's audited consolidated financial statements and notes thereto for the year ended December 31, 2014. The consolidated balance sheet as of December 31, 2014 and the consolidated statement of shareholders' equity for the year endedDecember 31, 2014 were derived from the audited consolidated financial statements at that date but may not include all disclosures required by GAAP. Intercompany transactions and accounts have been eliminated in consolidation.

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. In July 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09. This standard will now become effective for HSNi in the first quarter of 2018. Early adoption is permitted in the first quarter of 2017. HSNi is in the process of assessing the impact of the adoption of ASU 2014-09 to its consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. The new standard is limited to the presentation of debt issuance costs and does not affect their recognition and measurement. ASU 2015-03 is effective for periods beginning after December 15, 2015, including interim periods within that annual period. HSNi will adopt ASU 2015-03 in the first quarter of 2016.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

HSNi prepares its financial statements in conformity with GAAP. These principles require management to make certain estimates and assumptions during the preparation of its consolidated financial statements. These estimates and assumptions impact the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates. In the opinion of HSNi's management, the assumptions underlying these interim unaudited financial statements are reasonable.

Significant estimates underlying the accompanying consolidated financial statements include: the determination of the lower of cost or market adjustment for inventory; sales returns and other revenue allowances; the allowance for doubtful accounts; the recoverability of long-lived assets; the impairment of intangible assets; the annual expected effective tax rate; the determination of deferred income taxes, including related valuation allowances; the accrual for actual, pending or threatened litigation, claims and assessments; and assumptions related to the determination of incentive compensation and contingent consideration.

NOTE 3—PROPERTY AND EQUIPMENT

The balance of property and equipment, net, is as follows (in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014
Capitalized software	$ 227,804	$ 223,436	$ 223,346
Computer and broadcast equipment	92,995	89,739	87,377
Buildings and leasehold improvements	105,777	105,086	103,332
Furniture and other equipment	95,141	88,174	88,110
Projects in progress	40,842	30,794	10,139
Land and land improvements	10,543	10,541	10,458
	573,102	547,770	522,762
Less: accumulated depreciation and amortization	(373,196)	(353,881)	(348,850)
Total property and equipment, net	$ 199,906	$ 193,889	$ 173,912

NOTE 4—SEGMENT INFORMATION

HSNi presents its operating segments and related financial information in a manner consistent with how the chief operating decision maker and executive management view the businesses, how the businesses are organized as to segment management, and the focus of the businesses with regards to the types of products or services offered and/or the target market. HSNi has two operating segments, HSN and Cornerstone. The accounting policies of the segments are the same as those described in Note 2 – Summary of Significant Accounting Policies included in HSNi's Annual Report on Form 10-K for the year ended December 31, 2014. Intercompany accounts and transactions have been eliminated in consolidation.

HSNi's primary performance metric is Adjusted EBITDA, which is defined as operating income excluding, if applicable: (1) non-cash charges including: (a) stock-based compensation expense, (b) amortization of intangibles, (c) depreciation and gains and losses on asset dispositions, and (d) goodwill, long-lived asset and intangible asset impairments; (2) pro forma adjustments for significant acquisitions; and (3) other significant items. Significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, thereby affecting the comparability of results. Adjusted EBITDA is not a measure determined in accordance with GAAP, and should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with GAAP. Adjusted EBITDA is used as a measurement of operating efficiency and overall financial performance and HSNi believes it to be a helpful measure for those evaluating companies in the retail and media industries. Adjusted EBITDA has certain limitations in that it does not take into account the impact to HSNi's consolidated statements of operations of certain expenses, gains and losses; including stock-based compensation, amortization of intangibles, depreciation, gains and losses on asset dispositions, asset impairment charges, acquisition-related accounting expenses and other significant items.

The following tables reconcile Adjusted EBITDA to operating income for HSNi's operating segments and to HSNi's consolidated net income (in thousands):

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Adjusted EBITDA	$ 68,194	$ 21,831	$ 90,025	$ 62,657	$ 19,435	$ 82,092
Stock-based compensation expense	(3,617)	(1,151)	(4,768)	(3,053)	(731)	(3,784)
Depreciation and amortization	(7,590)	(3,495)	(11,085)	(7,423)	(3,380)	(10,803)
Distribution center closure (a)	(3,032)	—	(3,032)	—	—	—
Loss on disposition of fixed assets	(430)	(7)	(437)	(104)	(34)	(138)
Operating income	$ 53,525	$ 17,178	70,703	$ 52,077	$ 15,290	67,367
Total other expense, net			(3,880)			(1,810)
Income before income taxes			66,823			65,557
Income tax provision			(25,191)			(24,617)
Net income			$ 41,632			$ 40,940

(a) In the second quarter of 2015, HSN recorded a $3.0 million charge associated with the planned closure of one of its distribution centers as part of its supply chain optimization initiative. See Note 13 for further information.

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Adjusted EBITDA	$ 134,384	$ 28,791	$ 163,175	$ 121,799	$ 20,051	$ 141,850
Stock-based compensation expense	(7,226)	(2,198)	(9,424)	(6,197)	(1,613)	(7,810)
Depreciation and amortization	(15,008)	(7,326)	(22,334)	(14,860)	(6,699)	(21,559)
Distribution center closure (a)	(3,032)	—	(3,032)	—	—	—
CPSC settlement (b)	—	—	—	—	(3,100)	(3,100)
Loss on disposition of fixed assets	(665)	(8)	(673)	(104)	(42)	(146)
Operating income	$ 108,453	$ 19,259	127,712	$ 100,638	$ 8,597	109,235
Total other expense, net			(7,177)			(3,509)
Income before income taxes			120,535			105,726
Income tax provision			(45,214)			(40,604)
Net income			$ 75,321			$ 65,122

(a) In the second quarter of 2015, HSN recorded a $3.0 million charge associated with the planned closure of one of its distribution centers as part of its supply chain optimization initiative. See Note 13 for further information.
(b) In the first quarter of 2014, Cornerstone recorded a $3.1 million settlement of a civil penalty assessed by the Consumer Product Safety Commission.

The net sales for each of HSNi's reportable segments are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales:				
HSN	$ 572,304	$ 556,488	$ 1,172,796	$ 1,100,975
Cornerstone	313,338	298,716	554,733	531,649
Total	$ 885,642	$ 855,204	$ 1,727,529	$ 1,632,624

NOTE 5—EARNINGS PER SHARE

HSNi computes basic earnings per share using the weighted average number of common shares outstanding for the period. HSNi computes diluted earnings per share using the treasury stock method, which includes the weighted average number of common shares outstanding for the period plus the potential dilution that could occur if various equity awards to issue common stock were exercised or restricted equity awards were vested resulting in the issuance of common stock that could share in HSNi's earnings.

The following table presents HSNi's basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income	$41,632	$40,940	$75,321	$65,122
Weighted average number of shares outstanding:				
Basic	52,683	52,916	52,628	53,037
Dilutive effect of stock-based compensation awards	992	829	1,090	917
Diluted	53,675	53,745	53,718	53,954
Net income per share:				
Basic	$ 0.79	$ 0.77	$ 1.43	$ 1.23
Diluted	$ 0.78	$ 0.76	$ 1.40	$ 1.21
Unexercised employee stock options and stock appreciation rights and unvested restricted stock units excluded from the diluted EPS calculation because their effect would have been antidilutive	550	842	538	794

NOTE 6—LONG-TERM DEBT

The balance of long-term debt, including current maturities, is as follows (in thousands):

	June 30, 2015	December 31, 2014	June 30, 2014
Secured credit agreement terminated January 27, 2015:			
Term loan	$ —	$ 228,126	$ 234,375
Revolving credit facility	—	—	—
Secured credit agreement expiring January 27, 2020:			
Term loan	500,000	—	—
Revolving credit facility	175,000	—	—
Total long-term debt	675,000	228,126	234,375
Less: current maturities	(12,500)	(17,188)	(14,063)
Long-term debt, less current maturities	$ 662,500	$ 210,938	$ 220,312

On January 27, 2015, HSNi entered into a $1.25 billion five-year syndicated credit agreement ("Credit Agreement") which is secured by 100% of the voting equity securities of HSNi's U.S. subsidiaries and 65% of HSNi's first-tier foreign subsidiaries. This Credit Agreement replaced the credit agreement that was set to expire in April 2017. Certain HSNi subsidiaries have unconditionally guaranteed HSNi's obligations under the Credit Agreement. The Credit Agreement, which includes a $750 million revolving credit facility and a $500 million term loan, may be increased up to $1.75 billion subject to certain conditions and expires January 27, 2020. HSNi drew $200 million from its term loan under the Credit Agreement on January 27, 2015 to repay in full its existing term loan of $228.1 million. HSNi drew the remaining $300 million from the term loan and $200 million under the revolving credit facility, both under the Credit Agreement, on February 18, 2015 to fund a $524 million special cash dividend that was paid on February 19, 2015.

In connection with the termination of the prior credit agreement, $0.5 million of the $2.4 million of unamortized deferred financing costs were expensed in the first quarter of 2015. The remaining balance of $1.9 million along with the $6.6 million in capitalized financing costs related to the Credit Agreement are being amortized to interest expense over the five-year term of the Credit Agreement.

The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities including a maximum leverage ratio of 3.50x and a minimum interest coverage ratio of 3.00x. HSNi was in compliance with all such covenants as of June 30, 2015 with a leverage ratio of 1.87x and an interest coverage ratio of 39.52x. The Credit Agreement also contains covenants that limit our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness, pay dividends or make other distributions to third parties, repurchase or redeem our stock, make investments, sell assets, incur liens, enter into agreements restricting our subsidiaries' ability to pay dividends, enter into transactions with affiliates and consolidate, merge or sell all or substantially all of our assets. Dividends, loans or advances to HSNi by its subsidiaries are not restricted by the Credit Agreement.

Loans under the Credit Agreement bear interest at a per annum rate equal to LIBOR plus a predetermined margin that ranges from 1.25% to 2.25% or the Base Rate (as defined in the Credit Agreement) plus a predetermined margin that ranges from 0.25% to 1.25%. HSNi can elect to borrow at either LIBOR or the Base Rate plus a predetermined margin which is determined by HSNi's leverage ratio. The interest rate on the $675.0 million outstanding long-term debt balance as of June 30, 2015 was 1.69%. HSNi pays a commitment fee ranging from 0.20% to 0.40% (based on the leverage ratio) on the unused portion of the revolving credit facility.

The amount available to HSNi under the revolving credit facility portion of the Credit Agreement is reduced by the amount of outstanding letters of credit issued under the revolving credit facility, which totaled $13.0 million as of June 30, 2015. The ability to draw funds under the revolving credit facility is dependent upon meeting the aforementioned financial covenants. As of June 30, 2015, the amount that could be borrowed under the revolving credit facility, after consideration of the financial covenants and the outstanding letters of credit, was approximately $562.0 million.

NOTE 7—DERIVATIVE INSTRUMENTS

HSNi uses derivatives in the management of its interest rate risk with respect to its variable rate debt. HSNi's strategy is to eliminate the cash flow risk on a portion of its variable rate debt caused by changes in the benchmark interest rate (LIBOR). Derivative instruments are not entered into for speculative purposes.

HSNi entered into a forward-starting interest rate swap agreement on December 20, 2012 with a notional amount of $187.5 million at a fixed rate of 0.8525%, resulting in an all-in fixed rate of 2.3525% based on HSNi's leverage ratio as of June 30, 2015. The interest rate swap took effect on January 31, 2014 with a maturity date in April 2017. Under this swap, HSNi pays at a fixed rate and receives payments at a variable rate based on one-month LIBOR. The swap effectively fixes the floating LIBOR-based interest of our outstanding LIBOR-based debt. The interest rate swap was designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income (loss). Any ineffective portions of the changes in fair value of the interest rate swap will be immediately recognized in earnings in the consolidated statements of operations. The change in fair value of the interest rate swap (inclusive of reclassifications to net income and net of tax) for the three months ended June 30, 2015 and 2014 was income of less than $0.1 million and a loss of approximately $0.5 million, respectively, and were included in comprehensive income (loss). The change in fair value of the interest rate swap (inclusive of reclassifications to net income and net of tax) for the six months ended June 30, 2015 and 2014 was a loss of approximately $0.5 million for both periods and were included in other comprehensive loss.

The fair value of the interest rate swap at June 30, 2015 was a liability of $0.6 million and was recorded in "Other long-term liabilities" in the consolidated balance sheet. The fair value of the interest rate swap at December 31, 2014 and June 30, 2014 was an asset of $0.2 million and a liability $0.2 million, respectively, and was recorded in "Other non-current assets" and "Other long-term liabilities," respectively in the consolidated balance sheets. HSNi estimates that approximately $0.9 million of unrealized losses included in accumulated other comprehensive loss related to this swap will be realized and reported in earnings within the next twelve months. See Note 8 for discussion of the fair value measurements concerning this interest rate swap.

NOTE 8—FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value assumptions are made at a specific point in time and changes in underlying assumptions could significantly affect these estimates. HSNi applies the following framework for measuring fair value which is based on a three-level hierarchy:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these items. The following table summarizes the fair value of HSNi's other financial assets and liabilities which are measured at fair value on a recurring basis in the consolidated balance sheets (in thousands):

	June 30, 2015			
	Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	$ 568	$ —	$ 568	$ —

	December 31, 2014			
	Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Assets:				
Interest rate swap	$ 208	$ —	$ 208	$ —

	June 30, 2014			
	Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	$ 218	$ —	$ 218	$ —

HSNi's interest rate swap is carried on the balance sheet at fair value. The swap was entered into in December 2012 for the purpose of hedging the variability of interest expense and interest payments on HSNi's long-term variable rate debt. The fair value is based on a valuation model which utilizes interest rate yield curves and credit spreads as the significant inputs to the model. These inputs are observable in active markets (level 2 criteria). HSNi considers credit risk associated with its own standing as well as the credit standing of any counterparties involved in the valuation of its financial instruments.

The following table summarizes the fair value of HSNi’s financial assets and liabilities which are carried at cost (in thousands):

	June 30, 2015				
	Carrying Value	Fair Value	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Term loan expiring January 27, 2020	$ 500,000	$ 500,000	$ —	$ 500,000	$ —
Revolving credit facility	$ 175,000	$ 175,000	$ —	$ 175,000	$ —

	December 31, 2014				
	Carrying Value	Fair Value	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Term loan terminated January 27, 2015	$ 228,126	$ 228,126	$ —	$ 228,126	$ —

	June 30, 2014				
	Carrying Value	Fair Value	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Term loan terminated January 27, 2015	$ 234,375	$ 234,375	$ —	$ 234,375	$ —

The fair value of the term loan was estimated by discounting expected cash flows at the rates currently offered to HSNi for debt of the same remaining maturities (level 2 criteria).

HSNi assesses the impairment of goodwill and indefinite-lived intangible assets at fair value at least annually during the fourth quarter and whenever events or circumstances indicate that the carrying value may not be fully recoverable. During the three months ended June 30, 2015, HSNi performed a qualitative analysis and, if necessary, a quantitative analysis of certain intangible assets where triggering events were noted and determined there was no impairment.

NOTE 9—INCOME TAXES

HSNi calculates its interim income tax provision in accordance with the accounting guidance for income taxes in interim periods. At the end of each interim period, HSNi makes its best estimate of the annual expected effective tax rate and applies that rate to its ordinary year-to-date income or loss. The tax or benefit related to significant, unusual, or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur.

In addition, the effect of changes in enacted tax laws or rates, tax status, or judgment on the realizability of beginning-of-the-year deferred taxes in future years is recognized in the interim period in which the change occurs.

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the year, permanent and temporary differences, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, additional information is obtained or the tax environment changes. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on prior quarters is included in tax expense for the current quarter.

For the three and six months ended June 30, 2015, HSNi recorded tax provisions of $25.2 million and $45.2 million, respectively, which represents effective tax rates of 37.7% and 37.5%, respectively. For the three and six months ended June 30, 2014, HSNi recorded tax provisions of $24.6 million and $40.6 million, respectively, which represents effective tax rates of 37.6% and 38.4%, respectively. The change in the effective tax rate for the six month ended results was primarily due to the non-deductibility of the $3.1 million settlement with the Consumer Product Safety Commission recognized in the first quarter of 2014.

The Internal Revenue Service ("IRS") has concluded its examination of HSNi's consolidated federal income tax return for the year ended December 31, 2010 and its limited scope examination of HSNi's consolidated federal income tax return for the year ended December 31, 2011. No material adjustments resulted from these IRS examinations. There are currently no income tax examinations in progress.

HSNi and several companies previously owned by IAC/InterActiveCorp, or IAC, were spun-off from IAC on August 20, 2008. In connection with the spin-off, HSNi entered into a Tax Sharing Agreement with IAC pursuant to which, among other things, each of the companies included in the spin-off (the "Spincos") has indemnified IAC and the other Spincos for any taxes resulting from the spin-off of such Spinco (and any related interest, penalties, legal and professional fees, and all costs and damages associated with related shareholder litigation or controversies) to the extent such amounts result from (i) any act or failure to act by such Spinco described in the covenants in the Tax Sharing Agreement, (ii) any acquisition of equity securities or assets of such Spinco or a member of its group, and (iii) any breach by such Spinco or any member of its group of any representation or covenant contained in the separation documents or in the documents relating to the IRS private letter ruling and/or tax opinions. As a result, the Tax Sharing Agreement could subject HSNi to tax contingencies. In the event an adjustment with respect to a pre-spin-off period for which IAC is responsible results in a tax benefit to HSNi in a post-spin-off period, HSNi will be required to pay such tax benefit to IAC. In general, IAC controls all audits and administrative matters and other tax proceedings relating to the consolidated federal income tax return of the IAC group and any other tax returns for which the IAC group is responsible.

No IAC consolidated or combined federal or state tax returns for years including HSNi operations are under examination. By virtue of the Tax Sharing Agreement with IAC, HSNi is indemnified with respect to additional tax liabilities for consolidated or combined federal and state tax returns prepared and filed by IAC prior to the spin-off, but is liable for any additional tax liabilities for HSNi separately filed state income tax returns.

NOTE 10—STOCK-BASED AWARDS

Stock-based compensation expense is included in the following line items in the accompanying consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Selling and marketing	$ 1,598	$ 1,096	$ 3,152	$ 2,289
General and administrative	3,170	2,688	6,272	5,521
Stock-based compensation expense before income taxes	4,768	3,784	9,424	7,810
Income tax benefit	(1,707)	(1,386)	(3,358)	(2,822)
Stock-based compensation expense after income taxes	$ 3,061	$ 2,398	$ 6,066	$ 4,988

As of June 30, 2015, there was approximately $31.5 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards which is currently expected to be recognized on a straight-line basis over a weighted average period of approximately 2.1 years.

The Second Amended and Restated 2008 Stock and Annual Incentive Plan, as amended (the "Plan"), authorizes the issuance of 8.0 million shares (8.8 million shares after giving effect to the special cash dividend) of HSNi common stock for new awards granted by HSNi. The purpose of the Plan is to assist HSNi in attracting, retaining and motivating officers, employees, directors and consultants, and to provide HSNi with the ability to provide incentives more directly linked to the profitability of HSNi's business and increases in shareholder value.

In connection with the special cash dividend of $10.00 per common share paid on February 19, 2015, and as required by the anti-dilution provisions of the Plan, adjustments were made to outstanding equity awards as of the ex-dividend date to preserve their value following the dividend, as follows: (i) the number of shares subject to outstanding restricted stock units was increased as a result of the reinvestment of the dividend; and (ii) the exercise prices of outstanding stock options and stock appreciation rights and the grant date fair value of market stock units were reduced and the number of shares subject to such awards was increased. These adjustments did not result in additional stock-based compensation expense as the fair value of the outstanding awards did not change. As further required by the Plan, the maximum number of shares issuable under the Plan was also proportionally adjusted, which resulted in approximately 0.8 million additional shares available to be issued. As of June 30, 2015, after adjustment for the special dividend, there were approximately 2.5 million shares of common stock available for grants under the Plan.

A summary of the stock-based awards granted during the six months ended June 30, 2015 is as follows:

	Six Months Ended June 30, 2015	
	Number of Awards Granted	Weighted Average per Share Fair Value
Stock appreciation rights	508,420	$13.65
Restricted stock units	215,712	$66.18
Employee stock purchase plan options	18,428	$15.45
Stock appreciation rights and stock options due to special dividend	343,485	-
Restricted stock unit dividend equivalents due to special dividend and quarterly dividends	97,979	-
Market stock units related to special dividend	15,078	-

The fair values of the options granted under the HSN, Inc. 2010 Employee Stock Purchase Plan and the stock appreciation rights are estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the valuation of each for the six months ended June 30, 2015 are as follows:

	Six Months Ended June 30, 2015	
	Stock Appreciation Rights	Employee Stock Purchase Plan Options
Volatility factor	29.2%	21.1%
Risk-free interest rate	1.49%	0.11%
Expected term	4.4	0.5
Dividend yield	2.2%	1.9%

As a result of the special cash dividend, the exercise prices of outstanding stock options and stock appreciation rights were reduced and the number of shares subject to such awards were increased as of the ex-dividend date. The following table summarizes the information about stock options and stock appreciation rights outstanding and exercisable (after giving effect to the special cash dividend) as of June 30, 2015:

	Outstanding			Exercisable	
	Number Outstanding at June 30, 2015	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Number Exercisable at June 30, 2015	Weighted Average Exercise Price
$0.00 to $9.99	106,698	$ 4.92	3.5	106,698	$ 4.92
$10.00 to $19.99	79,253	15.46	3.3	79,253	15.46
$20.00 to $29.99	57,541	25.86	5.6	57,541	25.86
$30.00 to $39.99	866,090	35.06	4.6	866,090	35.06
$40.00 to $49.99	415,433	47.73	8.6	126,164	47.73
$50.00 to $59.99	304,242	51.57	7.7	182,798	51.58
$60.00 to $69.99	494,943	65.24	9.6	—	—
	2,324,200			1,418,544	

NOTE 11—SHAREHOLDERS' EQUITY

Share Repurchase Program

Effective September 27, 2011, HSNi's Board of Directors approved a share repurchase program which allowed HSNi to purchase10 million shares of its common stock from time to time through privately negotiated and/or open market transactions. During the six months ended June 30, 2014, HSNi acquired approximately 931,000 shares of its outstanding common stock for $51.0 million at an average price of$54.76. In July 2014, HSNi completed this share repurchase program at an aggregate cost of $451.0 million, representing an average cost of $45.10 per share. All shares were retired immediately following purchase.

Effective January 27, 2015, HSNi's Board of Directors approved a new share repurchase program which allows HSNi to purchase up to4 million shares of its common stock from time to time through privately negotiated and/or open market transactions. The timing of repurchases and actual number of shares repurchased depends on a variety of factors, including the stock price, corporate and regulatory requirements, restrictions under HSNi's debt obligations and other market and economic conditions. During the six months ended June 30, 2015, HSNi acquired approximately 278,000 shares of its outstanding common stock for$18.3 million at an average price of$66.06. All shares were retired immediately following purchase.

Dividend Policy

In the second quarter of 2015, HSNi's Board of Directors approved a quarterly cash dividend of$0.35 per common share resulting in a payment of$18.3 million on June 17, 2015 to HSNi's shareholders of record as of June 3, 2015.

In the third quarter of 2015, HSNi's Board of Directors approved a quarterly cash dividend of$0.35 per common share. The dividend will be paid on September 16, 2015 to HSNi's shareholders of record as of September 2, 2015.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes the cumulative gains and losses of derivative instruments that qualify as cash flow hedges. The following table provides a rollforward of accumulated other comprehensive income (loss) (in thousands):

	Six Months Ended June 30,	
	2015	2014
Accumulated other comprehensive income as of January 1,	$ 127	$ 354
Other comprehensive loss before reclassifications	(1,414)	(1,338)
Amounts reclassified from accumulated other comprehensive income (loss) to interest expense in the consolidated statements of operations	637	546
Income tax benefit	295	303
Other comprehensive loss, net of tax	(482)	(489)
Accumulated other comprehensive loss as of June 30,	$ (355)	$ (135)

NOTE 12—COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, HSNi is a party to various audits, claims and lawsuits. These audits or litigation may relate to claims involving property, personal injury, contract, intellectual property (including patent infringement), sales tax, product recalls, regulatory compliance, employment matters and other claims. HSNi has established reserves for specific legal or tax compliance matters for which it has determined the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where it believes an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that an unfavorable resolution of claims against HSNi, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on its liquidity, results of operations, financial condition or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future and an unfavorable resolution of such a proceeding could have a material impact. Moreover, any claims or regulatory actions against HSNi, whether meritorious or not, could be time-consuming, result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources.

HSNi also evaluates other contingent matters, including tax contingencies, to assess the probability and estimated extent of potential loss. See Note 9 for discussion related to income tax contingencies.

NOTE 13—COSTS ASSOCIATED WITH AN EXIT ACTIVITY

As part of its supply chain optimization initiative designed to increase operational efficiencies and enhance customer service, HSNi announced in June 2015 its plan to close the HSN distribution center in Roanoke, Virginia and expand the capabilities of its distribution center in Piney Flats, Tennessee. The closure will involve the eventual elimination of approximately 350 positions at the Virginia facility. HSNi expects the closure to occur in accordance with an eighteen-month transition plan and be substantially completed by the end of 2016.

HSN expects to incur approximately $4 million to $5 million in total charges related to the closure. These charges include approximately $3 million to $4 million in employee-related expenses, including severance payments and retention incentives. During the three month period ended June 30, 2015, HSN recognized $3.0 million in employee-related costs which are included in "General and administrative" operating expenses in the accompanying consolidated statements of operations.

A summary of HSNi’s liability associated with exit activities, which is recorded in “Accrued expenses and other current liabilities” and “Other long-term liabilities” in the accompanying consolidated balance sheets, are presented in the following table (in thousands):

	Employee Related Costs
Balance at January 1, 2015	$ —
Provisions	3,032
Settlements	—
Adjustments	—
Balance at June 30, 2015	$ 3,032

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this quarterly report. Historical results and trends which might appear should not be taken as indicative of future operations. Our results of operations and financial condition, as reflected in the accompanying statements and related notes, are subject to management's evaluation and interpretations of business conditions, changing market conditions and other factors.

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), which are based on management's exercise of business judgment, as well as assumptions made by and information currently available to management. When used in this document, the words "may," "will," "anticipate," "believe," "estimate," "expect," "intend" and words of similar import, are intended to identify any forward-looking statements. These forward-looking statements include, among other things, statements relating to the following: HSNi's future financial performance, HSNi's business prospects and strategy, anticipated trends and prospects in the various markets in which HSNi's businesses operate and other similar matters. These forward-looking statements relate to expectations concerning matters that are not historical fact and are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. Although we believe our expectations are based on reasonable estimates and assumptions, they are not guarantees of performance.

Should one or more of these uncertainties, risks or changes in circumstances materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Factors that could cause or contribute to such differences include but are not limited to those described under "Risk Factors," included in HSNi's Annual Report on Form 10-K for the year ended December 31, 2014 and the following:

- the influence of the macroeconomic environment and its impact on consumer confidence and spending levels;
- our ability to attract new and retain existing customers in a cost-effective manner;
- our exposure to intense competition and our ability to effectively compete for customers;
- changes in our relationships with pay television operators, vendors, manufacturers and other third parties;
- changes in product shipping and handling costs particularly if we are unable to offset them;
- any technological or regulatory developments that could negatively impact the way we do business, including developments requiring us to collect and remit state and local sales and use taxes;
- risks associated with possible systems failures and/or security breaches, including, any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to HSNi in the event of such a breach;
- HSNi's business prospects and strategy, including whether HSNi's initiatives will be effective;
- our ability to offer new or innovative products and services through various platforms in a cost effective manner and consumer acceptance of these products and services;
- risks associated with litigation;
- risks associated with acquisitions including the ability to successfully integrate new businesses and achieve expected benefits and results; and
- the loss of any key member of our senior management team.

Other unknown or unpredictable factors that could also adversely affect HSNi's business, financial condition and results of operations may arise from time to time.

You should not place undue reliance on these forward-looking statements. All written or oral forward-looking statements that are made or are attributable to us are expressly qualified in their entirety by this cautionary notice. Such forward-looking statements speak only to the date such statements are made and we do not undertake to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Historical results should not be considered an indication of future performance.

Results of Operations

Net Sales

Net sales primarily relate to the sale of merchandise, including shipping and handling fees, and are reduced by incentive discounts and actual and estimated sales returns. Sales taxes collected are not included in net sales. Digital sales include sales placed through our internet websites and our mobile applications using tablets and smart phones.

Revenue is recorded when delivery to the customer has occurred. Delivery is considered to have occurred when the customer takes title and assumes the risks and rewards of ownership, which is generally on the date of shipment. HSNi's sales policy allows customers to return virtually all merchandise for a full refund or exchange, subject to pre-established time restrictions.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
	(Dollars in thousands)			(Dollars in thousands)		
HSN	$ 572,304	3%	$ 556,488	$ 1,172,796	7%	$ 1,100,975
Cornerstone	313,338	5%	298,716	554,733	4%	531,649
Total HSNi net sales	$ 885,642	4%	$ 855,204	$ 1,727,529	6%	$ 1,632,624

HSNi net sales in the second quarter of 2015 increased 4%, or $30.4 million, due to 3% sales growth at HSN and 5% sales growth at Cornerstone. Digital sales grew 11% with penetration increasing 330 basis points to 49.9%. Gross units shipped in the second quarter of 2015 were flat to last year at14.7 million but the average price point increased 3% to $66.98.

HSNi net sales in the six months ended June 30,2015 increased 6%, or $94.9 million, due to 7% sales growth at HSN and 4% sales growth at Cornerstone. Digital sales grew 12% with penetration increasing 260 basis points to 49.3%. Gross units shipped increased 2% to 29.9 million and the average price point increased 3% to $64.37.

HSN

HSN net sales in the second quarter of 2015 increased 3%, or $15.8 million with strong sales growth in apparel & accessories and electronics, offset by decreases in jewelry and home. These results include sales associated with a direct-response television marketing campaign that started during the fourth quarter of 2014 and contributed to 1% of this growth. Digital sales grew 11% and penetration increased 310 basis points to 40.3%. The return rate decreased 70 basis points from 18.7% to 18.0% primarily due to changes in sales mix to categories with lower return rates. Gross units shipped increased 2% to 11.4 million and average price point increased 1% to $58.20.

HSN net sales in the six months ended June 30,2015 increased 7%, or $71.8 million due to strong sales growth in Apparel & Accessories and Home & Other, offset by a decrease in Jewelry. Included within Home & Other are sales associated with a direct-response television marketing campaign that started during the fourth quarter of 2014 and contributed to 2% of total sales growth. Digital sales grew 15% and penetration increased 290 basis points to 40.5%. The return rate decreased 70 basis points from 18.5% to 17.8% primarily due to changes in sales mix to categories with lower return rates. Gross units shipped increased 5% to 23.4 million and average price point increased 1% to $57.74.

Divisional product sales mix at HSN is provided in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Jewelry	9.6%	11.5%	9.4%	11.1%
Fashion (apparel & accessories)	18.3%	15.8%	16.7%	15.4%
Beauty & Health	28.0%	29.6%	29.2%	29.5%
Home & Other (including home, electronics, culinary and other)	44.1%	43.1%	44.7%	44.0%
Total	100.0%	100.0%	100.0%	100.0%

Cornerstone

Cornerstone net sales in the second quarter of 2015 increased 5%, or $14.6 million primarily due to growth in the home brands. Digital sales grew 10% and penetration increased 330 basis points to 67.4%. Catalog circulation increased 3% compared to the prior year to 85.9 million. The return rate increased 50 basis points to 12.7%.

Cornerstone net sales in the six months ended June 30,2015 increased 4%, or $23.1 million. The increase in net sales was driven by sales growth in the home brands, partially offset by lower sales in the apparel brands. Digital sales grew 8% with penetration increasing 200 basis points to 67.7%, up from 65.7% in the prior year. Catalog circulation increased 3% compared to the prior year to 169.6 million. The return rate was 13.0% compared to 12.9% in the prior year.

The brand mix at Cornerstone is provided in the table below (as a percentage of net sales):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Home brands (Ballard Designs, Frontgate, Grandin Road and Improvements)	83.1%	82.0%	79.7%	78.2%
Apparel brands (Chasing Fireflies, Garnet Hill and TravelSmith)	16.9%	18.0%	20.3%	21.8%
Total	100.0%	100.0%	100.0%	100.0%

Cost of Sales and Gross Profit

Cost of sales consists primarily of the cost of products sold, shipping and handling costs and compensation and other employee-related costs for personnel engaged in supply chain functions. Cost of products sold includes merchandise cost, inbound freight and duties and certain allocable general and administrative costs, including certain warehouse costs.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
	(Dollars in thousands)			(Dollars in thousands)		
Gross profit:						
HSN	$ 209,273	7%	$ 196,486	$ 416,802	8%	$ 387,075
HSN gross margin percentage	36.6%	130 bp	35.3%	35.5%	30 bp	35.2%
Cornerstone	$ 127,264	9%	$ 116,649	$ 219,940	9%	$ 201,834
Cornerstone gross margin percentage	40.6%	150 bp	39.1%	39.6%	160 bp	38.0%
HSNi	$ 336,537	7%	$ 313,135	$ 636,742	8%	$ 588,909
HSNi gross margin percentage	38.0%	140 bp	36.6%	36.9%	80 bp	36.1%

bp = basis points

HSN

Gross profit for HSN in the second quarter of 2015 increased 7%, or $12.8 million. Gross margin increased 130 basis points to 36.6% primarily due to favorable vendor settlements and lower inventory-related costs including inbound freight and duties.

Gross profit for HSN in the six months ended June 30,2015 increased 8%, or $29.7 million. Gross margin increased 30 basis points to 35.5%.

Cornerstone

Gross profit for Cornerstone in the second quarter of 2015 increased 9%, or $10.6 million, compared to the prior year. Gross margin increased 150 basis points to 40.6% primarily due to improvement in overall product and shipping margins, particularly at Garnet Hill. The increase in the product margin was primarily due to lower promotional activity and selective price increases. The increase in the shipping margin was primarily due to fewer shipping promotions.

Gross profit for Cornerstone in the six months ended June 30,2015 increased 9%, or $18.1 million, compared to the prior year. Gross margin increased 160 basis points to 39.6% primarily due to improvement in overall product and shipping margins, particularly at Garnet Hill. The increase in the product margin was primarily due to lower promotional activity and selective price increases. The increase in shipping margin was primarily due to fewer shipping promotions.

Selling and Marketing Expense

Selling and marketing expense consists primarily of advertising and promotional expenditures, compensation and other employee-related costs (including stock-based compensation) for personnel engaged in customer service, sales and merchandising, production and programming functions and on-air distribution costs. Advertising and promotional expenditures primarily include catalog production and distribution costs and online marketing, including fees paid to search engines and third-party distribution partners.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
		(Dollars in thousands)			(Dollars in thousands)	
HSN	$ 102,763	4%	$ 99,096	$ 207,519	6%	$ 195,920
As a percentage of HSN net sales	18.0%	20 bp	17.8%	17.7%	(10 bp)	17.8%
Cornerstone	$ 89,173	7%	$ 83,651	$ 159,774	4%	$ 154,066
As a percentage of Cornerstone net sales	28.5%	50 bp	28.0%	28.8%	(20 bp)	29.0%
HSNi	$ 191,936	5%	$ 182,747	$ 367,293	5%	$ 349,986
As a percentage of HSNi net sales	21.7%	30 bp	21.4%	21.3%	(10 bp)	21.4%

HSNi's selling and marketing expense in the second quarter of 2015 increased 5%, or $9.2 million, and was 21.7% of net sales compared to 21.4% in the prior year. HSNi's selling and marketing expense in the six months ended June 30, 2015 increased 5%, or $17.3 million, and was 21.3% of net sales compared to 21.4% in the prior year.

HSN

HSN's selling and marketing expense in the second quarter of 2015 increased 4%, or $3.7 million, due to an increase in employee-related costs, primarily for wages and healthcare, and an increase in media expense for direct-response television marketing. HSN's selling and marketing expense was 18.0% of net sales compared to 17.8% in the prior year.

HSN's selling and marketing expense in the six months ended June 30, 2015 increased6%, or $11.6 million, primarily due to media expense for direct-response television marketing; and an increase in employee-related costs, primarily in our call center and for healthcare costs. HSN's selling and marketing expense was 17.7% of net sales compared to 17.8% in the prior year.

Cornerstone

Cornerstone's selling and marketing expense in the second quarter of 2015 increased 7%, or $5.5 million, primarily due to an increase in catalog costs driven by a 3% increase in circulation and an increase in employee-related costs. Cornerstone's selling and marketing expense was 28.5% of net sales compared to 28.0% in the prior year primarily due to an increase in employee-related and marketing costs, partially offset by improved catalog cost leverage.

Cornerstone's selling and marketing expense in the six months ended June 30, 2015 increased 4% or $5.7 million, primarily due to an increase in employee-related costs and an increase in catalog costs driven by a 3% increase in circulation. Cornerstone's selling and marketing expense was 28.8% of net sales compared to 29.0% in the prior year primarily due improved catalog cost leverage, offset by an increase in employee-related costs.

General and Administrative Expense

General and administrative expense consists primarily of compensation and other employee-related costs (including stock-based compensation) for personnel engaged in finance, legal, tax, human resources, information technology and executive management functions; bad debts; facilities costs; and fees for professional services.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
		(Dollars in thousands)			(Dollars in thousands)	
HSN	$ 45,395	20%	$ 37,890	$ 85,821	13%	$ 75,657
As a percentage of HSN net sales	7.9%	110 bp	6.8%	7.3%	40 bp	6.9%
Cornerstone	$ 17,418	22%	$ 14,328	$ 33,582	3%	$ 32,472
As a percentage of Cornerstone net sales	5.6%	80 bp	4.8%	6.1%	-	6.1%
HSNi	$ 62,813	20%	$ 52,218	$ 119,403	10%	$ 108,129
As a percentage of HSNi net sales	7.1%	100 bp	6.1%	6.9%	30 bp	6.6%

HSNi’s general and administrative expense in the second quarter of 2015 increased 20%, or $10.6 million, and was 7.1% of net sales compared to 6.1% in the prior year. HSNi’s general and administrative expense in the six months ended June 30, 2015 increased 10%, or $11.3 million, and was 6.9% of net sales compared to 6.6% in the prior year.

HSN

HSN's general and administrative expense in the second quarter of 2015 increased 20%, or $7.5 million, and was 7.9% of net sales compared to 6.8% in the prior year. The increase is primarily due to $3.0 million in costs accrued for the planned closure of its Virginia distribution center, an increase of $3.0 million in bad debt expense and an increase in employee-related costs. The increase in bad debt expense is the result of changes in sales mix in addition to higher than anticipated write-offs of Flexpay receivables in certain product categories (primarily electronics), a portion of which relates to sales recorded in prior periods.

HSN's general and administrative expense in the six months ended June 30, 2015 increased 13%, or $10.2 million, and was 7.3% of net sales compared to 6.9% in the prior year. The increase is primarily due to a $3.4 million increase in bad debt expense; $3.0 million in costs accrued for the planned closure of its Virginia distribution center; and increases in employee and warehouse-related costs.

HSN’s general and administrative expenses for the three and six months ended June 30, 2015 include approximately $3.0 million related to the planned closure of its Roanoke, Virginia distribution center. The facility closure that will occur in 2016 is part of HSNi’s supply chain optimization initiative that is designed to increase operational efficiencies and enhance customer service. As part of this initiative, HSN will be expanding the capabilities of its Piney Flats, Tennessee distribution center. HSNi expects to incur approximately $4 million to $5 million in total charges related to the closure of the Virginia facility. These charges include approximately $3 million to $4 million in employee-related expenses, including severance payments and retention incentives. The financial benefits associated with the supply chain optimization initiative, including labor and transportation savings, are expected to be realized beginning in the second half of 2016. HSNi expects to use much of these savings to remain competitive in the marketplace, including initiatives to drive future sales growth and enhance customer service.

Cornerstone

Cornerstone's general and administrative expense in the second quarter of 2015 increased 22%, or $3.1 million, and was 5.6% of net sales compared to 4.8% in the prior year. The increase was due to an increase in employee-related costs, primarily for performance-based incentives, and consulting costs.

Cornerstone's general and administrative expense in the six months ended June 30, 2015 increased 3%, or $1.1 million, primarily due to an increase in employee-related costs driven by for performance-based incentives, and consulting costs, offset by a $3.1 million charge related to a settlement in the prior year with the Consumer Product Safety Commission ("CPSC"). Cornerstone's general and administrative expense was 6.1% of net sales, consistent with the prior year.

Depreciation and Amortization

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
	(Dollars in thousands)			(Dollars in thousands)		
HSN	$ 7,590	2%	$ 7,423	$ 15,008	1%	$ 14,860
Cornerstone	3,495	3%	3,380	7,326	9%	6,699
HSNi	$ 11,085	3%	$ 10,803	$ 22,334	4%	$ 21,559
As a percentage of HSNi net sales	1.3%	-	1.3%	1.3%	-	1.3%

Depreciation and amortization in the second quarter of 2015 increased 3%, or $0.3 million, compared to the prior year. The increase was primarily due to the incremental depreciation associated with recent investments in our distribution centers, information technology, digital commerce and infrastructure.

Depreciation and amortization in the six months ended June 30, 2015 increased 4%, or $0.8 million, compared to the prior year. The increase was primarily due to the incremental depreciation associated with recent investments in our distribution centers, information technology and infrastructure.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure and is defined in Note 4 of Notes to Consolidated Financial Statements.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Change	2014	2015	Change	2014
	(Dollars in thousands)			(Dollars in thousands)		
HSN	$ 68,194	9%	$ 62,657	$ 134,384	10%	$ 121,799
As a percentage of HSN net sales	11.9%	60 bp	11.3%	11.5%	40 bp	11.1%
Cornerstone	$ 21,831	12%	$ 19,435	$ 28,791	44%	$ 20,051
As a percentage of Cornerstone net sales	7.0%	50 bp	6.5%	5.2%	140 bp	3.8%
HSNi	$ 90,025	10%	$ 82,092	$ 163,175	15%	$ 141,850
As a percentage of HSNi net sales	10.2%	60 bp	9.6%	9.4%	70 bp	8.7%

HSNi's Adjusted EBITDA in the second quarter of 2015 increased 10%, or $7.9 million, and was 10.2% of net sales compared to 9.6% in the prior year. The increase was primarily driven by the 4% growth in net sales and 140 basis point improvement in gross margin, offset by a 7% growth in operating expenses (excluding non-cash charges and a $3.0 million charge associated with the planned closure of one of HSN's distribution centers) .

HSNi's Adjusted EBITDA in the six months ended June 30, 2015 increased 15%, or $21.3 million, and was 9.4% of net sales compared to 8.7% in the prior year. The increase was driven by the 6% growth in net sales and 80 basis point improvement in gross margin, offset by a 6% growth in operating expenses (excluding non-cash charges and a $3.0 million charge associated with the planned closure of one of HSN's distribution centers).

HSN

HSN's Adjusted EBITDA in the second quarter of 2015 increased 9%, or $5.5 million, and was 11.9% of net sales compared to 11.3% in the prior year. The increase was due to the 3% growth in net sales and 130 basis point improvement in gross margin, partially offset by a 5% increase in operating expenses (excluding non-cash charges and a $3.0 million charge associated with the planned closure of its Virginia distribution center) primarily related to employee-related costs, bad debt expense and media spend for direct-response television marketing.

HSN's Adjusted EBITDA for the six months ended June 30, 2015 increased 10%, or $12.6 million, and was 11.5% of net sales compared to 11.1% in the prior year. The increase was due to the 7% growth in net sales and 30 basis point improvement in gross margin, partially offset by a 6% growth in operating expenses (excluding non-cash charges and a $3.0 million charge associated with the planned closure of its Virginia distribution center) primarily related to employee-related costs, media spend for direct-response television marketing and bad debt expense.

Cornerstone

Cornerstone's second quarter Adjusted EBITDA increased 12%, or $2.4 million, primarily due to strong performance at Garnet Hill and Frontgate. Adjusted EBITDA was 7.0% of net sales compared to 6.5% in the prior year. The increase was due to the 150 basis point improvement in gross margin, partially offset by the 110 basis point increase in operating expenses as a percentage of net sales (excluding non-cash charges). The increase in operating expenses as a percent of net sales is primarily due to employee-related costs, consulting costs and an increase in marketing costs.

Cornerstone's Adjusted EBITDA for the six months ended June 30, 2015 increased 44%, or $8.7 million, primarily due to strong performance at Garnet Hill and Frontgate. Adjusted EBITDA was 5.2% of net sales compared to 3.8% in the prior year which was due to the 160 basis point improvement in gross margin, partially offset by the 20 basis point increase in operating expenses as a percent of net sales (excluding non-cash charges and the $3.1 million CPSC settlement). Operating expense leverage declined primarily due to higher employee-related costs and consulting costs, offset by improved catalog cost leverage.

Operating Income

	Three Months Ended June 30,					Six Months Ended June 30,				
	2015		Change	2014		2015		Change	2014	
	(Dollars in thousands)					(Dollars in thousands)				
HSN	$	53,525	3%	$	52,077	$	108,453	8%	$	100,638
As a percentage of HSN net sales		9.4%	-		9.4%		9.2%	10 bp		9.1%
Cornerstone	$	17,178	12%	$	15,290	$	19,259	124%	$	8,597
As a percentage of Cornerstone net sales		5.5%	40 bp		5.1%		3.5%	190 bp		1.6%
HSNi	$	70,703	5%	$	67,367	$	127,712	17%	$	109,235
As a percentage of HSNi net sales		8.0%	10 bp		7.9%		7.4%	70 bp		6.7%

NM = not meaningful

HSNi's operating income in the second quarter of 2015 increased 5%, or $3.3 million, and was 8.0% of net sales compared to 7.9% in the prior year. The increase was due to 4% growth in net sales and 140 basis point improvement in gross margin, offset by a 130 basis point increase in operating expenses as a percent of net sales. Operating expenses as a percent of net sales increased primarily due to employee-related costs, a $3.0 million charge associated with the closure of one of HSN's distribution centers, an increase of $3.0 million in HSN's bad debt expense, an increase in consulting costs and an increase in media spend related to HSN's direct-response television marketing.

HSNi's operating income in the six months ended June 30, 2015 increased 17%, or $18.5 million, and was 7.4% of net sales compared to 6.7% in the prior year. The increase was driven by the 6% growth in net sales and 80 basis point improvement in gross margin, offset by a 6% growth in operating expenses. Operating expenses as a percent of net sales increased primarily due to employee-related costs, an increase in media spend related to HSN's direct-response television marketing, an increase in bad debt expense, a $3.0 million charge associated with the closure of one of HSN's distribution centers, and an increase in consulting costs, offset by the $3.1 million CPSC settlement at Cornerstone in the prior year.

Other Income (Expense)

	Three Months Ended June 30,					Six Months Ended June 30,				
	2015		Change	2014		2015		Change	2014	
	(Dollars in thousands)					(Dollars in thousands)				
Interest income	$	94	114%	$	44	$	134	18%	$	114
Interest expense		(3,974)	114%		(1,854)		(7,311)	102%		(3,623)
Total other expense, net	$	(3,880)	114%	$	(1,810)	$	(7,177)	105%	$	(3,509)
As a percentage of HSNi net sales		0.4%	20 bp		0.2%		0.4%	20 bp		0.2%

On January 27, 2015, HSNi entered into a $1.25 billion five-year syndicated credit agreement ("Credit Agreement") which replaced a $600 million credit agreement that was set to expire in April 2017. HSNi drew $200 million from its term loan under the Credit Agreement on January 27, 2015 to repay its existing term loan of $228.1 million and drew the remaining $300 million from its term loan and $200 million under the revolving credit facility to fund a $524 million special cash dividend that was paid on February 19, 2015.

HSNi executed an interest rate swap with a notional amount of $187.5 million that took effect on January 31, 2014. The interest rate swap effectively fixes the floating LIBOR-based interest on $187.5 million of the outstanding term loan (under both credit agreements) resulting in a fixed rate of 2.3525% (based on HSNi's leverage ratio as of June 30, 2015).

Interest expense for the three and six months ended June 30, 2015 increased $2.1 million and $3.7 million, respectively. The increase in interest expense compared to the prior year is due to a higher outstanding debt balance and the write-off of $0.5 million of deferred financing fees in the first quarter of 2015 related to the prior credit agreement.

Income Tax Provision

For the three and six months ended June 30, 2015, HSNi recorded a tax provision of $25.2 million and $45.2 million, respectively, which represents effective tax rates of 37.7% and 37.5%. For the three and six months ended June 30, 2014, HSNi recorded a tax provision of $24.6 million and $40.6 million, respectively, which represents effective tax rates of 37.6% and 38.4%. The change in the effective tax rate for the six month periods was primarily due to the non-deductibility of the $3.1

million settlement with the CPSC recognized in the first quarter of 2014.

Liquidity and Capital Resources

As of June 30, 2015, HSNi had $74.2 million of cash and cash equivalents compared to $160.0 million as of December 31, 2014 and $122.3 million as of June 30, 2014.

Net cash provided by operating activities for the six months ended June 30, 2015 was $72.3 million compared to $28.2 million in the prior year, an increase of $44.1 million. The increase is primarily due to the collections of accounts receivable and improved operating performance, offset by an increase in required income tax payments. Collections of accounts receivable increased in the first half of 2015 compared to the same period in the prior year due to the higher outstanding balance at year end driven by the fourth quarter's sales growth and increased customer utilization of HSN's Flexpay program. The increase in required income tax payments is due to the timing of earnings and temporary tax differences.

Inventories as of June 30, 2015 compared to June 30, 2014 have grown at both HSN and Cornerstone as they normalized inventory levels to support future sales growth and made strategic investments in certain product categories and new initiatives. These measures have resulted in inventory in 2015 increasing by 17% compared to prior year.

Net cash used in investing activities for the six months ended June 30, 2015 was $26.2 million and was related to capital expenditures primarily for investments in our distribution centers, including our warehouse automation project, information technology, digital commerce and infrastructure.

Net cash used in financing activities for the six months ended June 30, 2015 was $131.9 million and was primarily related to the funding of HSNi's capital return plan. HSNi paid a special cash dividend of $10.00 per common share in February 2015 and quarterly cash dividends totaling $0.70 per common share in the first half of 2015, representing aggregate payments of $561.2 million. HSNi also paid $18.3 million for approximately 278,000 shares of common stock repurchased during the six months ended June 30, 2015. HSNi borrowed $700 million under the Credit Agreement to repay the $228.1 million term loan that was outstanding under the prior credit agreement and to fund the payment of the special cash dividend. Additionally, HSNi had a cash inflow of $11.3 million from stock option proceeds that was offset by a cash outflow of $12.2 million used to cover withholding taxes for stock-based awards. HSNi also had $8.3 million of excess tax benefits from stock-based awards.

On January 27, 2015, HSNi entered into a $1.25 billion five-year syndicated Credit Agreement. The Credit Agreement replaced the existing $600 million credit agreement that was set to expire in April 2017. The Credit Agreement, which includes a $750 million revolving credit facility and a $500 million term loan, may be increased up to $1.75 billion subject to certain conditions and expires January 27, 2020. HSNi drew $200 million from its term loan under the Credit Agreement on January 27, 2015 to repay in full its existing term loan of $228.1 million and drew the remaining $300 million from its term loan and $200 million under the revolving credit facility on February 18, 2015 to fund the $524 million special cash dividend that was paid on February 19, 2015.

The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities including a maximum leverage ratio of 3.50x and a minimum interest coverage ratio of 3.00x. Loans under the Credit Agreement bear interest at a per annum rate equal to a LIBOR rate plus a predetermined margin that ranges from 1.25% to 2.25% or the Base Rate (as defined in the Credit Agreement) plus a predetermined margin that ranges from 0.25% to 1.25%. HSNi can elect to borrow at either a LIBOR rate or the Base Rate and the predetermined margin is determined by HSNi's leverage ratio. HSNi pays a commitment fee ranging from 0.20% to 0.40% (based on the leverage ratio) on the unused portion of the revolving credit facility.

The amount available under the Credit Agreement is reduced by the amount of commercial and standby letters of credit issued under the revolving credit facility, which totaled $13.0 million as of June 30, 2015. The ability to draw funds under the revolving credit facility is dependent upon meeting the aforementioned financial covenants, which may limit HSNi's ability to draw the full amount of the facility. As of June 30, 2015, the additional amount that could be borrowed under the revolving credit facility, in consideration of the financial covenants and outstanding letters of credit, was approximately $562.0 million.

To reduce our future exposure to rising interest rates under our credit facility, we entered into a forward-starting swap in December 2012 that effectively converts $187.5 million of our variable rate term loan (under both credit agreements) to a fixed-rate basis beginning January 2014 through April 2017. For additional information related to our interest rate swap, refer to Note 7 of Notes to Consolidated Financial Statements.

Effective January 27, 2015, HSNi's Board of Directors authorized a new 4 million share repurchase program which allows HSNi to purchase shares of its common stock from time to time through privately negotiated and/or open market transactions. The timing of any repurchases and actual number of shares repurchased depends on a variety of factors, including the stock price, corporate and regulatory requirements, restrictions under HSNi's debt obligations and other market and economic conditions. During the six months ended June 30, 2015, HSNi repurchased approximately 278,000 shares of common stock at a cost of$18.3 million, or an average cost of$66.06 per share. As of June 30, 2015, approximately 3.7 million shares remain authorized for repurchase under the program.

HSNi anticipates it will need to make capital and other expenditures in connection with the development and expansion of its operations. Our capital expenditures for fiscal 2015 are planned at approximately $65 million to $75 million and primarily relate to investments in our distribution centers, including our warehouse automation project; information technology; and digital commerce. HSNi's ability to fund its cash and capital needs will be affected by its ongoing ability to generate cash from operations, the overall capacity and terms of its financing arrangements as discussed above, and access to the capital markets. HSNi believes that its cash on hand, its anticipated operating cash flows, its available unused portion of the revolving credit facility and its access to capital markets will be sufficient to fund its operating needs, capital, investing and other commitments and contingencies for the foreseeable future.

In the third quarter of 2015, HSNi's Board of Directors approved a cash dividend of$0.35 per common share. The dividend will be paid on September 16, 2015 to HSNi's record holders as of September 2, 2015.

Contractual Obligations and Commercial Commitments

As a result of entering into the Credit Agreement in January 2015 (as discussed in Note 6 of the Notes to the Consolidated Financial Statements), certain contractual obligations of HSNi (including long-term debt and interest on debt) have changed from the amounts disclosed in the Company's Form 10-K for the year ended December 31, 2014. The following table presents HSNi's long-term debt and related interest obligations as of June 30, 2015:

	Payments Due by Period				
	Total Amounts Committed	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
			(In thousands)		
Long-term debt, including current maturities (a)	$ 675,000	$ 12,500	$ 56,250	$ 606,250	$ —
Interest on debt (a)(b)	50,701	12,770	22,335	15,596	—
Total contractual obligations	$ 725,701	$ 25,270	$ 78,585	$ 621,846	$ —

(a) Long-term debt and related interest are based on HSNi's debt that was outstanding as of June 30, 2015 under its $1.25 billion Credit Agreement.
(b) Includes interest on variable rate debt estimated using the rate in effect as of June 30, 2015, net of the impact of the interest rate swap.

Seasonality

HSNi is affected by seasonality, although historically our business has exhibited less seasonality than many other retail businesses. Our sales levels are generally higher in the fourth quarter.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2015 and December 31, 2014, HSNi's outstanding long-term debt was $675.0 million and $228.1 million, respectively, all of which pays interest at a variable rate, generally tied to LIBOR. Changes in interest rates on our variable rate debt could affect our earnings. We are managing our future interest rate exposure through an interest rate swap with a notional amount of $187.5 million and a fixed rate of 0.8525% that took effect January 2014. A hypothetical 100 basis point increase in interest rates on the portion of our variable rate debt that was outstanding as of June 30, 2015 and that was not effectively hedged by the fixed-rate interest rate swap would increase our annual interest expense by approximately $4.9 million.

ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of June 30, 2015. Based on that evaluation, management has concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

In April 2015, a purported stockholder of the Company filed a putative class action complaint in the Court of Chancery of the State of Delaware against the Company, the members of our Board of Directors and Bank of America Corporation (“BAC”). The complaint is captioned David Shaev Profit Sharing Account v. HSN, Inc. et al., C.A. No. 10919-CB. The complaint alleges, among other things, that the members of our Board of Directors breached their fiduciary duties, and that BAC aided and abetted such breaches, in connection with the Credit Agreement dated as of January 27, 2015 (the “Credit Agreement”). The complaint alleges that the Credit Agreement contains a so-called “dead hand proxy put” provision that (a) defines the election of a majority of directors whose initial nomination arose from an actual or threatened proxy contest to be an event of default that triggers the lenders’ right to accelerate payment of the debt outstanding under the Credit Agreement; and (b) thereby coerces stockholders and entrenches the members of the Board of Directors. The complaint seeks, among other things, declaratory and injunctive relief, as well as an award of costs and disbursements including attorney’s and experts’ fees. On May 29, 2015, the Company and its lenders amended the Credit Agreement to remove the provision which is the subject of the litigation (a copy of the amendment is attached as Exhibit 10.1 to this Form 10-Q). We believe we have meritorious defenses to the claims asserted in the lawsuit including that the lawsuit is now moot. We do not believe that the loss, if any, will be material.

In the ordinary course of business, we are involved in various legal matters arising out of our operations. These matters may relate to claims involving property, personal injury, contract, intellectual property (including patent infringement), sales tax, product recalls, regulatory compliance, employment matters and other claims. As of the date of this filing, we are not a party to any legal proceedings that are reasonably expected to have a material adverse effect on our business, results of operations, financial condition or cash flows; however, litigation matters are subject to inherent uncertainties and the results of these matters cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition or cash flows. Moreover, any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources.

See Note 12 - Commitments and Contingencies in Part I, Item 1 for additional information regarding legal matters in which we are involved.

ITEM 1A. RISK FACTORS

See Part I. Item 1A., “Risk Factors,” of HSNi's Annual Report on Form 10-K for the year ended December 31, 2014, for a detailed discussion of the risk factors affecting HSNi. There have been no material changes from the risk factors described in the annual report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

On January 27, 2015, our Board of Directors authorized us to repurchase up to 4 million shares of our common stock, principally to offset dilution related to HSNi's equity compensation programs. Under the terms of the share repurchase program, HSNi will repurchase its common stock from time to time through privately negotiated or open market transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended, or by any combination of such methods. The timing of repurchases and the actual number of shares repurchased depends on a variety of factors, including the stock price, corporate and regulatory requirements, restrictions under the company’s debt obligations and other market and economic conditions. The repurchase program may be suspended or discontinued by HSNi at any time.

Below is a summary of our common stock repurchases during thesecond quarter of 2015:

Period	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
April 1, 2015 - April 30, 2015	151,420	$ 65.51	151,420	3,730,209
May 1, 2015 - May 31, 2015	5,776	$ 67.02	5,776	3,724,433
June 1, 2015 - June 30, 2015	1,984	$ 66.92	1,984	3,722,449
	159,180	$ 65.59	159,180	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	Description of Document	Method of Filing
10.1	Amendment No. 1 to the Credit Agreement dated as of May 29, 2015 by and among HSN, Inc. and certain of its subsidiaries, Bank of America, N.A., as Administrative Agent and Collateral Agent; JPMorgan Chase Bank, N.A., and Wells Fargo Bank, National Association, each as a Syndication Agent; Fifth Third Bank, Regions Bank, MUFG Union Bank, Branch Banking and Trust Company, BBVA Compass Bank and PNC Bank, National Association, each as a Documentation Agent; and Bank of America Merrill Lynch, J.P. Morgan Securities LLC, and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
101	The following financial information from HSNi's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014, (ii) Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2015 and 2014, (iii) Consolidated Balance Sheets as of June 30, 2015, December 31, 2014 and June 30, 2014, (iv) Consolidated Statements of Shareholders' Equity for the Six Months Ended June 30, 2015 and Year Ended December 31, 2014, (v) Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014, and (vi) Notes to the Consolidated Financial Statements.	Filed herewith

SIGNATURES

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

Date: August 6, 2015	By:	/s/ JUDY A. SCHMELING
		Judy A. Schmeling, **Chief Operating Officer and Chief Financial Officer** **(Duly Authorized Officer and Principal Financial Officer)**

EXHIBIT 10.1

Execution Version

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment"), dated as of May 29, 2015, is entered into by and among HSN, INC., a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement referred to below) signatory hereto, and BANK OF AMERICA, N.A., as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

RECITALS

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Credit Agreement, dated as of January 27, 2015 (as amended hereby and as further amended, restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Lenders have extended revolving credit and term loan facilities to the Borrower;

WHEREAS, the Borrower has requested that the Credit Agreement be amended as provided herein, and the Administrative Agent and each of the undersigned Lenders have agreed so to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement, as amended by this Amendment.

2. Amendments to Credit Agreement. Subject to the terms and conditions hereof and with effect from and after the Amendment Effective Date (defined below), the Credit Agreement is hereby amended by deleting the definition of "Change of Control" in Section 1.01 thereof in its entirety and replacing it with the following in lieu thereof:

" 'Change of Control' means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) other than a Permitted Holder becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of forty percent (40%) or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully diluted basis; or

(b) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by a Permitted Holder or by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body."

3. Representations and Warranties. The Borrower hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) the execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate or other organizational action, and (i) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (ii) will not violate any applicable Law applicable to the Borrower or any of its Subsidiaries or the Organization Documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (iii) will not violate or result in a default under any Contractual Obligation to which the Borrower or any of its Subsidiaries are party, and (iv) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries;

(b) this Amendment has been duly executed and delivered by the Borrower; and

(c) each of this Amendment and the Credit Agreement as amended hereby constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, except to the extent the enforceability thereof may be limited by applicable Debtor Relief Laws affecting creditors' rights generally and by equitable principles of law (regardless of whether enforcement is sought in equity or at law) and implied covenants of good faith and fair dealing.

4. Effective Date. This Amendment will become effective on the date on which each of the following conditions has been satisfied (the "Amendment Effective Date"):

(a) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower and the Required Lenders and acknowledged by the Administrative Agent; and

(b) unless waived by the Administrative Agent, the Borrower shall have paid all out-of-pocket expenses of the Administrative Agent required to be paid on the Amendment Effective Date pursuant to the Credit Agreement, including the fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent).

5. Miscellaneous.

(a) From and after the Amendment Effective Date, the Credit Agreement is amended as set forth herein, and except as expressly amended pursuant hereto, the Credit Agreement and each other Credit Document shall remain unchanged and in full force and effect and each is hereby ratified and confirmed in all respects.

(b) This Amendment shall constitute a "Credit Document" under and as defined in the Credit Agreement, and all references in any Credit Document to the "Credit Agreement" shall henceforth refer to the Credit Agreement as amended by this Amendment.

(c) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns.

(d) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 11.14 AND 11.15 OF THE CREDIT AGREEMENT RELATING TO GOVERNING LAW, VENUE AND WAIVER OF RIGHT TO TRIAL BY JURY, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE INCORPORATED HEREIN IN FULL.

(e) This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment and the other Credit Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Amendment. This Amendment may not be amended except in accordance with the provisions of Section 11.01 of the Credit Agreement.

(f) If any provision of this Amendment or the other Credit Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment and the other Credit Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(g) The Borrower agrees to pay in accordance with Section 11.04 of the Credit Agreement all reasonable out of pocket expenses incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable and documented fees, charges and disbursements of counsel to the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities hereunder and thereunder.

[*Signature Pages Follow.*]

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

HSN, INC., as Borrower

By: /s/ Arthur Singleton
Name: Arthur Singleton
Title: Vice President and Treasurer

BANK OF AMERICA, N.A., as an L/C Issuer, Swingline Lender and Lender

By: /s/ Jay D. Marquis
Name: Jay D. Marquis
Title: Director

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Helen D. Davis
Name: Helen D. Davis
Title: Vice President

FIFTH THIRD BANK, An Ohio Banking Corporation, as Lender

By: /s/ John A. Marian
Name: John A. Marian
Title: Vice President

REGIONS BANK, as Lender

By: /s/ Jose Mazariegos
Name: Jose Mazariegos
Title: Senior Vice President

MUFG UNION BANK, N.A., as Lender

By: /s/ Katie Cunningham
Name: Katie Cunningham
Title: Vice President

BRANCH BANKING AND TRUST COMPANY, as Lender

By: /s/ Kelly Attayek

Name: Kelly Attayek
Title: Assistant Vice President

COMPASS BANK, as Lender

By: /s/ Peter Lewin
Name: Peter Lewin
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION, as a L/C Issuer and Lender

By: /s/ Mark Morton
Name: Mark Morton
Title: Officer

HANCOCK BANK, Trade Name used by Whitney Bank, as Lender

By: /s/ Tim Coop
Name: Tim Coop
Title: Regional President/SVP

SUNTRUST BANK, as Lender

By: /s/ Brian Guffin
Name: Brian Guffin
Title: Director

T.D. BANK, N.A., as Lender

By: /s/ Craig Welch
Name: Craig Welch
Title: Senior Vice President

BANKUNITED, as Lender

By: /s/ William H. Lutes
Name: William H. Lutes
Title: Senior Vice President

CADENCE BANK, as Lender

By: /s/ John T. Watts
Name: John T. Watts
Title: Executive Vice President

HSBC BANK USA, NATIONAL ASSOCIATION, as Lender

By: /s/ Peter Hart
Name: Peter Hart
Title: Vice President

SYNOVUS BANK, as Lender

By: /s/ John R. Frierson
Name: John R. Frierson
Title: Senior Vice President

Acknowledged by:

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Angela Larkin
Name: Angela Larkin
Title: Assistant Vice President

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) and RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Mindy Grossman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2015 of HSN, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2015

/S/ MINDY GROSSMAN

Mindy Grossman
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a) and RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Judy A. Schmeling, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2015 of HSN, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 6, 2015

/s/ JUDY A. SCHMELING

Judy A. Schmeling
Chief Operating Officer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mindy Grossman, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015 of HSN, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSN, Inc.

Dated: August 6, 2015

/S/ MINDY GROSSMAN

Mindy Grossman
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Judy A. Schmeling, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015 of HSN, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSN, Inc.

Dated: August 6, 2015

/S/ JUDY A. SCHMELING

Judy A. Schmeling
Chief Operating Officer and Chief Financial Officer