
**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 September 30, 2017

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

(State or other jurisdiction of
incorporation or organization)

1 HSN Drive, St. Petersburg, Florida

(Address of principal executive offices)

26-2590893

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

33729

(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

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

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

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

As of November 6, 2017, the registrant had 52,434,629 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	\$ 782,562	\$ 823,023	\$ 2,389,358	\$ 2,494,096
Cost of sales	513,377	542,947	1,550,662	1,612,718
Gross profit	269,185	280,076	838,696	881,378
Operating expenses:				
Selling and marketing	174,019	178,785	518,078	546,002
General and administrative	49,783	42,703	153,812	139,118
Depreciation and amortization	11,134	10,518	33,058	31,745
Loss on sale of businesses and asset impairment	—	11,195	—	31,595
Transaction costs	1,305	—	6,643	—
Total operating expenses	236,241	243,201	711,591	748,460
Operating income	32,944	36,875	127,105	132,918
Other income (expense):				
Interest income	164	125	590	223
Interest expense	(4,181)	(4,126)	(12,316)	(12,211)
Total other expense, net	(4,017)	(4,001)	(11,726)	(11,988)
Income before income taxes	28,927	32,874	115,379	120,930
Income tax provision	(12,700)	(12,716)	(45,130)	(45,742)
Net income	\$ 16,227	\$ 20,158	\$ 70,249	\$ 75,188
Net income per share:				
Basic	\$ 0.31	\$ 0.39	\$ 1.34	\$ 1.44
Diluted	\$ 0.31	\$ 0.38	\$ 1.33	\$ 1.42
Shares used in computing earnings per share:				
Basic	52,555	52,356	52,494	52,376
Diluted	52,983	52,844	52,860	52,901
Dividends declared per share	\$ 0.35	\$ 0.35	\$ 1.05	\$ 1.05

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 16,227	\$ 20,158	\$ 70,249	\$ 75,188
Other comprehensive loss:				
Change in fair value of derivative instrument, net of tax	13	857	(47)	(630)
Other comprehensive loss, net of tax	13	857	(47)	(630)
Comprehensive income	\$ 16,240	\$ 21,015	\$ 70,202	\$ 74,558

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)

	September 30, 2017	December 31, 2016	September 30, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,574	\$ 42,734	\$ 67,442
Accounts receivable, net of allowance of \$15,862, \$19,086 and \$15,487, respectively	216,620	335,005	226,589
Inventories	439,034	391,106	450,671
Prepaid expenses and other current assets	48,107	44,173	56,309
Total current assets	724,335	813,018	801,011
Property and equipment, net	212,148	211,106	207,216
Intangible assets, net	253,655	253,623	253,619
Goodwill	9,858	9,858	9,858
Other non-current assets	16,187	16,928	12,809
TOTAL ASSETS	\$ 1,216,183	\$ 1,304,533	\$ 1,284,513
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable, trade	\$ 228,324	\$ 293,816	\$ 241,637
Current maturities of long-term debt	34,375	25,000	25,000
Accrued expenses and other current liabilities	211,073	225,265	191,775
Total current liabilities	473,772	544,081	458,412
Long-term debt, less current maturities and net of unamortized deferred financing costs	438,048	484,878	600,687
Deferred income taxes	66,899	59,760	43,145
Other long-term liabilities	20,466	20,328	20,199
Total liabilities	999,185	1,109,047	1,122,443
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; 52,432,249, 52,239,795 and 52,187,351 issued shares September 30, 2017, December 31, 2016 and September 30, 2016, respectively	524	522	522
Additional paid-in capital	964,996	1,013,688	1,026,737
Accumulated deficit	(750,695)	(820,944)	(864,464)
Accumulated other comprehensive income (loss)	2,173	2,220	(725)
Total shareholders' equity	216,998	195,486	162,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,216,183	\$ 1,304,533	\$ 1,284,513

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, 2015	—	\$ —	52,378	\$ 524	\$ 1,085,785	\$ (939,652)	\$ (95)	\$ 146,562
Net income	—	—	—	—	—	118,708	—	118,708
Other comprehensive income	—	—	—	—	—	—	2,315	2,315
Stock-based compensation expense for equity awards	—	—	—	—	19,233	—	—	19,233
Cash dividends declared on common stock	—	—	—	—	(73,151)	—	—	(73,151)
Issuance of common stock from stock-based compensation awards, including tax effect of \$658	—	—	219	2	(1,616)	—	—	(1,614)
Repurchases of common stock	—	—	(357)	(4)	(16,563)	—	—	(16,567)
Balance as of December 31, 2016	—	—	52,240	522	1,013,688	(820,944)	2,220	195,486
Net income	—	—	—	—	—	70,249	—	70,249
Other comprehensive loss	—	—	—	—	—	—	(47)	(47)
Stock-based compensation expense for equity awards	—	—	—	—	7,633	—	—	7,633
Cash dividends declared on common stock	—	—	—	—	(55,013)	—	—	(55,013)
Issuance of common stock from stock-based compensation awards	—	—	192	2	(1,312)	—	—	(1,310)
Balance as of September 30, 2017	—	\$ —	52,432	\$ 524	\$ 964,996	\$ (750,695)	\$ 2,173	\$ 216,998

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

HSN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 70,249	\$ 75,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,058	31,745
Stock-based compensation expense	7,633	14,698
Loss on sale of businesses and asset impairment	—	27,768
Amortization of debt issuance costs	1,295	1,329
Deferred income taxes	7,188	(1,420)
Bad debt expense	18,343	13,664
Other	23	(52)
Changes in current assets and liabilities:		
Accounts receivable	100,042	65,796
Inventories	(47,928)	(51,935)
Prepaid expenses and other assets	(2,059)	(14,347)
Accounts payable, accrued expenses and other current liabilities	(78,275)	(48,299)
Net cash provided by operating activities	109,569	114,135
Cash flows from investing activities:		
Capital expenditures	(36,256)	(28,504)
Other	(807)	(627)
Net cash used in investing activities	(37,063)	(29,131)
Cash flows from financing activities:		
Repayments of term loan	(18,750)	(18,750)
Borrowings under revolving credit facility	145,000	152,000
Repayments of revolving credit facility	(165,000)	(142,000)
Repurchase of common stock	—	(16,566)
Cash dividends paid	(55,013)	(54,880)
Proceeds from issuance of common stock	1,379	1,824
Payments of tax withholdings related to stock-based awards	(2,282)	(3,116)
Net cash used in financing activities	(94,666)	(81,488)
Net (decrease) increase in cash and cash equivalents	(22,160)	3,516
Cash and cash equivalents at beginning of period	42,734	63,926
Cash and cash equivalents at end of period	\$ 20,574	\$ 67,442

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; (ii) catalogs, consisting primarily of the Cornerstone portfolio of leading print catalogs which includes Ballard Designs, Frontgate, Garnet Hill, Grandin Road and Improvements; (iii) websites, which consist primarily of HSN.com, the five branded websites operated by Cornerstone and joymangano.com; (iv) mobile applications; (v) retail and outlet stores; and (vi) wholesale distribution of certain proprietary products to other retailers. HSNi's television home shopping business, related digital sales, outlet stores and wholesale distribution are referred to herein as "HSN" and all catalog operations, including related digital sales and stores, are collectively referred to herein as "Cornerstone." Chasing Fireflies and TravelSmith, two of the apparel brands in the Cornerstone portfolio, were sold in September 2016. See Note 14 of Notes to Consolidated Financial Statements for further discussion.

HSN offerings primarily consist of jewelry, fashion (apparel & accessories), beauty & health (including beauty, wellness and fitness), 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.

On July 6, 2017, HSNi and Liberty Interactive Corporation ("Liberty") jointly announced that they had entered into an agreement whereby Liberty will acquire the approximately 62% of HSNi it does not already own in an all-stock transaction ("Liberty Merger Agreement"). For additional information on the Liberty Merger Agreement, see Note 15 of Notes to Consolidated Financial Statements.

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, 2016. The consolidated balance sheet as of December 31, 2016 and the consolidated statement of shareholders' equity for the year ended December 31, 2016 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

Recently Adopted Accounting Standard Updates

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory (Topic 330) ("ASU 2015-11"). The amendments, which apply to inventory that is measured using any method other than the last-in, first-out (LIFO) or retail inventory method, require that entities measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and should be applied on a prospective basis. HSNi adopted ASU 2015-11 on January 1, 2017. The adoption of ASU 2015-11 did not have a material impact to HSNi's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718) ("ASU 2016-09"). This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits and deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The effective date for the standard is for interim and annual reporting periods beginning after December 15, 2016. HSNi adopted ASU 2016-09 on January 1, 2017. Amendments related to accounting for excess tax benefits and deficiencies have been adopted prospectively resulting in the recognition of \$3.1 million of tax expense within HSNi's consolidated statements of earnings.

rather than as a reduction to additional paid in capital for the nine months ended September 30, 2017. Also, excess tax benefits related to share-based payments are now included in operating cash flows rather than financing cash flows in the statement of cash flows. This change has been applied retrospectively in accordance with ASU 2016-09 and prior period amounts which are considered immaterial have been reclassified. We have previously classified cash paid for tax withholding purposes as a financing activity in the statement of cash flows; therefore there is no change related to this requirement. The amendments allow for a one-time accounting policy election to either account for forfeitures as they occur or continue to estimate forfeitures as required by previous guidance. HSNi has elected to continue estimating forfeitures under the previous guidance.

Accounting Standard Updates Not Yet Adopted

In May 2014, the FASB issued ASU 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. Additionally, ASU 2014-09 will disallow the capitalization of direct-response advertising costs. This standard will become effective for HSNi in the first quarter of 2018.

In 2015, HSNi established an implementation team ("team") to assess the overall impact the adoption of ASU 2014-09 will have on its consolidated financial statements, processes, systems and controls. The team is in the process of finalizing its conclusions and assessing the impact of the standard. Based on its current evaluation, HSNi expects certain changes to be made to its accounting policies, including the timing of recognition of Cornerstone's catalog production and distribution costs and the presentation of estimated merchandise returns as both an asset (equal to the inventory value expected to be returned) and a corresponding return liability, compared to the current practice of recording an estimated net return liability. HSNi will adopt ASU 2014-09 on January 1, 2018 and will apply the modified retrospective transition method. HSNi is still evaluating the quantitative and disclosure impacts of the new standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 requires lessees to reflect most leases on their balance sheet as assets and obligations. The effective date for the standard is for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The standard is to be applied on a modified retrospective method. HSNi is currently assessing the timing of adoption of ASU 2016-02 and the impact it will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) ("ASU 2017-04"). ASU 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. ASU No. 2017-04 is effective for HSNi in the first quarter of 2020, with early adoption permitted and is to be applied on a prospective basis. The adoption of the provisions of ASU No. 2017-04 is not expected to have a material impact on HSNi's consolidated financial position or results of operations.

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 net realizable value 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.

NOTE 3—PROPERTY AND EQUIPMENT

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

	September 30, 2017	December 31, 2016	September 30, 2016
Capitalized software	\$ 270,385	\$ 252,741	\$ 248,389
Computer and broadcast equipment	86,162	91,119	98,842
Buildings and leasehold improvements	127,949	113,731	110,711
Furniture and other equipment	131,196	124,518	123,799
Projects in progress	19,753	27,666	25,806
Land and land improvements	10,593	10,584	10,615
	<u>646,038</u>	<u>620,359</u>	<u>618,162</u>
Less: accumulated depreciation and amortization	(433,890)	(409,253)	(410,946)
Total property and equipment, net	<u>\$ 212,148</u>	<u>\$ 211,106</u>	<u>\$ 207,216</u>

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 reportable 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, 2016. Corporate overhead expenses, including compensation for corporate employees, board of director expenses and fees for third-party accounting, legal and advisory services, are allocated to the segments based upon specific usage or other reasonable allocation methods. 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 HSNi's consolidated net income to operating income for HSNi's operating segments and Adjusted EBITDA (in thousands):

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Net income			\$ 16,227			\$ 20,158
Income tax provision			12,700			12,716
Income before income taxes			28,927			32,874
Total other expense, net			4,017			4,001
Operating income (loss)	\$ 30,999	\$ 1,945	32,944	\$ 46,963	\$ (10,088)	36,875
Non-cash charges:						
Stock-based compensation expense	2,978	1,048	4,026	3,671	568	4,239
Depreciation and amortization	7,690	3,444	11,134	7,304	3,214	10,518
Loss on sale of businesses and asset impairment (a)	—	—	—	—	11,195	11,195
Loss on disposition of fixed assets	(15)	1	(14)	82	—	82
Transaction costs (b)	921	384	1,305	—	—	—
Adjusted EBITDA	\$ 42,573	\$ 6,822	\$ 49,395	\$ 58,020	\$ 4,889	\$ 62,909

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	HSN	Cornerstone	Total	HSN	Cornerstone	Total
Net income			\$ 70,249			\$ 75,188
Income tax provision			45,130			45,742
Income before income taxes			115,379			120,930
Total other expense, net			11,726			11,988
Operating income (loss)	\$ 107,722	\$ 19,383	127,105	\$ 151,745	\$ (18,827)	132,918
Non-cash charges:						
Stock-based compensation expense (c)	5,693	1,940	7,633	11,577	3,121	14,698
Depreciation and amortization	23,213	9,845	33,058	21,582	10,163	31,745
Loss on sale of businesses and asset impairment (a)	—	—	—	—	31,595	31,595
Loss on disposition of fixed assets	368	92	460	86	—	86
Transaction costs (b)	4,657	1,986	6,643	—	—	—
Adjusted EBITDA	\$ 141,653	\$ 33,246	\$ 174,899	\$ 184,990	\$ 26,052	\$ 211,042

(a) Cornerstone recorded a loss on the sale of TravelSmith and Chasing Fireflies of \$11.2 million in the third quarter of 2016. In the second quarter of 2016, Cornerstone classified the two brands as held for sale and recorded a non-cash asset impairment charge of \$20.4 million. See Note 14 of Notes to Consolidated Financial Statements for further information.

(b) HSNi incurred approximately \$1.3 million and \$6.6 million for the three and nine months ended September 30, 2017, respectively, in transactions costs related to the Liberty Merger Agreement.

(c) In the second quarter of 2017, HSNi reversed stock-based compensation expense of approximately \$4.5 million (allocated \$3.4 million and \$1.1 million to HSN and CBI, respectively) as a result of the former Chief Executive Officer's resignation.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales:				
HSN	\$ 536,200	\$ 569,669	\$ 1,628,880	\$ 1,705,215
Cornerstone	246,362	253,354	760,478	788,881
Total	\$ 782,562	\$ 823,023	\$ 2,389,358	\$ 2,494,096

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 16,227	\$ 20,158	\$ 70,249	\$ 75,188
Weighted average number of shares outstanding:				
Basic	52,555	52,356	52,494	52,376
Dilutive effect of stock-based compensation awards	428	488	366	525
Diluted	52,983	52,844	52,860	52,901
Net income per share:				
Basic	\$ 0.31	\$ 0.39	\$ 1.34	\$ 1.44
Diluted	\$ 0.31	\$ 0.38	\$ 1.33	\$ 1.42

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

	2,488	2,121	3,352	1,963
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NOTE 6—LONG-TERM DEBT

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

	September 30, 2017	December 31, 2016	September 30, 2016
Secured credit agreement expiring January 27, 2020:			
Term loan	\$ 456,250	\$ 475,000	\$ 481,250
Revolving credit facility	20,000	40,000	150,000
Long-term debt	476,250	515,000	631,250
Unamortized deferred financing costs	(3,827)	(5,122)	(5,563)
Long-term debt, net of unamortized deferred financing costs	472,423	509,878	625,687
Less: current maturities	(34,375)	(25,000)	(25,000)
Long-term debt, less current maturities and net of unamortized deferred financing costs	\$ 438,048	\$ 484,878	\$ 600,687

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. 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.

The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities including a maximum leverage ratio of 0.50x and a minimum interest coverage ratio of 3.00x (both as defined in the Credit Agreement). HSNi was in compliance with all such covenants as of September 30, 2017 with a leverage ratio of 1.8x and an interest coverage ratio of 17.9x.

Loans under the Credit Agreement bear interest at a per annum rate equal to LIBOR plus a predetermined margin that ranges from 0.25% 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 \$476.3 million outstanding long-term debt balance as of

September 30, 2017 was 2.74%. 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 \$14.5 million as of September 30, 2017. The ability to draw funds under the revolving credit facility is dependent upon meeting the aforementioned financial covenants. As of September 30, 2017, 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 \$429.8 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 uses interest rate swap contracts to eliminate the cash flow risk on a portion of its variable rate debt. HSNi pays at a fixed rate and receives payments at a variable rate based on one-month LIBOR. The swaps effectively fix the floating LIBOR-based interest of our outstanding LIBOR-based debt. The interest rate swaps were designated and qualified as cash flow hedges; therefore, the effective portions of the changes in fair value are recorded in accumulated other comprehensive income (loss). Any ineffective portions of the changes in fair value of the interest rate swaps will be immediately recognized in earnings in the consolidated statements of operations.

The interest rate swaps effectively converted \$187.5 million of our variable rate term loan to a fixed rate of 0.8525% through April 2017, and then increased to \$250.0 million in April 2017 with a maturity date in January 2020 with a fixed rate of 1.05% (in both cases the swapped fixed rate is exclusive of the credit spread under the Credit Agreement). Based on HSNi's leverage ratio as of September 30, 2017, the all-in fixed rate was 2.3525%. The changes in fair value of the interest rate swaps (inclusive of reclassifications to net income and net of tax) for the three months ended September 30, 2017 and 2016 were gains of less than \$0.1 million and approximately \$0.9 million, respectively, and were included in other comprehensive income (loss). The changes in fair value of the interest rate swaps (inclusive of reclassifications to net income and net of tax) for the nine months ended September 30, 2017 and 2016 were losses of less than \$0.1 million and approximately \$0.6 million, respectively, and were included in other comprehensive income (loss).

The fair values of the interest rate swaps at September 30, 2017 and December 31, 2016 were assets of \$3.5 million and \$3.6 million, respectively, and were recorded in "Other non-current assets." The fair value of the interest rate swaps at September 30, 2016 was a liability of \$1.2 million and was recorded in "Other long-term liabilities" in the consolidated balance sheets. HSNi estimates that approximately \$1.0 million of unrealized income included in accumulated other comprehensive income related to these swaps will be realized and reported in earnings within the next twelve months. See Note 8 of Notes to Consolidated Financial Statements for discussion of the fair value measurements concerning these interest rate swaps.

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 financial assets and liabilities which are measured at fair value on a recurring basis in the consolidated balance sheets (in thousands):

		September 30, 2017			
		Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Assets:					
Interest rate swaps	\$	3,481	\$ —	\$ 3,481	\$ —
		December 31, 2016			
		Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Assets:					
Interest rate swaps	\$	3,577	\$ —	\$ 3,577	\$ —
		Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
			Level 1	Level 2	Level 3
Liabilities:					
Interest rate swaps	\$	1,160	\$ —	\$ 1,160	\$ —

HSNi's interest rate swaps are carried on the balance sheet at fair value. The swaps are entered into 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 carrying amount of the term loan and revolving credit facility outstanding under the Credit Agreement approximates fair value as these instruments have variable interest rates which approximate current market rates (level 2 criteria).

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 expense or benefit related to significant or unusual 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, excess tax benefits and deficiencies related to share-based awards and 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 are 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 and permanent and temporary differences. 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 nine months ended September 30, 2017, HSNi recorded a tax provision of \$12.7 million and \$45.1 million, respectively, which represents effective tax rates of 43.9% and 39.1%. For the three and nine months ended September 30, 2016, HSNi recorded a tax provision of \$12.7 million and \$45.7 million, respectively, which represents effective tax rates of 38.7% and 37.8%. The increase in the effective tax rates is primarily due to the write-off of approximately \$3.1 million of deferred tax assets associated with equity awards that expired unexercised during the third quarter of 2017, including \$2.4 million associated with HSNi's former Chief Executive Officer's equity awards. The increase in the effective tax rate was partially offset by a decrease of \$0.9 million related to the release of tax reserves for uncertain tax positions for which the statute of limitations has expired.

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. The State of Florida has completed its audit of HSNi's 2013 through 2015 tax returns. There was no adjustment to our tax liabilities as a result of this examination.

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 this agreement, each of the companies included in the spin-off (the "Spincos") was indemnified by IAC for additional tax liabilities related to consolidated or combined federal and state tax returns prepared and filed by IAC prior to the spin-off. However, each Spinco agreed to, among other things, assume any additional tax liabilities related to their separately filed state income tax returns. All examinations have concluded or statutes of limitations have expired related to IAC's consolidated or combined federal and state tax returns for years including HSNi operations prior to the spin-off.

The Tax Sharing Agreement also provides, among other things, that each Spinco indemnifies 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 any post spin-off (i) act or failure to act by such Spinco described in the covenants in the Tax Sharing Agreement, (ii) acquisition of equity, securities, or assets of such Spinco or a member of its group, and (iii) 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. This indemnification remains effective until IAC's tax returns for the two year period after the spin-off are no longer subject to examination.

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Selling and marketing	\$ 1,777	\$ 1,369	\$ 4,941	\$ 4,880
General and administrative (a)	2,249	2,870	2,693	9,818
Stock-based compensation expense before income taxes	4,026	4,239	7,634	14,698
Income tax expense (benefit) (b)	1,308	(1,493)	163	(5,134)
Stock-based compensation expense after income taxes	\$ 5,334	\$ 2,746	\$ 7,797	\$ 9,564

(a) In the nine months ended September 30, 2017, HSNi reversed approximately \$4.5 million of expense related to the forfeiture of unvested awards as a result of HSNi's former Chief Executive Officer's resignation in the second quarter of 2017.

(b) In the three months ended September 30, 2017, HSNi wrote-off approximately \$3.1 million of deferred tax assets associated with equity awards that expired unexercised.

As of September 30, 2017, there was approximately \$23.4 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 shareholders of HSNi approved the HSN, Inc. 2017 Omnibus Incentive Plan (the "Plan") effective May 24, 2017. The purpose of this Plan is to give HSNi a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide HSNi with a stock and incentive plan. The Plan authorizes the issuance of 10.1 million newly authorized shares. The Plan also authorized approximately 5.5 million unissued shares subject to outstanding awards granted prior to December 31, 2016 under the Second Amended and Restated 2008 Stock and Annual Incentive Plan which may become available for issuance under the 2017 Plan if such awards terminate by expiration, cancellation or otherwise. As of September 30, 2017, there were approximately 10.2 million shares of common stock available for grants under the Plan.

A summary of the stock-based awards granted during the nine months ended September 30, 2017 is as follows:

	Nine Months Ended September 30, 2017	
	Number of Awards Granted	Weighted Average per Share Fair Value
Maximum value stock appreciation rights (a)	1,144,049	\$6.36
Restricted stock units	359,097	\$37.41
Performance share units (b)	96,439	\$57.36
Employee stock purchase plan options	54,159	\$8.10
Dividend equivalents due to quarterly dividend	22,309	-

(a) Maximum value SARs are similar to traditional SARs, except these instruments contain a predetermined cap of 200% on the maximum earnings potential a recipient can expect to receive upon exercise.

(b) Performance share units ("PSUs") have vesting percentages that between 0% and 200% of the target award based on HSNi's Total Shareholder Return relative to a peer group at the end of the three-year performance period. The compensation expense for these PSUs is based on the fair value of the awards measured at the grant date and is expensed ratably over the vesting term. PSUs are reflected at the target number of awards granted.

The fair values of the options granted under the HSN, Inc. 2010 Employee Stock Purchase Plan are estimated on the grant date using the Black-Scholes option pricing model. The fair values of the maximum value stock appreciation rights and PSUs are estimated on the grant date using a Monte-Carlo simulation pricing model which estimates the potential outcome of reaching the market condition based on simulated future stock prices. The weighted average assumptions used in the valuation of each for the nine months ended September 30, 2017 are as follows:

	Nine Months Ended September 30, 2017		
	Maximum Value Stock Appreciation Rights	Employee Stock Purchase Plan Options	Performance Share Units
Volatility factor	27.4 %	35.0 %	30.0 %
Risk-free interest rate	1.79 %	0.85 %	1.40 %
Expected term	4.7	0.5	2.9
Dividend yield	3.6 %	4.2 %	0.0 %

NOTE 11—SHAREHOLDERS' EQUITY

Share Repurchase Program

Effective January 27, 2015, HSNi's Board of Directors approved a share repurchase program which allows HSNi to purchase up to 4 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 nine months ended September 30, 2017, there were no share repurchases. During the nine months ended September 30, 2016, HSNi acquired approximately 357,000 shares of its outstanding common stock for \$16.6 million at an average price of \$46.45. All shares were retired immediately following purchase. As of September 30, 2017, approximately 2.7 million shares remain authorized for repurchase under the program. As a result of the pending merger contemplated by the Liberty Merger Agreement, HSNi has agreed not to make additional repurchases. For additional information of the Liberty Merger Agreement, see Note 15 of Notes to Consolidated Financial Statements.

Dividend Policy

In the third quarter of 2017, 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 September 22, 2017 to HSNi's shareholders of record as of September 6, 2017.

In the fourth quarter of 2017, HSNi's Board of Directors approved a quarterly cash dividend of \$0.35 per common share. The dividend will be paid on December 15, 2017 to HSNi's shareholders of record as of December 6, 2017.

Under the terms of the Liberty Merger Agreement, HSNi may continue to pay regular dividends on a quarterly basis not to exceed \$0.35 per share provided that such dividends may not be paid using funds borrowed specifically for that purpose. For additional information of the Liberty Merger Agreement, refer to Note 15 of Notes to Consolidated Financial Statements.

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):

	Nine Months Ended September 30,	
	2017	2016
Accumulated other comprehensive income (loss) as of January 1,	\$ 2,220	\$ (95)
Other comprehensive loss before reclassifications	(718)	(1,579)
Amounts reclassified from accumulated other comprehensive income to interest expense in the consolidated statements of operations	622	567
Income tax benefit	49	382
Other comprehensive loss, net of tax	(47)	(630)
Accumulated other comprehensive income (loss) as of September 30,	\$ 2,173	\$ (725)

NOTE 12—COMMITMENTS AND CONTINGENCIES

On September 7, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the District of Delaware: *McClure v. HSN, Inc., et al.*, Case No. 1:17-cv-01279. The complaint names as defendants HSNi and members of the HSNi board. The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that allegedly omitted material information to be filed in connection with the merger, which allegedly rendered the registration statement false and misleading. The complaint further alleges that the members of the HSNi board acted as controlling persons of HSNi and had knowledge of the allegedly false statements contained in the registration statement or were negligent in not knowing that material information was allegedly omitted from the registration statement. Among other relief, the complaint seeks a declaration certifying a class, an injunction to prevent the merger from proceeding unless and until HSNi discloses the material information allegedly omitted from the registration statement, unspecified damages, and unspecified costs, expenses and attorneys' fees. Defendants believe the claims are without merit and intend to defend vigorously against all claims asserted. Defendant's deadline to respond to the complaint is on or before November 13, 2017.

On September 28, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the Middle District of Florida: *Palkon v. HSN, Inc., et al.*, Case No. 8:17-cv-2271. The complaint names as defendants HSNi, members of the HSNi board, Liberty Interactive Corporation, and Liberty Horizon, Inc. The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that omitted material information to be filed in connection with the merger, which allegedly rendered the registration statement false and misleading. The complaint further alleges that the members of the HSNi board, Liberty Interactive Corporation, and Liberty Horizon, Inc. acted as controlling persons of HSNi, were involved in the making and composition of the registration statement, and had knowledge of the allegedly false statements contained in the registration statement. The complaint seeks, among other relief, an injunction to prevent the merger from proceeding, rescission of the merger, an order directing HSNi to disseminate a registration statement that does not contain any untrue statements of material fact, a judgment declaring a violation of Sections 14(a) and/or 20(a) of the Exchange Act, as well as Rule 14a-9 promulgated thereunder, unspecified damages, and unspecified costs, expenses, and attorneys' fees. Defendants believe the claims are without merit and intend to defend vigorously against all claims asserted.

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, tax or other 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 legal, tax or other 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.

NOTE 13—COSTS ASSOCIATED WITH AN EXIT ACTIVITY

As part of its supply chain optimization initiative, 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. HSNi expects the closure to be completed in 2018.

HSNi 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, \$3.2 million of which were recognized in fiscal 2015.

A summary of HSNi's liability associated with exit activities, which is recorded in "Accrued expenses and other current liabilities" as of September 30, 2017 and 2016 in the accompanying consolidated balance sheets, are presented in the following table (in thousands):

	Employee Related Costs	
	2017	2016
Balance at January 1	\$ 3,100	\$ 3,221
Provisions	—	—
Payments	(63)	(65)
Adjustments	—	—
Balance at September 30	\$ 3,037	\$ 3,156

NOTE 14—DIVESTITURES

On September 8, 2016, HSNi completed the sale of substantially all of the assets and certain liabilities of Chasing Fireflies and TravelSmith, two of the apparel brands included within the Cornerstone segment for a sale price of \$1 million. The sales agreement included contingent consideration of \$2 million that was based on the achievement of certain performance metrics in 2016 which were not achieved. No value was assigned to the contingent consideration as it was not considered probable of being earned.

The assets and liabilities of the two brands were classified as held for sale as of June 30, 2016 which resulted in a non-cash asset impairment charge of \$20.4 million recorded in the second quarter of 2016 within the Cornerstone segment. During the third and fourth quarters of 2016, Cornerstone recorded an additional pre-tax loss on sale of \$10.8 million. The transaction included cash charges of approximately \$3.5 million related to transaction costs and employee and lease liabilities.

HSNi entered into a transition services agreement with the buyer to provide fulfillment and various back office support services through February 2017. Fees earned by HSNi under this transition services agreement were \$0 and approximately \$0.9 million during the three months ended September 30, 2017 and 2016, respectively, and were \$0.9 million and \$0.9 million during the nine months ended September 30, 2017 and 2016, respectively. These fees were included in net sales in the consolidated statements of operations.

HSNi determined the sale of these businesses would not represent a strategic shift in its business nor would it have a major effect on its consolidated results of operations, financial position or cash flows. Accordingly, the disposal group is not presented in the consolidated financial statements as a discontinued operation.

NOTE 15—MERGER

On July 6, 2017, HSNi and Liberty Interactive Corporation ("Liberty") jointly announced that they had entered into an agreement whereby Liberty will acquire the approximately 62% of HSNi it does not already own in an all-stock transaction ("Liberty Merger Agreement"). At the closing of the merger contemplated by the Liberty Merger Agreement, Liberty will issue to HSNi shareholders 1.65 shares of Series A QVC Group common stock for each share of HSNi common stock outstanding (other than shares held by Liberty and its wholly-owned subsidiaries), for a total of approximately 53.4 million shares of Series A QVC Group common stock, resulting in former HSNi shareholders, excluding Liberty and its wholly-owned subsidiaries, owning approximately 10.6% of the QVC Group's undiluted equity and 6.9% of the QVC Group's undiluted voting power, based on information provided by Liberty regarding the number of shares outstanding as of April 30, 2017. Upon closing, the Liberty Board of Directors will be expanded by one to include one director from the HSNi Board of Directors; this director will be selected by Liberty.

The transaction is subject to HSNi shareholder approval, regulatory approvals and the satisfaction of other customary closing conditions. The parties currently expect the transaction to close in the fourth quarter of 2017.

As a result of the pending merger with Liberty, the Board of Directors of HSNi has suspended its search for a successor Chief Executive Officer.

Shareholder Rights Plan Amendment

On July 5, 2017, in connection with the transactions contemplated by the Liberty Merger Agreement, HSNi amended its shareholder rights plan. The amendment provides, among other things, that the announcement of the pending merger with Liberty and the related Liberty Merger Agreement will not cause the rights to become exercisable. The rights will expire and the shareholders rights plan will terminate immediately prior to the consummation of the pending merger with Liberty.

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: future financial performance, 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, 2016 and the following:

- 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;

- the influence of the macroeconomic environment and its impact on consumer confidence and spending levels;
- failure to attract and retain television viewers and/or changes in consumer viewing habits of our programming;
- consolidation and/or divestiture in the cable industry, increases in on-air distribution costs and failure to secure a suitable programming tier of carriage and channel placement for the HSN television network programming;
- changes to international and national trade laws, regulations and policies (particularly those related to or restricting global trade) could significantly impair HSNi's profitability;
- interruption, lack of redundancy or difficulties implementing new or upgraded technology in our systems or infrastructure could affect our ability to broadcast, operate websites, process and fulfill transactions, respond to customer inquiries and/or maintain cost efficient operations;
- 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 in states where we do not currently do so;
- 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;
- changes in product shipping and handling costs particularly if we are unable to offset them;
- changes in consumer expectations for reduced shipping charges and faster delivery times particularly if we are unable to meet them;
- 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, audits, claims and assessments;
- risks associated with acquisitions including the ability to successfully integrate new businesses and achieve expected benefits and results;
- the loss of any additional key member of our senior management team;
- failure to complete the Liberty Merger could negatively impact the price of shares of HSNi common stock, as well as HSNi's respective future businesses and financial results;
- the various uncertainties and contractual restrictions while the Liberty Merger is pending may cause disruption and may make it more difficult to maintain relationships with employees, vendor partners and customers;
- HSNi will incur significant transaction and related costs in connection with the Liberty Merger, which may be in excess of those anticipated by HSNi;
- the Liberty Merger Agreement limits HSNi's ability to pursue alternatives to the Liberty Merger;
- the Liberty Merger Agreement may be terminated in accordance with its terms and the Liberty Merger may be delayed or not be completed, reducing or eliminating the benefits that HSNi expects to achieve;
- even if HSNi and Liberty complete the Liberty Merger, the combined company may fail to realize all of the anticipated benefits of the proposed Liberty Merger;
- HSNi stockholders will have a reduced ownership and voting interest in the combined company after the Liberty Merger and will exercise less influence over management;
- because the market price of Liberty's Series A QVC Group common stock may fluctuate, shareholders cannot be sure of the value of the Liberty Merger consideration that you may receive;
- Liberty's Series A QVC Group common stock is a tracking stock that tracks the assets and liabilities attributed to Liberty's QVC Group tracking stock group, and Liberty's board of directors' ability to reattribute businesses, assets and expenses between Liberty's two tracking stock groups may make it difficult to assess the future prospects of Liberty's Series A QVC Group common stock based on its past performance; and
- the integration of HSNi into Liberty's QVC Group may not be as successful as anticipated.

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

Overview of Results

HSNi's net sales in the nine months ended September 30, 2017 decreased 4% to \$2,389.4 million. Net sales at HSN decreased 4% to \$1,628.9 million and Cornerstone's net sales decreased 4% to \$760.5 million. Both segments were impacted by a challenging and highly competitive retail environment. We also experienced increased pressure on shipping and handling revenues at both the HSN and Cornerstone segments in 2017, a trend we expect to continue. The comparability of results was impacted by the prior year's divestiture of TravelSmith and Chasing Fireflies in September 2016, with net sales of \$44 million in the prior year, and the estimated benefit of \$5 million in the prior year related to an additional day for leap year within the HSN segment. Additionally, in the third quarter of 2017, net sales were negatively affected by Hurricane Irma. In September, HSN implemented its business continuity plan as a result of the approach of Hurricane Irma. HSN closed its headquarters, redeployed critical personnel and relocated its broadcast studios to temporary facilities outside of the storm's track. These actions resulted in increased operating expenses and limited program effectiveness which we estimate impacted net sales and Adjusted EBITDA by \$13 million and \$5 million, respectively.

Digital commerce remains an essential part of our strategy to optimize the content of all our brands across multiple distributed commerce platforms. HSNi digital sales penetration represented 54% of our business in the nine months ended September 30, 2017. Sales from mobile devices, including smart phones and tablets, grew 9% and represent 24% of our total business. We will continue to invest in digital technologies to enable us to offer a highly personalized and engaging experience based on customer profile, preferences and usage.

As part of our distributed commerce strategies, we continued to invest in Cornerstone's experiential retail stores in key markets to expand consumer touch points and engagement with our brands. We have seen increased demand and higher lifetime-value customers in the regions where our retail stores are located. During the nine months ended September 30, 2017, we opened two new Ballard Designs retail stores and two Frontgate stores.

On April 26, 2017, HSNi announced the resignation of its Chief Executive Officer (the "CEO"), effective May 24, 2017. The Board established an Office of the Chief Executive consisting of the Chief Financial Officer, President of HSN & Chief Marketing Officer, and the President of Cornerstone & Chief Operating Officer to oversee the Company's day-to-day operations with the Chief Financial Officer serving as the Company's principal executive officer. During the second quarter of 2017, HSNi reversed approximately \$4.5 million, or \$2.8 million net of tax, of stock-based compensation expense recognized in prior periods related to the forfeiture of the former CEO's unvested awards. During the third quarter of 2017, HSNi wrote off \$2.4 million of deferred tax assets associated with HSNi's former CEO's expired equity awards.

On July 6, 2017, HSNi and Liberty Interactive Corporation ("Liberty") jointly announced that they had entered into an agreement whereby Liberty will acquire the approximately 62% of HSNi it does not already own in an all-stock transaction ("Liberty Merger Agreement"). The transaction is subject to HSNi shareholder approval, regulatory approvals and the satisfaction of other customary closing conditions. The parties currently expect the transaction to close in the fourth quarter of 2017. For additional information on the pending merger, see Note 15 of Notes to Consolidated Financial Statements.

As a result of the pending merger with Liberty, the Board of Directors of HSNi has suspended its search for a successor Chief Executive Officer.

HSNi continued the implementation of its supply chain optimization ("SCO") initiative which includes the automation and consolidation of certain HSNi distribution centers. HSN continued phasing in its expanded automation capabilities in its Piney Flats, Tennessee distribution center in the third quarter of 2016. HSN incurred additional costs of approximately \$8.4 million in the nine months ended September 30, 2017 related to the implementation in the form of increased labor, operational inefficiencies and increased consulting costs. These costs negatively impacted gross profit by \$4.6 million and operating expenses by \$3.8 million. We expect that approximately \$1 million of additional related costs primarily impacting operating

expenses will be incurred in the fourth quarter of 2017. Upon the project's completion, we expect to realize financial and operational benefits of the SCO initiative in the form of increased labor efficiencies, more efficient space utilization, lower transportation costs and faster customer deliveries.

As part of the SCO initiative, HSN will be closing its Roanoke, Virginia distribution center which is expected to occur in 2018. 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, \$3.2 million of which were recognized in fiscal 2015. See Note 13 of Notes to Consolidated Financial Statements for further discussion of the planned closure of the Roanoke, Virginia distribution center.

In September 2016, HSNi completed the divestiture of two of the under-performing apparel brands within the Cornerstone portfolio, TravelSmith and Chasing Fireflies, allowing us to exclusively focus on improving the performance of our remaining strategic brands. The results of TravelSmith and Chasing Fireflies are included in the results of HSNi and Cornerstone through the date of the divestiture.

HSNi's net income in the nine months ended September 30, 2017 decreased 7% to \$70.2 million. The decrease in net income was primarily due to gross profit compression as a result of the lower sales, heightened shipping and handling promotional activity and the additional costs incurred related to the SCO implementation. Net income in the current year was also negatively impacted by approximately \$6.6 million of transaction costs related to the merger, a \$4.6 million increase in HSN's bad debt expense associated with its Flexpay program and an estimated \$5 million reduction of operating income related to Hurricane Irma (due to lost gross profit and additional \$1.6 million in operating expenses). HSNi also recognized an additional \$3.1 million in income tax expense from the write-off of deferred tax assets associated with equity awards that expired unexercised in third quarter of 2017. The decrease was partially offset by lower operating expenses largely associated with the Cornerstone divested businesses as well as the asset impairment and loss on sale charges of \$31.6 million, or \$19.9 million net of tax, recorded in the prior year related to the divestitures.

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 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 September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 536,200	(6)%	\$ 569,669	\$ 1,628,880	(4)%	\$ 1,705,215
Cornerstone	246,362	(3)%	253,354	760,478	(4)%	788,881
Total HSNi net sales	\$ 782,562	(5)%	\$ 823,023	\$ 2,389,358	(4)%	\$ 2,494,096

HSNi net sales in the third quarter of 2017 decreased 5%, or \$40.5 million, due to a 6% sales decline at HSN and a 3% decline at Cornerstone. HSNi's net sales were negatively impacted by Hurricane Irma by an estimated \$13 million in the third quarter of 2017. The prior year results included approximately \$12.5 million of net sales for TravelSmith and Chasing Fireflies, two Cornerstone brands divested in the third quarter of 2016. Digital sales penetration increased 90 basis points to 53.6%. Digital sales decreased 3% compared to the prior year; excluding the divestitures, digital sales decreased 1%. Mobile sales grew 8% and as a percentage of digital sales were 47.4%, up from 42.5% in the prior year. Gross units shipped in the third quarter of 2017 decreased 3% to 14.4 million compared to 14.9 million in the prior year and the average price point decreased 3% to \$60.11.

HSNi net sales in the nine months ended September 30, 2017 decreased 4%, or \$104.7 million, due to a 4% decline at HSN and a 4% decline at Cornerstone. HSNi's net sales in the current year were negatively impacted by Hurricane Irma by an estimated \$13 million. The prior year results included approximately \$43.6 million of net sales for TravelSmith and Chasing Fireflies, two Cornerstone brands divested in the third quarter of 2016 and the benefit of an additional day for leap year at HSN. Digital sales penetration increased 170 basis points to 54.1%. Digital sales decreased 1% compared to the prior year; however, excluding the divestitures, digital sales increased 2%. Mobile sales grew 9% and as a percentage of digital sales were

45.3%, up from 41.0% in the prior year. Gross units shipped in the nine months ended September 30, 2017 decreased 4% to 42.4 million and the average price point decreased 1% to \$62.22.

HSN

HSN net sales in the third quarter of 2017 decreased 6%, or \$33.5 million. The negative impact of Hurricane Irma in the current quarter is estimated to be approximately \$13 million. Sales decreased in electronics, apparel & accessories and beauty, offset by increases in fitness and home. Shipping and handling revenues decreased 8% primarily due to a reduction in HSN's standard shipping rates which became effective in August 2016. The 12-month active customer file decreased 6%. Digital sales decreased 3% while penetration increased 130 basis points to 46.1%. The return rate improved 150 basis points from 16.5% to 15.0% primarily due to a shift in sales mix to categories with lower return rates as well as a downward trend in many product categories. Units shipped decreased 2% to 11.6 million and average price point decreased 6% to \$52.18 largely due changes in product mix.

HSN net sales in the nine months ended September 30, 2017 decreased 4%, or \$76.3 million. The current period was negatively impacted by an estimated \$13 million due to Hurricane Irma while the prior year period had the benefit of having an additional day for leap year in the first quarter of 2016. Sales decreased in electronics, beauty and jewelry, partially offset by increases in home, wellness and fitness. Shipping and handling revenues decreased 23% primarily due to an August 2016 reduction in HSN's standard shipping rates and an increase in shipping and handling promotions. Digital sales grew 1% and penetration increased 230 basis points to 46.4%. Mobile sales grew 9% and as a percentage of digital sales were 55.7%, up from 51.5% in the prior year. The return rate improved 160 basis points from 16.9% to 15.3% primarily due to a shift in sales mix to categories with lower return rates as well as continuing to experience lower than historical return rates in many product categories. Average price point decreased 3% to \$53.88 driven by changes in product mix. Units shipped decreased 2% to 34.2 million.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Jewelry	8.6%	8.3%	8.5%	8.7%
Fashion (apparel & accessories)	16.8%	16.9%	17.8%	17.2%
Beauty & Health (including beauty, wellness and fitness)	21.2%	20.2%	22.5%	22.6%
Home & Other (including home, electronics, kitchen and other)	53.4%	54.6%	51.2%	51.5%
Total	100.0%	100.0%	100.0%	100.0%

Cornerstone

Cornerstone net sales in the third quarter of 2017 decreased 3%, or \$7.0 million. Sales increased at Ballard Designs, Garnet Hill, and Grandin Road. Digital sales decreased 4% and penetration decreased 50 basis points to 69.7%. Mobile sales grew 14% and as a percentage of digital sales were 33.0%, up from 27.9% in the prior year. Units shipped decreased 11% while average price point increased 10% to \$93.08. Catalog circulation decreased 16% to 61.8 million. The return rate was 13.2% compared to 12.3% in the prior year. As of September 30, 2017, Cornerstone had a total of 19 stores open compared to 17 stores as of September 30, 2016.

Cornerstone net sales in the nine months ended September 30, 2017 decreased 4%, or \$28.4 million. Sales increased at Ballard Designs, Garnet Hill and Grandin Road. Digital sales decreased 3% while penetration increased 20 basis points to 70.3%. Mobile sales grew 11% and as a percentage of digital sales were 30.6%, up from 26.7% in the prior year. Units shipped decreased 10% and average price point increased 8%. Catalog circulation decreased 17% to 198.0 million. The return rate was 13.3% compared to 12.7% in the prior year.

The divestiture of TravelSmith and Chasing Fireflies in September 2016 impacted the comparability between periods of net sales and of certain sales-related operating metrics. Excluding the divestitures, for the three months ended September 30, 2017, net sales increased 2%; digital sales increased 2%; units shipped were flat; and average price point increased 3% compared to prior year. Excluding the divestitures, for the nine months ended September 30, 2017, net sales increased 2%; digital sales grew 3%; units shipped increased 3%; and average price point increased 1%. Excluding the divestitures, for the three and nine month periods ended September 30, 2017, catalog circulation decreased 3% and 9%, respectively, which was largely due to timing and the strategic decision to allocate additional spend towards digital advertising.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016 (b)	2017	2016 (b)
Home brands (Ballard Designs, Frontgate, Grandin Road and Improvements) (a)	84.4%	81.5%	84.8%	80.8%
Apparel brands (Chasing Fireflies, Garnet Hill and TravelSmith) (a)	15.6%	18.5%	15.2%	19.2%
Total	100.0%	100.0%	100.0%	100.0%

(a) Classification is based on the brands' primary product category which it sells; however, each brand sells products from other categories to a lesser extent.

(b) The three and nine months ended September 30, 2016 includes the results of Chasing Fireflies and TravelSmith.

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 September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
Gross profit:						
HSN	\$ 181,331	(5)%	\$ 189,961	\$ 559,290	(5)%	\$ 586,361
As a percentage of HSN net sales	33.8%	50 bps	33.3%	34.3%	(10 bps)	34.4%
Cornerstone	\$ 87,854	(3)%	\$ 90,115	\$ 279,406	(5)%	\$ 295,017
As a percentage of Cornerstone net sales	35.7%	10 bps	35.6%	36.7%	(70 bps)	37.4%
HSNi	\$ 269,185	(4)%	\$ 280,076	\$ 838,696	(5)%	\$ 881,378
As a percentage of HSNi net sales	34.4%	40 bps	34.0%	35.1%	(20 bps)	35.3%

bps = basis points

HSN

Gross profit for HSN in the third quarter of 2017 decreased 5%, or \$8.6 million, driven by the decrease in net sales. Gross profit as a percentage of net sales increased 50 basis points to 33.8% primarily due to an increase in product margins due to changes in product mix and rate increases in certain divisions, partially offset by outbound shipping rate increases and higher fulfillment costs.

Gross profit for HSN in the nine months ended September 30, 2017 decreased 5%, or \$27.1 million, driven by the decrease in net sales. Gross profit as a percentage of net sales decreased 10 basis points to 34.3% primarily due to a decrease in shipping revenues and higher shipping and fulfillment costs, partially offset by an increase in product margins and lower inventory reserves due to a change in estimate. The increase in shipping and fulfillment costs was primarily due to the ongoing implementation of HSNi's SCO initiative which resulted in higher labor costs and operational inefficiencies of approximately \$4.6 million during the nine months ended September 30, 2017. The increase in shipping costs was also attributed to annual rate increases with HSNi's outbound shipping carriers. During the second quarter of 2017, HSN reduced its inventory reserve estimates for certain product categories which increased gross profit by \$3.3 million, or 20 basis points.

Cornerstone

Gross profit for Cornerstone in the third quarter of 2017 decreased 3%, or \$2.3 million and gross profit as a percentage of net sales increased 10 basis points to 35.7%. Excluding the divestitures, gross profit increased 3% and gross profit as a percentage of net sales increased 10 basis points primarily due to higher product and shipping margins, partially offset by higher returns activity and inventory shrinkage adjustments.

Gross profit for Cornerstone in the nine months ended September 30, 2017 decreased 5%, or \$15.6 million, and gross profit as a percentage of net sales decreased 70 basis points to 36.7%. Excluding the divestitures, gross profit was up slightly to prior year while gross profit as a percentage of net sales decreased 70 basis points largely due to promotional activity in the home brands, partially offset by higher product margins primarily driven by strategic pricing initiatives.

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; on-air distribution costs, including costs to purchase media for direct-response television marketing; and marketing partnership programs. Advertising and promotional expenditures primarily include catalog production and distribution costs and online marketing, including fees paid to search engine companies and third-party distribution partners, as well as other advertising and promotional campaigns.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 103,684	—%	\$ 103,809	\$ 306,249	(1)%	\$ 310,251
As a percentage of HSN net sales	19.3%	110 bps	18.2%	18.8%	60 bps	18.2%
Cornerstone	\$ 70,335	(6)%	\$ 74,976	\$ 211,829	(10)%	\$ 235,751
As a percentage of Cornerstone net sales	28.5%	(110 bps)	29.6%	27.9%	(200 bps)	29.9%
HSNi	\$ 174,019	(3)%	\$ 178,785	\$ 518,078	(5)%	\$ 546,002
As a percentage of HSNi net sales	22.2%	50 bps	21.7%	21.7%	(20 bps)	21.9%

HSNi's selling and marketing expense in the third quarter of 2017 decreased \$4.8 million and was 22.2% of net sales compared to 21.7% in the prior year. Excluding the divestitures, HSNi's selling and marketing expense increased 1%, or \$2.0 million, in the third quarter of 2017 compared to the prior year. HSNi's selling and marketing expense in the nine months ended September 30, 2017 decreased \$27.9 million and was 21.7% of net sales compared to 21.9% in the prior year. Excluding the divestitures, HSNi's selling and marketing expense decreased 1% or \$4.2 million, in the nine months ended September 30, 2017 compared to the prior year.

HSN

HSN's selling and marketing expense in the third quarter of 2017 decreased \$0.1 million and was 19.3% of net sales compared to 18.2% in the prior year. The decrease in expense is primarily due to decreases in digital marketing, offset by higher employee-related costs. As a percentage of net sales, the increase was due to decreased leverage over fixed costs as a result of the decline in net sales.

HSN's selling and marketing expense in the nine months ended September 30, 2017 decreased \$4.0 million and was 18.8% of net sales compared to 18.2% in the prior year. The decrease in expense is primarily due to higher advertising and media costs in the prior year related to the expansion of HSN's wholesale business and direct-response television marketing; partially offset by higher consulting costs in the current year related to brand strategy and customer research initiatives.

Cornerstone

Cornerstone's selling and marketing expense in the third quarter of 2017 decreased \$4.6 million and was 28.5% of net sales compared to 29.6% in the prior year. Excluding the divestitures, selling and marketing expense increased \$2.2 million due to an increase in costs related to Cornerstone's additional retail stores and an increase in digital marketing. These costs were partially offset by a decrease in catalog costs as Cornerstone continued to allocate more of its marketing efforts towards digital.

Cornerstone's selling and marketing expense in the nine months ended September 30, 2017 decreased \$23.9 million and was 27.9% of net sales compared to 29.9% in the prior year. Excluding the divestitures, selling and marketing expense was consistent with the prior year due to a decrease in catalog circulation, partially offset by increases in digital marketing and costs related to Cornerstone's additional retail stores.

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 September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 38,037	19%	\$ 31,884	\$ 117,448	14%	\$ 102,783
As a percentage of HSN net sales	7.1%	150 bps	5.6%	7.2%	120 bps	6.0%
Cornerstone	\$ 11,746	9%	\$ 10,819	\$ 36,364	—%	\$ 36,335
As a percentage of Cornerstone net sales	4.8%	50 bps	4.3%	4.8%	20 bps	4.6%
HSNi	\$ 49,783	17%	\$ 42,703	\$ 153,812	11%	\$ 139,118
As a percentage of HSNi net sales	6.4%	120 bps	5.2%	6.4%	80 bps	5.6%

HSNi's general and administrative expense in the third quarter of 2017 increased 17%, or \$7.1 million, and was 6.4% of net sales compared to 5.2% in the prior year. HSNi's general and administrative expense in the nine months ended September 30, 2017 increased 11%, or \$14.7 million, and was 6.4% of net sales compared to 5.6% in the prior year.

HSN

HSN's general and administrative expense in the third quarter of 2017 increased 19%, or \$6.2 million, and was 7.1% of net sales compared to 5.6% in the prior year. The increase is primarily due to higher employee-related costs related to performance-based incentives largely as a result of accrual adjustments recognized in the prior year and a \$1.8 million increase in bad debt expense. Additionally, HSN incurred approximately \$1.6 million in expenses related to Hurricane Irma and approximately \$0.7 million in consulting services related to the SCO implementation.

HSN's general and administrative expense in the nine months ended September 30, 2017 increased 14%, or \$14.7 million, and was 7.2% of net sales compared to 6.0% in the prior year. The increase is primarily due to an increase in employee-related costs, particularly for performance-based incentives, and a \$4.6 million increase in bad debt expense primarily related to HSN's Flexpay program. Additionally, HSN incurred approximately \$3.8 million in additional costs related to the SCO implementation primarily for consulting services and approximately \$1.6 million in expenses related to Hurricane Irma. These increases were partially offset by a \$5.9 million decrease in stock-based compensation expense primarily due to the resignation of HSNi's former Chief Executive Officer in the second quarter of 2017.

Cornerstone

Cornerstone's general and administrative expense in the third quarter of 2017 increased 9%, or \$0.9 million, and was 4.8% of net sales compared to 4.3% in the prior year. The increase is primarily due to higher employee-related costs.

Cornerstone's general and administrative expense in the nine months ended September 30, 2017 was \$36.4 million, up slightly from the prior year, and was 4.8% of net sales compared to 4.6% in the prior year. General and administrative expense decreased as a result of the divestitures and a \$1.2 million decrease in stock-based compensation expense primarily related to the resignation of HSNi's former Chief Executive Officer, offset by an increase in employee-related costs, particularly for performance-based incentives.

Depreciation and Amortization

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 7,690	5%	\$ 7,304	\$ 23,213	8%	\$ 21,582
Cornerstone	3,444	7%	3,214	9,845	(3)%	10,163
HSNi	\$ 11,134	6%	\$ 10,518	\$ 33,058	4%	\$ 31,745
As a percentage of HSNi net sales	1.4%	10 bps	1.3%	1.4%	10 bps	1.3%

Depreciation and amortization in the third quarter of 2017 increased 6%, or \$0.6 million. Depreciation and amortization in the nine months ended September 30, 2017 increased 4%, or \$1.3 million. The increases were primarily related to the assets associated with HSN's SCO initiative.

Loss on Sale of Businesses and Asset Impairment

During the second quarter of 2016, HSNi committed to a plan to sell Chasing Fireflies and TravelSmith, two of the apparel brands included within the Cornerstone segment. The assets and liabilities of the two brands were classified as held for sale as of June 30, 2016 and measured at their fair values less the estimated selling costs. As a result, Cornerstone recorded a non-cash asset impairment charge of \$20.4 million in the second quarter of 2016.

On September 8, 2016, Cornerstone completed the divestiture of TravelSmith and Chasing Fireflies. In the third quarter of 2016, Cornerstone recorded a loss on sale of \$11.2 million, which included \$3.8 million of cash charges related to transaction costs and employee and lease liabilities.

Net sales for Chasing Fireflies and TravelSmith were \$12.5 million and \$43.6 million for the three and nine month periods ended September 30, 2016, respectively. The pre-tax operating loss for the two brands, excluding asset impairment charges and the loss on sale, was approximately \$4 million and \$13 million for the three and nine month periods ended September 30, 2016. See Note 14 of Notes to Consolidated Financial Statements for further discussion.

Transaction Costs

On July 6, 2017, HSNi and Liberty jointly announced that they had entered into an agreement whereby Liberty will acquire the approximately 62% of HSNi it does not already own in an all-stock transaction ("Liberty Merger Agreement"). In connection with the Liberty Merger Agreement, during the three and nine month periods ended September 30, 2017, HSNi incurred approximately \$1.3 million and \$6.6 million, respectively, of costs for financial advisory and legal services. For additional information on the pending merger, refer to Note 15 of Notes to Consolidated Financial Statements.

Operating Income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 30,999	(34)%	\$ 46,963	\$ 107,722	(29)%	\$ 151,745
As a percentage of HSN net sales	5.8%	(240 bps)	8.2 %	6.6%	(230 bps)	8.9 %
Cornerstone	\$ 1,945	119%	\$ (10,088)	\$ 19,383	203%	\$ (18,827)
As a percentage of Cornerstone net sales	0.8%	480 bps	(4.0)%	2.5%	490 bps	(2.4)%
HSNi	\$ 32,944	(11)%	\$ 36,875	\$ 127,105	(4)%	\$ 132,918
As a percentage of HSNi net sales	4.2%	(30 bps)	4.5 %	5.3%	-	5.3 %

HSNi's operating income in the third quarter of 2017 decreased 11%, or \$3.9 million, and was 4.2% of net sales compared to 4.5% in the prior year. The decrease in operating income was due to a 5% decrease in net sales, partially offset by a 40 basis point increase in gross profit as a percentage of net sales and a \$7.0 million decrease in operating expenses. HSNi's operating income in the nine months ended September 30, 2017 decreased 4%, or \$5.8 million, and was 5.3% of net sales, consistent with the prior year. The decrease was due to a 4% decrease in net sales and 20 basis point decline in gross profit as a percentage of net sales, partially offset by a \$36.9 million decrease in operating expenses. The decrease in operating expenses

was largely due to the divestitures, including the prior year's operating expenses, \$11.2 million loss on sale and \$20.4 million asset impairment charge; and lower stock-based compensation expense driven by the forfeiture of the former CEO's vested awards; partially offset by approximately \$6.6 million in transaction costs related to the Liberty Merger Agreement, higher employee-related costs, a \$4.6 million increase in bad debt expense, and approximately \$3.8 million in consulting costs related to the SCO implementation.

HSN

HSN's operating income in the third quarter of 2017 decreased 34%, or \$16.0 million, and was 5.8% of net sales compared to 8.2% in the prior year. The decrease was due to a 6% decrease in net sales and \$7.3 million increase in operating expenses, partially offset by a 50 basis point increase in gross profit as a percentage of net sales. HSN's operating income in the nine months ended September 30, 2017 decreased 29%, or \$44.0 million, and was 6.6% of net sales, compared to 8.9% the prior year. The decrease was due to a 4% decrease in net sales, 10 basis point decline in gross profit as a percentage of net sales and \$17.0 million increase in operating expenses.

Cornerstone

Cornerstone's operating income in the third quarter of 2017 was \$1.9 million compared to an operating loss of \$10.1 million in the prior year. The third quarter of 2016 includes the results of the divested businesses, including a loss on sale businesses of \$11.2 million and an operating loss of \$4.4 million. Cornerstone's operating income in the nine months ended September 30, 2017 was \$19.4 million compared to an operating loss of \$18.8 million in the prior year. The nine months ended September 30, 2016 includes the results of the divested businesses, including a loss on sale businesses of \$11.2 million, asset impairment charges of \$20.4 million and an operating loss of \$13.4 million.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. Please refer to Note 4 of Notes to Consolidated Financial Statements for a discussion of the usefulness of this metric and for the reconciliation of operating income to Adjusted EBITDA for HSNi's operating segments and to HSNi's consolidated net income.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
HSN	\$ 42,573	(27)%	\$ 58,020	\$ 141,653	(23)%	\$ 184,990
As a percentage of HSN net sales	7.9%	(230 bps)	10.2%	8.7%	(210 bps)	10.8%
Cornerstone	\$ 6,822	40%	\$ 4,889	\$ 33,246	28%	\$ 26,052
As a percentage of Cornerstone net sales	2.8%	90 bps	1.9%	4.4%	110 bps	3.3%
HSNi	\$ 49,395	(21)%	\$ 62,909	\$ 174,899	(17)%	\$ 211,042
As a percentage of HSNi net sales	6.3%	(130 bps)	7.6%	7.3%	(120 bps)	8.5%

HSNi's Adjusted EBITDA in the third quarter of 2017 decreased 21%, or \$13.5 million, and was 6.3% of net sales compared to 7.6% in the prior year. Operating expenses (excluding non-GAAP adjustments discussed in Note 4 of Notes to Consolidated Financial Statements) increased \$2.6 million and as a percentage of net sales were 28.1% compared to 26.4% in the prior year.

HSNi's Adjusted EBITDA in the nine months ended September 30, 2017 decreased 17%, or \$36.1 million, and was 7.3% of net sales compared to 8.5% in the prior year. Operating expenses (excluding non-GAAP adjustments discussed in Note 4 of Notes to Consolidated Financial Statements) decreased \$6.5 million and as a percentage of net sales were 27.8% compared to 26.9% in the prior year.

HSN

HSN's Adjusted EBITDA for the third quarter of 2017 decreased 27%, or \$15.4 million, and was 7.9% of net sales compared to 10.2% in the prior year. Operating expenses (excluding non-GAAP adjustments discussed in Note 4 of Notes to Consolidated Financial Statements) increased \$6.8 million and as a percentage of net sales were 25.9% compared to 23.2% in the prior year. Adjusted EBITDA was negatively impacted by Hurricane Irma by an estimated \$5 million (due to lost gross profit and \$1.6 million of additional expenses incurred) and \$1.3 million of additional costs related to the SCO implementation.

HSN's Adjusted EBITDA in the nine months ended September 30, 2017 decreased 23%, or \$43.3 million, and was 8.7% of net sales compared to 10.8% in the prior year. Operating expenses (excluding non-GAAP adjustments discussed in Note 4 of Notes to Consolidated Financial Statements) increased \$16.3 million and as a percentage of net sales were 25.6% compared

to 23.5% in the prior year. Adjusted EBITDA was negatively impacted by Hurricane Irma by an estimated \$5 million (due to lost gross profit and \$1.6 million of additional expenses incurred) and \$8.4 million of additional costs related to the SCO implementation.

Cornerstone

Cornerstone's Adjusted EBITDA for the third quarter of 2017 increased 40%, or \$1.9 million, and was 2.8% of net sales compared to 1.9% in the prior year. Operating expenses (excluding non-GAAP adjustments discussed in Note 4 of Notes of Consolidated Financial Statements) decreased \$4.2 million and as a percentage of net sales were 32.8% compared to 33.6% in the prior year. Excluding the divestitures, Adjusted EBITDA decreased \$1.6 million, or 19%.

Cornerstone's Adjusted EBITDA in the nine months ended September 30, 2017 increased 28%, or \$7.2 million, and was 4.4% of net sales compared to 3.3% in the prior year. Operating expenses as a percentage of net sales (excluding non-GAAP adjustments discussed in Note 4 of Notes to Consolidated Financial Statements) decreased \$22.8 million and were 32.3% compared to 34.0% in the prior year. Excluding the divestitures, Adjusted EBITDA decreased \$4.9 million, or 13%.

Other Income (Expense)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	Change	2016	2017	Change	2016
	(Dollars in thousands)			(Dollars in thousands)		
Interest income	\$ 164	31%	\$ 125	\$ 590	165%	\$ 223
Interest expense	(4,181)	1%	(4,126)	(12,316)	1%	(12,211)
Total other expense, net	\$ (4,017)	—%	\$ (4,001)	\$ (11,726)	(2)%	\$ (11,988)
As a percentage of HSNi net sales	0.5%	-	0.5%	0.5%	-	0.5%

Interest expense for the three and nine months ended September 30, 2017 was \$4.0 million and \$11.7 million, respectively, relatively unchanged from the prior year due to lower average outstanding debt balances being offset by a higher average interest rate. The interest rate swaps as of September 30, 2017 and 2016 effectively converted \$250.0 million and \$187.5 million, respectively, of our variable rate term loan to a fixed rate. See further discussion in Liquidity and Capital Resources.

Income Tax Provision

For the three and nine months ended September 30, 2017, HSNi recorded a tax provision of \$12.7 million and \$45.1 million, which represents effective tax rates of 43.9% and 39.1%, respectively. For the three and nine months ended September 30, 2016, HSNi recorded a tax provision of \$12.7 million and \$45.7 million, which represents effective tax rates of 38.7% and 37.8%, respectively.

HSNi adopted ASU 2016-09 on January 1, 2017 which impacts how the tax effects of share-based awards are recognized. The adoption of ASU 2016-09 introduces a degree of volatility to HSNi's interim and annual effective tax rate. The excess or deficiencies in the tax benefits of share-based compensation are impacted by the value of the Company's shares at the time when awards are vested or exercised.

The increase in the effective tax rates is primarily due to the write-off of approximately \$3.1 million of deferred tax assets associated with equity awards that expired unexercised during the third quarter of 2017, including \$2.4 million associated with HSNi's former Chief Executive Officer's equity awards. The increase in the effective tax rate was partially offset by a decrease of \$0.9 million related to the release of tax reserves for uncertain tax positions for which the statute of limitations has expired.

Liquidity and Capital Resources

As of September 30, 2017, HSNi had \$20.6 million of cash and cash equivalents compared to \$42.7 million as of December 31, 2016 and \$67.4 million as of September 30, 2016.

Net cash provided by operating activities for the nine months ended September 30, 2017 was \$109.6 million compared to \$114.1 million in the prior year, a decrease of \$4.6 million, which was primarily due to a decrease in operating performance

(excluding non-cash items) partially offset by changes in working capital. Cash provided by accounts receivables in 2017 increased compared to the prior year due to collections of a higher outstanding accounts receivable balance at the end of 2016 compared to 2015, partially offset by expanded offers of HSN's Flexpay program in 2017. HSN expects to continue to use its offering of Flexpay, when appropriate, as a tool to drive profitable revenue growth. Working capital was negatively impacted in 2017 by the timing of accounts payable.

Net cash used in investing activities for the nine months ended September 30, 2017 was \$37.1 million primarily for capital expenditures for investments in information technology, the retail store expansion at Cornerstone, our distribution centers and digital commerce.

Net cash used in financing activities for the nine months ended September 30, 2017 was \$94.7 million. Borrowings of HSNi's long-term debt net of repayments during the current year period, including for the term loan and revolving credit facility, were \$38.8 million. HSNi has paid three quarterly cash dividends of \$0.35 per share in 2017, representing total payments of \$55.0 million.

On January 27, 2015, HSNi entered into a \$1.25 billion five-year syndicated 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. As of September 30, 2017, total debt of \$476.3 million was outstanding.

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 September 30, 2017 with a leverage ratio of 1.8x and an interest coverage ratio of 17.9x. 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. The Credit Agreement also contains provisions that limit the ability of HSNi to make Restricted Payments, defined as cash dividends, distribution of other property, repurchase of the Company's common stock, prepayment or redemption of debt, etc., however, so long as the Company's leverage ratio is below 3.00x after giving pro forma effect to any proposed Restricted Payments, the amount of such Restricted Payments are not limited. In the event the Company's leverage ratio is equal to or greater than 3.00x or after giving pro forma effect to any proposed Restricted Payments, then such Restricted Payments are limited to \$150 million in any such fiscal year. The current quarter cash dividend of \$0.35 per share, or approximately \$1.40 on an annualized basis, represents a Restricted Payment of approximately \$18.3 million. 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 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 \$14.5 million as of September 30, 2017. 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 September 30, 2017, 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 \$429.8 million.

To reduce our future exposure to rising interest rates under our credit facility, we entered into interest rate swaps that effectively converted \$187.5 million of our variable rate term loan to a fixed-rate of 0.8525% through April 2017, and then increased to \$250.0 million through January 2020 with a fixed rate of 1.05% (in both cases the swapped fixed rate is exclusive of the credit spread under the Credit Agreement). Based on HSNi's leverage ratio as of September 30, 2017, the all-in fixed rate was 2.3525%. 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 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 nine months ended September 30, 2017, there were no shares repurchased. As of September 30, 2017, approximately 2.7 million shares remain authorized for repurchase under the program. As a result of the pending merger contemplated by the Liberty Merger Agreement, HSNi has agreed not to make additional repurchases.

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 2017 are expected to be approximately \$50 million and primarily relate to investments in information technology, approximately \$12 million for Cornerstone's retail expansion; our distribution centers, including our warehouse automation project; 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 fourth quarter of 2017, HSNi's Board of Directors approved a cash dividend of \$0.35 per common share payable December 15, 2017 to shareholders of record as of December 6, 2017.

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

For a description of HSNi's market risks, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in HSNi's Annual Report on Form 10-K for the year ended December 31, 2016. No material changes have occurred in HSNi's market risks since December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Principal Executive and 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 September 30, 2017. 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 Principal Executive and 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 September 30, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

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 corporate matters, 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, 2016, 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 other than as set forth below.

Risks Related to Our Proposed Merger with Liberty Interactive Corporation ("Liberty")

Failure to complete the Liberty Merger could negatively impact the price of shares of HSNi common stock, as well as HSNi's respective future businesses and financial results.

The Liberty Merger Agreement contains a number of conditions that must be satisfied or waived prior to the completion of the Liberty Merger. There can be no assurance that all of the conditions to the Liberty Merger will be so satisfied or waived. If the conditions to the Liberty Merger are not satisfied or waived, Liberty and HSNi will be unable to complete the Liberty Merger.

If the Liberty Merger is not completed for any reason, including the failure to receive the required approvals of HSNi's stockholders, HSNi's business and financial results may be adversely affected as follows:

- HSNi may experience negative reactions from the financial markets, including negative impacts on the market price of shares of HSNi common stock;
- HSNi may experience negative reactions from employees;
- HSNi may be required to pay a termination fee under certain circumstances, as provided in the Liberty Merger Agreement; and
- HSNi will have expended significant time, resources and incurred transactions costs, including in the form of legal, accounting and financial advisory fees, that could otherwise have been spent on HSNi's existing businesses and the pursuit of other opportunities that could have been beneficial to HSNi, and HSNi's ongoing business and financial results may be adversely affected.

We will be subject to various uncertainties and contractual restrictions while the Liberty Merger is pending that may cause disruption and may make it more difficult to maintain relationships with employees, vendor partners and customers.

Uncertainty about the impact of the Liberty Merger on employees, vendors and customers may have an adverse effect on us. Although we intend to take steps designed to reduce any adverse effects, these uncertainties may impair our ability to attract, retain and motivate key personnel until the Liberty Merger is completed and for a period of time thereafter, and could cause customers, vendors and other third parties to seek to change existing business relationships with us.

Employee retention and recruitment may be challenging before the completion of the Liberty Merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company. If, despite our retention and recruiting efforts, key employees depart or prospective key employees fail to accept employment with us because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, our financial results could be adversely affected.

HSNi does not currently have a Chief Executive Officer (“CEO”), the Company is currently managed by the Office of the Chief Executive which consists of three HSNi executives. As a result of the Liberty Merger Agreement, the Company has suspended its search for an external candidate to serve as CEO. The lack of a permanent CEO could negatively impact the results of operations and financial condition of the Company.

The pursuit of the Liberty Merger and the preparation for the integration may place a significant burden on management and internal resources. The diversion of management’s attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could adversely affect our financial results.

In addition, the Liberty Merger agreement restricts us, without Liberty’s consent, from making certain acquisitions and taking other specified actions until the Liberty Merger closes or the Liberty Merger Agreement terminates. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other changes to our business before completion of the Liberty Merger or termination of the Liberty Merger Agreement.

HSNi will incur significant transaction and related costs in connection with the Liberty Merger, which may be in excess of those anticipated by HSNi.

HSNi has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Liberty Merger Agreement, including the costs and expenses of filing, printing and mailing the proxy statement/prospectus; employee retention costs; fees paid to financial, legal and accounting advisors and filing fees. These costs, as well as other unanticipated costs and expenses, could have a material adverse effect on the financial condition and operating results of HSNi. Many of these costs will be borne by HSNi even if the Liberty Merger is not completed.

The Liberty Merger Agreement limits HSNi’s ability to pursue alternatives to the Liberty Merger.

The Liberty Merger Agreement contains provisions that may discourage a third party from submitting an acquisition proposal to HSNi that might result in greater value to HSNi’s stockholders than the Liberty Merger. These provisions include a general prohibition on HSNi soliciting or, subject to certain exceptions relating to the exercise of fiduciary duties by our Board of Directors, entering into discussions with third parties regarding, any acquisition proposal for a competing transaction.

The Liberty Merger Agreement may be terminated in accordance with its terms and the Liberty Merger may be delayed or not be completed, reducing or eliminating the benefits that HSNi expects to achieve.

The Liberty Merger Agreement contains a number of conditions that must be fulfilled in order to complete the Liberty Merger. Those conditions include, among others: (i) the receipt of requisite regulatory approvals including approval from the Federal Communications Commission (“FCC”) and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements (“HSR”) Act of 1976; (ii) the adoption of the Liberty Merger Agreement by the holders of at least a majority of the outstanding aggregate voting power of HSNi stock, voting together as a single class; (iii) the accuracy of representations and warranties made by each party under the Liberty Merger Agreement (subject to the materiality standards set forth in the Liberty Merger Agreement); and (iv), Liberty’s and HSNi’s performance of their respective obligations under the Liberty Merger Agreement in all material respects. These conditions to the closing of the Liberty Merger may not be fulfilled in a timely manner or at all, and, accordingly, the Liberty Merger may be delayed or may not be completed.

In addition, if the Liberty Merger is not completed by April 5, 2018 (subject to an extension to October 5, 2018 under certain circumstances identified in the Liberty Merger Agreement), either Liberty or HSNi may choose not to proceed with the Liberty Merger and the parties can mutually decide to terminate the Liberty Merger Agreement at any time, before or after stockholder approval. In addition, Liberty and HSNi may elect to terminate the Liberty Merger Agreement in certain other circumstances.

The Liberty Merger is subject to a number of conditions beyond our control that may prevent, delay or otherwise materially adversely affect the completion of the Liberty Merger. We cannot predict whether and when these conditions will be satisfied. Any delay in completing the Liberty Merger could cause the combined company not to realize some or all of the synergies that we and Liberty expect to achieve if the Liberty Merger is successfully completed within the expected time frame.

Even if HSNi and Liberty complete the Liberty Merger, the combined company may fail to realize all of the anticipated benefits of the proposed Liberty Merger.

The success of the Liberty Merger will depend, in part, on Liberty's ability to realize the anticipated benefits and cost savings from combining HSNi's and Liberty's businesses. The anticipated benefits and cost savings of the Liberty Merger may not be realized fully or at all, or may take longer to realize than expected or could have other adverse effects that HSNi and Liberty do not currently foresee. Some of the assumptions that Liberty has made, such as the achievement of operating synergies and revenue growth opportunities, may not be realized. The integration process may, for each of HSNi and Liberty, result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies. There could be potential unknown liabilities and unforeseen expenses associated with the Liberty Merger that were not discovered in the course of performing due diligence.

HSNi stockholders will have a reduced ownership and voting interest in the combined company after the Liberty Merger and will exercise less influence over management.

Currently, HSNi stockholders have the right to vote in the election of the HSNi board and the power to approve or reject any matters requiring stockholder approval under Delaware law and HSNi's certificate of incorporation and bylaws. Upon completion of the Liberty Merger, each HSNi stockholder who receives shares of Liberty's Series A QVC Group common stock in the Liberty Merger will become a stockholder of Liberty's QVC Group with a percentage ownership of the QVC Group that is smaller than the HSNi stockholder's current percentage ownership of HSNi.

Based on the number of issued and outstanding shares of Series A and Series B QVC Group common stock and shares of HSNi common stock as of September 30, 2017, and on the exchange ratio of 1.65 shares of Series A QVC Group common stock for every outstanding share of HSNi common stock (other than shares of HSNi common stock held by Liberty and its wholly-owned subsidiaries), after the Liberty Merger HSNi stockholders (other than Liberty and its wholly-owned subsidiaries) are expected to become owners of approximately 10.9% of the undiluted equity and 7.1% of the undiluted voting power of the QVC Group, without giving effect to any shares of QVC Group common stock held by HSNi stockholders prior to the completion of the Liberty Merger. Even if all former HSNi stockholders voted together on all matters presented to QVC Group stockholders from time to time, the former HSNi stockholders would exercise significantly less influence over the QVC Group after the completion of the Liberty Merger relative to their influence over HSNi prior to the completion of the Liberty Merger, and thus would have a less significant impact on the approval or rejection of future QVC Group proposals submitted to a stockholder vote.

Because the market price of Liberty's Series A QVC Group common stock may fluctuate, you cannot be sure of the value of the Liberty Merger consideration that you may receive.

Upon completion of the Liberty Merger, each share of HSNi common stock (other than shares held by Liberty or any of its wholly-owned subsidiaries and shares held by HSNi as treasury stock) will be converted into the right to receive 1.65 shares of Liberty's Series A QVC Group common stock. Because the exchange ratio of common stock at which Liberty is issuing such shares as part of the Liberty Merger is fixed, any change in the price of the Series A QVC Group common stock prior to completion of the Liberty Merger will affect the value of the consideration to be paid upon completion of the Liberty Merger. The value of the Liberty Merger consideration may vary from the date of the announcement of the Liberty Merger Agreement. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the respective businesses, operations and prospects, and regulatory considerations of Liberty and HSNi. Many of these factors are beyond Liberty's and HSNi's control.

Liberty's Series A QVC Group common stock is a tracking stock that tracks the assets and liabilities attributed to Liberty's QVC Group tracking stock group, and Liberty's board of directors' ability to reattribute businesses, assets and expenses between Liberty's two tracking stock groups may make it difficult to assess the future prospects of Liberty's Series A QVC Group common stock based on its past performance.

As a result of the Liberty Merger, HSNi stockholders will receive shares of Liberty's Series A QVC Group common stock, which is a tracking stock that tracks the assets and liabilities attributed to Liberty's QVC Group tracking stock group. Liberty's board of directors has the ability to reattribute businesses, assets and liabilities between its two tracking stock groups, the QVC Group and the Ventures Group in accordance with Liberty's restated certificate of incorporation, as amended, and Liberty's Management and Allocation Policies, and without the approval of its stockholders. For example, in October 2014, Liberty's board of directors approved the change in attribution from the QVC Group to the Ventures Group of certain digital commerce businesses and approximately \$1 billion in cash, without stockholder approval. Any reattribution made by Liberty's

board, as well as the existence of the right in and of itself to effect a reattribution, may impact the ability of investors to assess the future prospects of the QVC Group tracking stock, including its liquidity and capital resource needs, based on its past performance.

The integration of HSNi into Liberty's QVC Group may not be as successful as anticipated.

The Liberty Merger involves numerous operational, strategic, financial, accounting, legal, tax and other risks; potential liabilities associated with the acquired businesses; and uncertainties related to design, operation and integration of HSNi's internal control over financial reporting. Difficulties in integrating HSNi into Liberty's QVC Group may result in HSNi performing differently than expected, in operational challenges or in the failure to realize anticipated expense-related efficiencies. HSNi's and Liberty's existing businesses could also be negatively impacted by the Liberty Merger. Potential difficulties that may be encountered in the integration process include, among other factors:

- the inability to successfully integrate the businesses of HSNi into Liberty's QVC Group in a manner that permits the QVC Group to achieve the full revenue and cost savings anticipated from the Liberty Merger;
- complexities associated with managing the larger, more complex, integrated business;
- not realizing anticipated operating synergies;
- integrating personnel from the two companies while maintaining focus on providing consistent, high-quality customer service;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Liberty Merger;
- loss of key employees;
- performance shortfalls at one or both of the companies as a result of the diversion of management's attention caused by completing the Liberty Merger and integrating HSNi's operations into the QVC Group; and
- the disruption of, or the loss of momentum in, each company's ongoing business or inconsistencies in standards, controls, procedures and policies.

Litigation Relating to the Merger

On September 7, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the District of Delaware: *McClure v. HSN, Inc., et al.*, Case No. 1:17-cv-01279. The complaint names as defendants HSNi and members of the HSNi board. The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that allegedly omitted material information to be filed in connection with the merger, which allegedly rendered the registration statement false and misleading. The complaint further alleges that the members of the HSNi board acted as controlling persons of HSNi and had knowledge of the allegedly false statements contained in the registration statement or were negligent in not knowing that material information was allegedly omitted from the registration statement. Among other relief, the complaint seeks a declaration certifying a class, an injunction to prevent the merger from proceeding unless and until HSNi discloses the material information allegedly omitted from the registration statement, unspecified damages, and unspecified costs, expenses and attorneys' fees. Defendants believe the claims are without merit and intend to defend vigorously against all claims asserted. Defendant's deadline to respond to the complaint is on or before November 13, 2017.

On September 28, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the Middle District of Florida: *Palkon v. HSN, Inc., et al.*, Case No. 8:17-cv-2271. The complaint names as defendants HSNi, members of the HSNi board, Liberty Interactive, and Merger Sub. The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that omitted material information to be filed in connection with the merger, which allegedly rendered the registration statement false and misleading. The complaint further alleges that the members of the HSNi board, Liberty Interactive, and Merger Sub acted as controlling persons of HSNi, were involved in the making and composition of the registration statement, and had knowledge of the allegedly false statements contained in the registration statement. The complaint seeks, among other relief, an injunction to prevent the merger from

proceeding, rescission of the merger, an order directing HSNi to disseminate a registration statement that does not contain any untrue statements of material fact, a judgment declaring a violation of Sections 14(a) and/or 20(a) of the Exchange Act, as well as Rule 14a-9 promulgated thereunder, unspecified damages, and unspecified costs, expenses, and attorneys' fees. Defendants believe the claims are without merit and intend to defend vigorously against all claims asserted.

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.

As a result of the pending merger contemplated by the Liberty Merger Agreement, HSNi has agreed not to make additional repurchases. For additional information of the Liberty Merger Agreement, see Note 15 of Notes to Consolidated Financial Statements.

As of September 30, 2017, there were 2,695,579 shares available for repurchase. During the third quarter of 2017, there were no repurchases.

Refer to Note 6 of Notes to Consolidated Financial Statements and Management's Discussion and Analysis- Liquidity and Capital Resources for a discussion of restrictions on the payment of dividends.

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	HSN, Inc. Amended and Restated Named Executive Officer and Executive Vice President Severance Plan	Filed herewith
10.2	HSN, Inc. Amended and Restated Nonqualified Deferred Compensation Plan	Filed herewith
31.1	Certification of the Chief Executive and 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 Principal Executive and 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 September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2017 and 2016, (ii) Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2017 and 2016, (iii) Consolidated Balance Sheets as of September 30, 2017, December 31, 2016 and September 30, 2016, (iv) Consolidated Statements of Shareholders' Equity for the Nine Months Ended September 30, 2017 and Year Ended December 31, 2016, (v) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2017 and 2016, 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: November 8, 2017

By:

/s/ Rod Little

Rod Little
Chief Financial Officer
(Duly Authorized Officer and Principal Executive, Financial and Accounting Officer)

HSN, INC.
AMENDED AND RESTATED
NAMED EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENT SEVERANCE PLAN
(Amended and Restated as of September 13, 2017)

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AMENDED AND RESTATED
NAMED EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENT
SEVERANCE PLAN
(Amended and Restated as of September 13, 2017)

Introduction

HSN, Inc. (the “Company”) hereby establishes the HSN, Inc. Named Executive Officer and Executive Vice President Severance Plan (the “Plan”) for the benefit of certain executives of the Company. The purpose of the Plan is to provide certain executive officers with severance payments and severance benefits in the event that the executive’s employment is involuntarily terminated under circumstances entitling the executive to such benefits, as described herein. The Plan is an unfunded welfare benefit plan for a select group of management or highly compensated employees that is intended to qualify for the exemptions provided in ERISA Sections 201, 301 and 401 and for the alternative reporting method provided in DOL Reg. §2520.104-24. This Plan supersedes all prior policies and practices of the Company with respect to severance or separation pay for executives whose employment is involuntarily terminated on or after the Effective Date (as defined below). Prior to the adoption of this Plan, certain executives were parties to individual employment agreements providing for payment of severance agreements, and the agreement of such executives to the termination of such employment agreements and/or execution of a non-competition, non-solicitation, confidential information and proprietary rights agreement provided by the Company, is a condition to their eligibility for benefits under this Plan. Under no circumstances shall any executive be entitled to participate in this Plan without an executed non-competition, non-solicitation, confidential information and proprietary rights agreement.

1. Definitions.

1.1. “Base Salary” means the Executive’s annual base salary rate in effect on his or her Termination Date.

1.2. “Board” means the Board of Directors of the Company.

1.3. “Cause” means: (i) the willful or gross neglect by Executive of his or her employment duties; (ii) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony offense by Executive; (iii) a material breach by Executive of fiduciary duty owed to the Company or any of its subsidiaries; or (iv) a material breach by Executive of any nondisclosure, non-solicitation or non-competition obligation owed to the Company or any of its subsidiaries or affiliates; or (v) a violation by Executive of any company policy pertaining to ethics, wrongdoing or conflicts of interest. Notwithstanding the general rule of Section 4, following a Change in Control, any determination by the Committee as to whether “Cause” exists shall be subject to de novo review.

1.4. “CBI” means Cornerstone Brands, Inc., a Delaware corporation, or its successor.

1.5. “Change in Control” shall mean the happening of any of the following events:

(a) The acquisition by any individual, entity or Group (a “Person”), other than the Company, of Beneficial Ownership of equity securities of the Company representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that any acquisition that would constitute a Change in Control under this subsection (a) that is also a Business Combination shall be determined exclusively under subsection (c) below; or

(b) Individuals who, as of the Effective Date, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors at such time shall become an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all of the assets of the Company, the purchase of assets or stock of another entity, or other similar corporate transaction (a “Business Combination”), in each case, unless immediately following such Business Combination, (i) more than 50% of the Resulting Voting Power shall reside in Outstanding Company Voting Securities retained by the Company’s stockholders in the Business Combination and/or voting securities received by such stockholders in the Business Combination on account of Outstanding Company Voting Securities, and (ii) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination were Incumbent Directors at the time of the initial agreement, or action of the Board, providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

1.6. “Committee” means the Compensation and Human Resources Committee of the Board or such other committee of the Board as the Board may from time to time designate.

1.7. “Company” means HSN, Inc., a Delaware corporation, or its successor.

1.8. “Comparable Position” means any job that has no negative impact on base salary. To be a “Comparable Position” the different job must be performed at the same or geographically proximate work site with the same or comparable work schedule.

1.9. “DOL” refers to the Department of Labor.

1.10. “Effective Date” means November 23, 2009.

1.11. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.12. “Executive” means the current and any future (i) “named executive officers” of the Company as identified by the Company pursuant to Item 402 of Regulation S-K promulgated by the U.S. Securities and Exchange Commission; provided, however, the term “Executive” as used herein shall not refer to Mindy Grossman, the Company’s principal executive officer as of the date hereof; and (ii) Executive Vice President of the Company, Chief Executive Officer of CBI or Group President of CBI.

1.13. “Good Reason” means, without the Executive’s prior written consent: (i) a material reduction in the Executive’s rate of annual base salary from the rate of annual base salary in effect for such Executive, (ii) a relocation of the Executive’s principal place of business more than 50 miles further from the location of the principal place of business from which Executive works or (iii) a material and demonstrable adverse change in the nature and scope of the Executive’s duties. In order to invoke a termination of employment for Good Reason, the Executive must provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) through (iii) within 90 days following the Executive’s knowledge of the initial existence of such condition or conditions, and the Company shall have 30 days following receipt of such written notice (the “Cure Period”) during which it may remedy the condition. In the event that the Company fails to remedy the condition constituting Good Reason during the Cure Period, the Executive must terminate employment, if at all, within 90 days following the Cure Period in order for such termination of employment to constitute a termination of employment for Good Reason.

1.14. “Medical Benefits” means the right of an Executive to elect to continue to participate in any medical plan (including dental or vision but not including any flexible spending account) in which he or she was participating at the time of termination upon timely payment of the same premiums that would be charged to a similarly situated active employee for the period of time specified in Section. Medical Benefits shall be considered continuation coverage as defined in §4980B of the Internal Revenue Code (“COBRA”), and shall be subject to all of the requirements and limitations applicable to COBRA coverage except for amount of premium charged. Eligible dependents of the Executive may continue to be covered under Medical Benefits, but if any dependent independently elects COBRA coverage, either because the Executive does not elect coverage, or because of the occurrence of an separate qualifying event, such dependent shall be required to pay the full premium otherwise charged under COBRA

1.15. “Outplacement Benefits” means executive outplacement services provided to an Executive either directly by a provider selected and compensated by the Company or, in the Company’s discretion, by reimbursement of the Executive for services from a provider selected by the Executive with the Company’s consent.

1.16. “Plan” means the HSN, Inc. Executive Severance Plan, as set forth in this instrument and as the same may hereafter be amended.

1.17. “Resulting Voting Power” shall mean the outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from a Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries).

1.18. “Section 409A” means Section 409A of the Internal Revenue Code, and all Treasury regulations or other authoritative administrative guidance promulgated by the Internal Revenue Service pursuant to such section.

1.19. “Separation and General Release Agreement” means a legally binding document in which an Employee waives any and all claims against the Company related to his or her employment or separation from employment. Whether or not an Executive chooses to sign the Separation and General Release Agreement is completely at his or her discretion.

1.20. “Severance Benefits” means Medical Benefits and Outplacement Benefits.

1.21. “Severance Payment(s)” or “Severance Pay” means the cash payments to an Executive pursuant to Section 3 on account of his or her termination from the Company.

1.22. “Severance Period” means the period of time for which Severance Payments or Severance Pay will be made.

1.23. “Target Bonus” means the Executive’s annual target bonus as established by the Company, pursuant to the Company’s short term incentive program or otherwise, and in effect on the Termination Date.

1.24. “Termination Date” means the final day of employment with the Company which date shall be communicated by the Company to the Executive.

2. Eligibility for Severance Payments and Severance Benefits.

2.1. General Eligibility. The Committee has determined that certain executives employed by the Company, its subsidiaries or affiliates (including CBI) shall be eligible to participate in the Plan. The Company shall advise each participating Executive of his or her participation in the Plan. Except as otherwise provided in the Plan, an Executive is entitled to Severance Payments and Severance Benefits under the Plan in the event of a termination by the Company without Cause or by the Executive for Good Reason; provided the Executive signs and not later revoke a general release.

2.2. Exclusions. An Executive is not eligible for Severance Payments or Severance Benefits if:

(a) Executive voluntarily resigns (other than for Good Reason), including a resignation that occurs after the Executive has been advised that he or she will be terminated but before the effective date of such termination;

(b) Executive ceased to be an Executive as defined by the Plan;

(c) Executive terminates employment with the Employer by reason of death;

(d) Executive is entitled to long-term disability benefits from the Company-sponsored long-term disability plan as of the date the involuntary termination would have occurred had the individual been actively at work on such date;

(e) Executive has an individual written agreement with the Company that provides for any form of severance, separation, or special retirement program, unless the Executive has agreed to terminate such agreement;

(f) Executive has notified the Company of his or her intent to retire from the Company prior to the date the Company notified the Executive of his or her involuntary termination;

(g) Executive fails to return to work immediately following the conclusion of an approved leave-of-absence;

(h) Executive is terminated for, or on account of, Cause; or

(i) The Company determines the payment of benefits under the Plan in connection with such termination of employment would be inconsistent with the intent and purposes of the Plan.

2.3. Certain Corporate Transactions. Unless, and only to the extent expressly authorized by the Committee or set forth in this Plan, no Severance Payments or Severance Benefits are payable under the Plan to an Executive in the event of the sale or other disposition of the Company, any affiliate or any assets or stock of either, if the Executive (i) continues to be employed by the Company, its successor or an affiliate on or after the date of such sale or other disposition, (ii) is offered a Comparable Position with the acquiring entity or any of its affiliates, or (iii) is offered a Comparable Position with an entity that was an affiliate of the Company immediately prior to the sale or other disposition.

3. Amount and Form of Severance Payments and Severance Benefits.

3.1. Termination Prior to Change in Control or More than Twelve Months Following a Change in Control.

(a) Subject to the remaining provisions of this Plan, an Executive whose employment is terminated by the Company without Cause, or an Executive who resigns for Good Reason, prior to a Change in Control or more than twelve months following a Change in Control, shall be entitled to (i) Severance Payments equal to eighteen (18) months of the Executive's base salary, and (ii) Medical Benefits equal to twelve (12) months.

(b) Severance Payments pursuant to this Section 3.1 (a) (i) shall be made in equal installments over a Severance Period of eighteen (18) months pursuant to the Company's standard payroll practices and subject to any applicable payroll or other taxes required to be withheld, and payment for Medical Benefits pursuant to Section 3.1 (a) (ii) shall be paid in a lump sum and subject to any applicable payroll or other taxes required to be withheld. The Medical Benefits shall be paid and the Severance Payments shall commence as soon as practical after the Executive executes the Separation and General Release Agreement and the period during which the Separation and General Release Agreement may be revoked expires, but in no event later than March 15 of the year following the year in which the termination occurs.

3.2. Termination within Twelve Months Following Change in Control.

(a) Subject to the remaining provisions of this Plan, an Executive whose employment is terminated by the Company without Cause, or who resigns for Good Reason, within twelve months following a Change in Control shall be entitled to (i) a Severance Payment equal to (y) two times the sum of the Executive's Base Salary, plus (z) the Executive's Target Bonus multiplied by a fraction, the numerator of which is the number of days from the first day of the year in which the termination occurs and ending on the last day of the Severance Period, and the denominator of which is the number of days in the year in which the termination occurs, (ii) Medical Benefits for a period of eighteen (18) months, and (iii) Outplacement Benefits not to exceed \$20,000.00 and subject to the provisions of Section 3.2(c) below.

(b) Except as otherwise provided in Section 3.5, the Severance Payment and value of Medical Benefits shall be paid in a single lump sum, less applicable payroll or other taxes required to be withheld, as soon as practical after the Executive executes the Separation and General Release Agreement and the period during which the Separation and General Release Agreement may be revoked expires, but in no event later than March 15 of the year following the year in which the termination occurs.

(c) Outplacement Benefits must be utilized by the Executive by the end of the second year following the year in which the Termination Date occurs, and any reimbursement will be paid to the Executive not later than the end of the third year following the year in which the Termination Date occurs.

3.3. Conditions and Limitations on Severance Payments and Severance Benefits. Severance Pay and Severance Benefits are specifically conditioned upon the following:

(a) The Executive must sign and not later revoke a Separation and General Release Agreement. Under no circumstances will any Severance Pay or Severance Benefits be made to an Executive who elects not to sign, or who revokes, a Separation and General Release Agreement. The Separation and General Release Agreement shall be furnished to the Executive in sufficient time so that if the Executive does not execute and return the Separation and General Release Agreement to the Company prior to the expiration of the maximum period of time that the Executive is given to consider the Separation and General

Release Agreement by the terms thereof and applicable law, the revocation period provided in the Separation and General Release Agreement will expire prior to March 15 of the year following the year in which the termination occurs. Upon the expiration of such revocation period, all Severance Payments that would have been payable to the Executive on payroll dates occurring prior to the expiration of the revocation period shall be paid to the Executive in a lump sum. Executives are encouraged to review the Separation and General Release Agreement with his or her personal attorney at his or her own expense, if he or she so desires.

(b) The Executive must comply with any non-competition, non-solicitation, confidential information and proprietary rights, or similar restrictive covenants contained in any agreement to which the Executive is a party. If the Executive violates any such agreement, the Company shall have no further obligation to provide any Severance Payments or Severance Benefits, and may in its discretion bring suit against the Executive to recover Severance Payments and Outplacement Benefits previously paid, and the difference between the premiums actually paid for Medical Benefits and the premiums that would have been required for the same coverage under COBRA.

(c) The Executive must not have engaged in conduct that would have constituted Cause for dismissal. If the Executive is terminated for a reason other than Cause, and the Company subsequently discovers that the Executive had engaged in conduct that would have constituted Cause, the Company shall have no further obligation to provide any Severance Payments or Severance Benefits, and may in its discretion bring suit against the Executive to recover Severance Payments and Outplacement Benefits previously paid, and the difference between the premiums actually paid for Medical Benefits and the premiums that would have been required for the same coverage under COBRA.

(d) The Executive must comply with the mitigation and offset provisions of Section 3.8, if applicable.

3.4. Payment of Severance Payments upon Executive's Death. If an Executive dies after termination of employment and after executing the Separation and General Release Agreement, but before Severance Payments are completed, any remaining Severance Payments, will be made to the Executive's estate in a lump-sum within 90 days after the Executive's death.

3.5. Compliance with Section 409A. It is the intent of the Company that all amounts payable to an Executive pursuant to this Plan, including without limitation amounts payable under this Section 3, be paid in a manner that satisfies the requirements of Section 409A, and to the maximum extent possible this Plan shall be so interpreted. Without limiting the foregoing:

(a) Each installment of Severance Payments paid pursuant to Section 3.1 shall constitute a separate "payment" for purposes of Section 409A. For purposes of this Agreement, the term "Section 409A Payment" shall mean: (i) each Severance Payment that is paid after the later of March 15 of the calendar year following the year in which the Termination Date occurs or the fifteenth day of the third month following the end of the Company's fiscal year in which the Termination Date occurs, but only to the extent that such Severance Payment, when added to the sum of all Severance Payments paid after such date,

exceeds two times the lesser of the Executive's Base Salary at the end of the year preceding the year in which the Termination Date occurs or the dollar limitation in effect under Section 401(a)(17) of the Internal Revenue Code in the year in which the Termination Date occurs, and (ii) any other payment that the Committee determines in good faith constitutes a payment of deferred compensation subject to Section 409A.

(b) If an Executive is a "specified employee" as defined in Section 409A at the time of the Executive's termination of employment, then no Section 409A Payments shall be paid to the Executive until the first business day that is more than six months following the Termination Date, and all Section 409A Payments that would otherwise have been paid prior to such date shall be paid on such date, without interest, in a lump sum.

(c) No Section 409A Payment shall be at a time other than the time specified herein, whether by amendment to the Agreement or otherwise, and no amount shall be paid in substitution for any Section 409A Payment if such amount is paid at a different time than the Section 409A Payment would have been paid, except as permitted by Section 409A. Without limiting the generality of the foregoing, if any Executive becomes entitled to Severance Payments pursuant to Section 3.2 by reason of a termination occurring after a Change in Control that does not constitute a "change in control event" with respect to such Executive as defined in Section 409A, then a portion of the Severance Payment payable under Section 3.2 equal to the sum of all Section 409A Payments that the Executive would have received under Section 3.1 if he or she had been terminated prior to a Change in Control shall be paid in installments at the same times that such Section 409A Payments would have been paid.

(d) If any termination of employment occurs that does not constitute a separation from service as defined in Section 409A, then any Section 409A Payment that becomes payable by reason of such Termination shall not be paid until the Executive incurs a separation from service as defined in Section 409A.

3.6. Contingent Reduction of Payments to Comply with Section 280G.

(a) If the Severance Payment payable to an Executive is contingent on a change in ownership or effective control of the Company, or a change in ownership of a substantial portion of the assets of the Company (any such change, a "Change in Control"), as all such terms are defined in Section 280G of the Internal Revenue Code and the regulations thereunder ("Section 280G"), and if the present value of such Severance Payment, when added to the present value of all other payments to the Executive that constitute "parachute payments" as defined in Section 280G (such Severance Payment and other payments, collectively, "CIC Payments"), equals or exceeds the Executive's "base amount" (as defined in Section 280G), then such CIC Payments shall be reduced until the present value of such CIC Payments is \$1 less than three times the Executive's base amount. Notwithstanding the foregoing, such reduction shall only apply if, by reason of such reduction, the Net After-Tax Benefit exceeds the Net After-Tax Benefit if such reduction were not made. "Net After-Tax Benefit" means the present value of the CIC Payments net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Internal Revenue Code and

under applicable state and local laws. For purposes of this paragraph, present value shall be determined in accordance with Section 280G(d)(4) of the Internal Revenue Code.

(b) Any reduction in the CIC Payments required under the preceding paragraph shall be implemented as follows: *first*, by reducing the Severance Payment; *second*, by reducing any other cash payments to be made to the Executive; *third*, by cancelling any outstanding performance-based equity awards whose performance goals were not met prior to the Change in Control; *fourth*, by cancelling the acceleration of vesting of any outstanding (i) performance-based equity awards whose performance goals were met prior to the Change in Control and (ii) service-vesting equity awards; and *fifth*, by reducing the Severance Benefits. In the case of the reductions to be made pursuant to each of the foregoing clauses, the payment and/or benefit amounts to be reduced, and the acceleration of vesting to be cancelled, shall be reduced or cancelled in the inverse order of their originally scheduled dates of payment or vesting, as applicable, and shall be so reduced only to the extent that the payment and/or benefit otherwise to be paid, or the vesting of the award that otherwise would be accelerated, would be treated as a parachute payment.”

3.7. Withholding. The Company will withhold from all Severance Payments all required federal, state, local and other taxes and any other payroll deductions required.

3.8. Mitigation and Offset.

(a) An Executive who becomes entitled to receive Severance Pay and Severance Benefits pursuant to Section 3.1 (including an Executive described in Section 5) shall, as a condition to his or her continued eligibility for Severance Pay and Severance Benefits, use reasonable best efforts to seek other employment and to take other reasonable actions to mitigate the amounts payable under Section 3.1 hereof. If the Executive obtains other employment during the Severance Period, all future Severance Pay payable by the Company to the Executive during the remainder of the Severance Period shall be offset by the amount earned by the Executive from another employer. For purposes of this Section 3.8, the Executive shall have an obligation to inform the Company regarding his or her employment status following termination and during the Severance Period. The Company shall have the right to withhold Severance Payments if the Executive fails to periodically certify his or her employment status in accordance with procedures established by the Company, or to recover any Severance Payments to an Executive who fails to advise the Company of other employment. If an Executive receiving Medical Benefits under Section 3.1 obtains other employment and is eligible for medical coverage through such employment, the subsidized portion of Medical Benefits shall terminate regardless of whether the Executive continues to be eligible for COBRA coverage, and the Executive shall thereafter be required to pay the full COBRA premium. If the Medical Benefits were paid in a single lump sum payment, the Company shall have the right to recover the value of any Medical Payments during the period in which the Executive had Medical Coverage.

(b) The mitigation and offset provisions of paragraph (a) shall not apply to an Executive who becomes entitled to receive Severance Pay and Severance Benefits pursuant to Section 3.2 by reason of a termination occurring within 12 months following a Change

in Control. Such Executives shall not be required to mitigate damages or to offset Severance Pay or Severance Benefits, unless the Severance Pay to which the Executive is entitled exceeds the amount that would otherwise be payable by reason of Section 5, in which case the excess Severance Pay only shall be subject to mitigation and offset requirements to the extent provided in the Executive's employment agreement. Nothing contained herein shall be construed to preclude the Company from discontinuing Medical Benefits to an Executive who has obtained other medical coverage in accordance with COBRA, or to require the Company to pay Outplacement Benefits, or an amount in lieu of Outplacement Benefits, on behalf of an Executive who has obtained other employment.

4. Administration.

The Committee shall be the administrator of the Plan as defined in Section 3(16) of ERISA, and has the sole and unlimited discretion to interpret the terms of the Plan, to adopt such rules and procedures as it may determine to be appropriate for the administration of the Plan, and to make all determinations about eligibility and payment of benefits. All decisions of the Committee, any action taken by the Committee with respect to the Plan and within the powers granted to the Committee under the Plan, and any interpretation by the Committee of any term or condition of the Plan, are conclusive and binding on all persons, and will be given the maximum possible deference allowed by law. The Committee may delegate and reallocate any authority and responsibility with respect to the Plan. The authority of the Committee as administrator may also be exercised in routine and administrative matters by the Company's senior officer responsible for human resources, or persons acting under his or her authority, subject to review by the Committee.

5. Amendment or Termination.

The Company reserves the right, in its sole and unlimited discretion, to amend or terminate the Plan at any time by action of the Committee or the Board, without prior notice to any Executive; provided, however, that no such amendment or termination shall materially adversely affect the interests or rights of any Executive whose Termination Date has occurred prior to the amendment or termination of the Plan; and provided further in the event of a termination or amendment of the Plan, if any Executive is terminated after the date of termination or amendment of the Plan, but prior to the date on which the Executive's employment agreement would have expired had it not been terminated, the Executive shall be entitled (i) to the same severance benefits the Executive would have received under the terms of such employment agreement had it not been terminated, or (ii) the Severance Benefits and Severance Pay under this Plan, whichever is the greater benefit to the Executive.

6. Claims Procedure.

6.1. Notice of Claim. Any person who believes he or she is entitled to any payment under the Plan ("Applicant") may submit a claim in writing to the Company's human resources department. If a claim is denied in whole or in part, the Company shall furnish the Applicant within 90 days after receipt of such claim with a written notice which specifies the reason for the denial, refers to the pertinent provisions of the Plan on which the denial is based, describes any additional material or information necessary for properly completing the claim and explains why such material or

information is necessary, and explains the claim review procedures of this Section 6, including the Applicant's right to file suit in accordance with Section 6.4 if the claim is denied following review. The 90 day period for responding to a claim may be extended by up to an additional 90 days if the Applicant is given a written notice of the extension, including an explanation of the reason for the extension and an estimate of when the claim will be resolved, by the end of the initial 90 day period.

6.2. Review of Decision. If within 60 days after receipt of a notice of denial pursuant to Section 6.1, the Applicant so requests in writing, the Committee shall review such decision. The Committee's decision on review shall be in writing, and shall include specific reasons for the decision, written in a manner calculated to be understood by the Applicant, and shall include specific references to the pertinent provisions of the Plan on which the decision is based, and shall explain the Applicant's right to file suit in accordance with Section 6.4. It shall be delivered to the Applicant within 60 days after the request for review is received, unless extraordinary circumstances require a longer period, in which event the 60 day period may be extended by up to an additional 60 days if the Applicant is given a written notice of the extension, including an explanation of the reason for the extension and an estimate of when the appeal will be resolved, by the end of the initial 60 day period.

6.3. Construction. The provisions of this Section 6 are intended to comply with the requirements of ERISA Section 503 and the regulations issued thereunder, and shall be so construed. In accordance with such regulations, each Applicant shall be entitled, upon written request and without charge, to review and receive copies of all material relevant to his or her claim within the meaning of Department of Labor Regulations 29 C.F.R. Section 2560.503-1(m)(8), and to be represented by a qualified representative.

6.4. Process for Appeal. In further consideration of being permitted to participate in the Plan, each Executive agrees on behalf of himself, and all other persons claiming through him, that he will not commence any action at law or equity (including without limitation any action under ERISA Section 502), or any proceeding before any administrative agency, for payment of any benefit under this Plan without first filing a written claim for such benefit and appealing the denial of that claim in accordance with the provisions of this Section 6, and in any event not more than one hundred eighty (180) days after the appeal is denied in accordance with subsection (b).

7. Source of Payments.

All Severance Payments will be paid in cash from the general funds of the Company; no separate fund will be established under the Plan; and the Plan will have no assets. Any right of any person to receive any payment under the Plan will be no greater than the right of any other unsecured creditor of the Company.

8. Inalienability.

In no event may any Executive sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution or other legal process.

9. Recovery of Payments Made by Mistake.

An Executive shall be required to return to the Company any Severance Payment, or portion thereof, made by a mistake of fact or law.

10. No Enlargement of Employment Rights.

Neither the establishment or maintenance of the Plan, the payment of any amount by the Company nor any action of the Company shall confer upon any individual any right to be continued as an employee or Executive nor any right or interest in the Plan other than as provided in the Plan.

11. Governing Law and Venue.

The parties to this Plan acknowledge and agree that this Plan and the parties' rights and obligations hereunder shall be construed, interpreted, administered and enforced in accordance with ERISA, and to the extent applicable, in accordance with the laws of the State of Florida, without regard to the State of Florida's conflict of law principles. The parties to this Plan agree and accept personal jurisdiction by and the laying of exclusive venue for any legal action or proceeding arising out of or related to this Plan in an appropriate state or federal court located in either Pinellas County, Florida or in Hillsborough County, Florida, if not maintainable therein, then in an appropriate Florida state court, and agree that such courts have jurisdiction to interpret and enforce the provisions of this Plan, and each party to this Plan consents to and waives, in connection with such action or proceeding, any objection to such personal jurisdiction or the laying of such venue or based on the ground of forum non conveniens. Each party agrees, that in any legal action or proceeding arising out of or related to this Plan, the non-prevailing party shall be responsible to pay to the prevailing party all of the prevailing party's attorney's fees and costs reasonably incurred in connection therewith.

12. Severability.

If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

13. Assignment.

The Company may assign its rights under the Plan to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise. The Plan shall be binding whether it is between the Company and Executive or any successor or assignee of the Company or affiliate thereof and Executive.

14. Execution.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has executed the Plan as amended and restated.

HSN, INC.

By: /s/ Maria Martinez
Maria Martinez,
Chief Human Resources Officer

HSN, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN

As Amended and Restated Effective as of December 31, 2017

HSN, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
(As Amended and Restated Effective as of December 31, 2017)

ARTICLE I(A)
FREEZE OF THE PLAN
EFFECTIVE 11:59pm ON DECEMBER 31, 2017 CONTINGENT
ON CORPORATE TRANSACTION

1A.1 **Corporate Transaction and Future of the Plan.** On July 5, 2017, Liberty Interactive Corporation, a Delaware corporation, Liberty Horizon, Inc., a Delaware corporation and HSN, Inc., a Delaware corporation (the "Company"), entered into that certain Agreement and Plan of Merger (the "Corporate Transaction") in which upon the close of the Corporate Transaction, the Company will become a wholly-owned subsidiary of Liberty Interactive Corporation. The expectations of all the parties is that the Corporate Transaction shall close on or before December 31, 2017. Liberty Interactive Corporation has indicated that it expects to freeze this HSN, Inc. Nonqualified Deferred Compensation Plan (the "Plan") on or after close but in no event later than December 31, 2017, such that elective deferrals under Section 2.2 of the Plan and employer contributions under Section 2.3 of the Plan shall not be permitted on and after January 1, 2018.

1A.2 **Plan Freeze and Effectiveness of This Amended and Restated Plan.** Notwithstanding any other provision of the Plan to the contrary, this HSN, Inc. Nonqualified Deferred Compensation Plan (As Amended and Restated Effective as of December 31, 2017) (the "Plan") is frozen effective as of 11:59pm on December 31, 2017 (the "Freeze Date") **IF AND ONLY IF** the Corporate Transaction does in fact close on or before December 31, 2017. Upon close of the Corporation Transaction on or before December 31, 2017, this December 31, 2017 amended and restated version of the Plan shall be immediately effective. In the event the Corporate Transaction does NOT Close on or before December 31, 2017, this Plan as amended and restated as of December 31, 2017 shall immediately become null and void and have no effect, with the final result being that the HSN, Inc. Nonqualified Deferred Compensation Plan (Effective as of January 1, 2014) continues in existence and uninterrupted as the official Plan document. If this Plan becomes immediately effective per the above, then as of the Freeze Date:

(a) No Participant shall be permitted to make an Elective Deferral contribution as provided for under Section 2.2 of the Plan with respect to any Plan Year on and after the Freeze Date. Any Deferral Elections previously made with respect to the Plan Year beginning January 1, 2018 shall be immediately null and void as of the Freeze Date and any evergreen Deferral Elections that would continue into the 2018 Plan Year shall also become immediately null and void as of the Freeze Date; and

(b) No Participant shall be permitted to receive an Employer Contribution as provided for under Section 2.3 of the Plan with respect to any Plan Year on and after the Freeze Date.

ARTICLE I
GENERAL PROVISIONS

1.1 **Purpose.** Subject to Article IA, the purpose of this HSN, Inc. Nonqualified Deferred Compensation Plan (the “Plan”) was to enable selected Employees the Company or its subsidiaries (the “Employers”) to elect to defer compensation in addition to the amount that can be deferred under the HSN, Inc. Retirement Savings Plan (the “401(k) Plan”), and also to permit the Employers to provide additional amounts of deferred compensation for other key Employees.

1.2 **Effective Date.** The amended and restated version of this Plan shall be effective December 31, 2017.

1.3 **Company and Employers.** The Plan was adopted for the benefit of selected Employees of the Company and the Employers. Each Employer is liable for the payment of benefits to a Participant that is or was an Employee of such Employer. The Company is the sponsor of the Plan for purposes of ERISA and the issuer of all interests in the Plan for securities laws purposes.

1.4 **Plan Year.** The Plan Year of the Plan shall coincide with the calendar year, except as the Administrator shall otherwise determine.

1.5 **Definitions and Rules of Construction.** As used in this Plan, certain capitalized terms shall have the meanings set forth below. Nouns and pronouns which are of one gender shall be construed to include all genders, and the singular shall include the plural and vice-versa, except as the context otherwise clearly requires. Article and Section headings are for ease of reference only and shall have no substantive meaning.

(a) “**Account**” means the separate bookkeeping account maintained on the books of a Participant’s Employer to reflect the amount owed to him/her pursuant to this Plan. Each Account shall be divided into the following subaccounts:

- (i) The Deferred Account shall include the amounts deferred by the Participant pursuant to Section 2.2 and the income attributable thereto.
- (ii) The Employer Account shall include any amounts credited to the Participant pursuant to Section 2.3 and the income attributable thereto.
- (iii) The Specified Date Distribution Account shall include any amount with respect to which the Participant makes a specified date distribution election pursuant to Section 3.2 and the income attributable thereto.

The Administrator may establish additional subaccounts within a Participant’s Account to reflect different distribution elections made with respect to amounts deferred or contributed in different Plan Years and the income attributable thereto, or for any other purpose, or may combine two or more subaccounts. The term “**Account**”, when not otherwise specified, shall refer collectively to all of the subaccounts comprising a Participant’s Account.

(b) “**Administrator**” means the Company or such other person as the Company shall designate pursuant to Section 4.1.

(c) “**Affiliate**” means any corporation that is a member of a controlled group of corporations that includes an Employer, or any entity that is under common control with an Employer, as defined under §414(b) or §414(c) of the Code, but that is not an Employer as defined herein.

(d) “**Aggregated Plan**” means any individual account deferred compensation plan maintained by an Employer or Affiliate that is required to be aggregated with the Plan for purposes of §409A.

(e) “**Annual Bonus**” means an Active Participant’s annual bonus, if any, payable under the Company’s short-term incentive plan, with respect to any Plan Year before January 1, 2018, designated by the Administrator.

(f) “**Base Salary**” means an Active Participant’s base salary payable by his/her Employer, not including any form of incentive or additional compensation.

(g) “**Beneficiary**” means the person or persons designated to receive the Participant’s Account in the event of his/her death pursuant to Section 3.5. A Participant’s Beneficiary shall be the person or persons designated by the Participant in accordance with procedures established by the Administrator. A Participant may change his/her Beneficiary from time to time without the consent of the Beneficiary. Subject to rules, procedures, and limitations established by the Administrator, a Beneficiary may be an entity (including a trust or nonprofit organization), and the Participant may designate multiple or contingent Beneficiaries and specify the manner in which his/her Account will be divided among them. All designations of Beneficiaries, and revocations or changes in designations, shall be made in accordance with rules, procedures and limitations prescribed by the Administrator. No designation of a Beneficiary, and no revocation or change in a designation, shall be effective until actually received by the Administrator in writing, and the Administrator’s determination of a Participant’s Beneficiary, if made in good faith, shall be final and conclusive on all parties. If a Participant fails to designate a Beneficiary, or if all of the Participant’s Beneficiaries predecease the Participant, the Participant’s Beneficiary shall be the representative of his/her estate. If a Beneficiary dies after the Participant’s death but before the distribution of the Beneficiary’s share of the Account, and the Participant has not designated a secondary Beneficiary, the Beneficiary’s share shall be paid to the Beneficiary’s estate.

(h) “**Board**” means the Board of Directors of the Company.

(i) “**Change in Control**” means any of the following:

- (i) The acquisition by any individual, entity or Group (a “**Person**”), other than the Company, of beneficial ownership of equity securities of the Company

representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that any acquisition that would constitute a Change in Control under this subsection (i) that is also a Business Combination shall be determined exclusively under subsection (iii) below; or

- (ii) Individuals who, as of the Effective Date, constitute the Board (the “**Incumbent Directors**”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors at such time shall become an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) Consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all of the assets of the Company, the purchase of assets or stock of another entity, or other similar corporate transaction (a “**Business Combination**”), in each case, unless immediately following such Business Combination, (A) more than 50% of the Resulting Voting Power shall reside in Outstanding Company Voting Securities retained by the Company’s stockholders in the Business Combination and/or voting securities received by such stockholders in the Business Combination on account of Outstanding Company Voting Securities, and (B) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination were Incumbent Directors at the time of the initial agreement, or action of the Board, providing for such Business Combination; or
- (iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company

(j) “**Code**” means the Internal Revenue Code of 1986, and any treasury regulations, rulings or other authoritative administrative pronouncements interpreting the Code. If any provision of the Code specifically referred to herein is amended or replaced, the reference shall be deemed to be to the provision as so amended, or to the new provision, if such reference is consistent with the purposes of the Plan.

(k) “**Company**” means HSN, Inc. and any successor thereto that assumes the obligations of the Company under this Plan.

(l) “**Deferral Election**” means an agreement between an Active Participant (as defined in Section 2.1 of the Plan) and his/her Employer specifying that a portion of his/her compensation shall be withheld and credited to his/her Account in the Plan pursuant to Section 2.2, or providing that additional amounts will be credited to his/her Account pursuant to Section 2.3, or both, and any amendment thereto. To the extent determined by the Administrator, a Deferral Election may take the form of an election made by the Participant either in writing or through electronic communications. The term “**Deferral Election**” may also refer to any provision of an employment, consulting, severance, or other agreement for the performance of services that makes specific reference to this Plan and provides for deferred compensation.

(m) “**Employee**” means any person employed by any Employer and classified as an Employee by such Employer. The term “**Employee**” shall not include a person who is retained to provide services for an Employer as an independent contractor, or who provides services for an Employer pursuant to an agreement or understanding, written or unwritten, with a third party that such person shall be treated as an employee of the third party, but who is subsequently determined to be an employee at common law, for purposes of any federal or state tax or employment law, or for any other purpose.

(n) “**Employer**” means the Company and any subsidiary of the Company that adopts the Plan and is the employer or former employer of a Participant.

(o) “**ERISA**” means the Employee Retirement Income Security Act of 1974, and any Labor Department regulations, rulings or other authoritative administrative pronouncements interpreting ERISA. If any provision of ERISA specifically referred to herein is amended or replaced, the reference shall be deemed to be to the provision as so amended, or to the new provision, if such reference is consistent with the purposes of the Plan.

(p) “**401(k) Plan**” means the HSN, Inc. Retirement Savings Plan, or any other tax-qualified plan containing a qualified cash or deferred arrangement adopted by any Employer and in which any Participant is eligible to participate.

(q) “**Participant**” means an Employee designated to participate in the Plan pursuant to Section 2.1, while he/she has the right to any benefits under the Plan. Participants are divided into Active Participants and Inactive Participants, as described in Section 2.1, and the term “**Participant**”, when not modified, shall refer to both Active and Inactive Participants, unless clearly inconsistent with the context.

(r) “**Plan**” means this HSN, Inc. Nonqualified Deferred Compensation Plan, as amended from time to time.

(s) “**§409A**” means §409A of the Code, and any treasury regulations, rulings or other authoritative administrative pronouncements interpreting §409A of the Code.

(t) “**Retirement**” means an Employee’s Separation from Service for any reason (other than death) on or after the Employee’s fifty-fifth birthday.

(u) “**Separation from Service**” means an Employee’s termination of employment with all Employers and Affiliates for any reason. The term “**Separation from Service**” shall be construed in accordance with the requirements of §409A, and no Employee shall be considered to have incurred a Separation from Service until he/she has incurred a “separation from service” as defined in §409A. Without limiting the generality of the foregoing:

- (i) An Employee who is on an approved leave of absence shall not incur a Separation from Service unless he/she fails to return to employment at the end of such leave of absence; provided that either (i) the leave of absence is of not more than six months in duration, or (ii) the Participant has a legal or contractual right to reemployment at the end of the leave of absence. The Separation from Service of such an Employee will occur when he/she fails to return.
- (ii) Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Employer or Affiliate and Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Employee will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Employer or Affiliate if the Employee has been providing services to the Employer or Affiliate less than 36 months).
- (iii) An Employee who is transferred to the employ of an Affiliate, shall no longer be an Active Participant but shall not have incurred a Separation from Service for purposes of distribution of his/her Account until his/her employment is terminated by all Employers and Affiliates.
- (iv) An Employee who terminates his/her employment with all Employers and Affiliates, but continues to render services to any Employer or Affiliate in a capacity other than as an Employee (other than solely as a member of a board of directors), will incur a Separation from Service only when all arrangements for the provision of services to all Employers and Affiliates have been terminated.

(v) “**Unforeseeable Emergency**” means a severe financial hardship resulting from a sudden or unexpected illness or accident of the Participant, the Participant’s spouse or one of his/her dependents or primary Beneficiaries, loss of the Participant’s property due to casualty or similar extraordinary and unforeseeable circumstances arising as a result of one or more recent events beyond the control of the Participant, as determined by the Administrator in its sole discretion and in accordance with the requirements of §409A. A financial hardship that is foreseeable or within the Participant’s control, such as the need or desire to purchase a residence or to send a child to college, shall not be considered an Unforeseeable Emergency.

ARTICLE II

ELIGIBILITY AND BENEFITS

2.1 Eligibility

(a) Only Employees who are members of a select group of management and highly compensated Employees, as determined under criteria specified by the Administrator in its sole discretion, on the first day of any Plan Year (or on the date of hire) shall be eligible to participate in the Plan for such Plan Year. The Employees who are so designated to participate in the Plan shall be referred to herein as “**Active Participants**” for so long as they have the right to have additional amounts credited to their Accounts pursuant to Section 2.2 or 2.3. A person who is no longer an Active Participant, but who still has an undistributed Account in the Plan, shall be referred to as an “**Inactive Participant**.” Notwithstanding anything to the Contrary, no Employee of an Employer shall be eligible or shall become a new Participant under the Plan with respect to any Plan Year on and after the Freeze Date.

(b) Any Employer, with the consent of the Administrator, may enter into a Deferral Election with an Employee not described in paragraphs (a), and such Employee shall thereby become an Active Participant. Notwithstanding anything to the Contrary, no Employee of an Employer shall be eligible or shall become a new Active Participant under the Plan with respect to any Plan Year on and after the Freeze Date.

2.2 Elective Deferrals.

(a) Notwithstanding anything to the Contrary, no Employee of an Employer shall be permitted to make a Deferral Election under the Plan with respect to any Plan Year on and after the Freeze Date.

(b) For Plan Years prior to the Freeze Date, each Active Participant may, for any Plan Year, elect to have a portion of his/her Base Salary and/or Annual Bonus deferred pursuant to the Plan, subject to the following limitations:

- (i) An Active Participant may elect to defer any whole percentage of each payment of his/her Base Salary during the Plan Year up to a maximum of 75 percent, provided that the maximum amount deferred from each payment shall not exceed the net amount of such payment after all legally required withholding and the minimum total amount deferred for each Plan Year shall not be less than \$2,000.
- (ii) An Active Participant may elect to defer any whole percentage, or a whole percentage of the excess over a specified dollar amount, of his/her Annual Bonus for the Plan Year up to a maximum of 100 percent, provided that the maximum amount deferred from shall not exceed the net amount of such payment after all legally required withholding and the minimum total amount deferred for each Plan Year shall not be less than \$2,000.
- (iii) The Administrator may permit Active Participants to make Deferral Elections that will apply only to the extent that the Active Participant's deferral contributions to the 401(k) Plan are limited by one or more provisions of the Code, subject to Section 2.2(f).

(c) For Plan Years prior to the Freeze Date, all Deferral Elections were made in accordance with procedures established by the Administrator. Deferral Elections were made during periods of time specified by the Administrator, which periods ended not later than the times set forth below, provided that nothing contained herein shall be construed to prevent the Administrator from requiring that Deferral Elections be made prior to the times set forth below:

- (i) Except as otherwise provided below, all Deferral Elections must be made not later than the last day of the Plan Year immediately preceding the Plan Year in which the Base Salary or Annual Bonus begins to be earned. For this purpose, a Participant's Annual Bonus begins to be earned on the first day of the applicable performance period.
- (ii) If the Administrator determines that an Active Participant's Annual Bonus constitutes "performance based compensation" as defined in §409A, the Administrator may permit the Active Participant to make a Deferral Election with respect to the Annual Bonus not later than six months prior to the last day of the performance period. An Active Participant's Annual Bonus shall not fail to qualify as performance based compensation solely by reason of the fact that the Active Participant may be entitled, under the terms of an employment agreement or otherwise, to receive a portion of his/her Annual Bonus without regard to whether the performance criteria are satisfied by reason of death, disability, or change in control event as defined in §409A, provided that if the Active Participant becomes entitled to a portion of his/her

Annual Bonus by reason of such circumstances his/her Deferral Election shall be void.

- (iii) An Employee who first becomes eligible to participate in the Plan (or any other Aggregated Plan) during a Plan Year, may make a Deferral Election not more than thirty (30) days after becoming eligible, which election shall apply prospectively only. If the Active Participant is eligible to receive an Annual Bonus for such Plan Year, such Deferral Election shall apply only to the portion of his/her Annual Bonus attributable to the period after the election is made, determined by daily proration. For this purpose, an Employee who has previously participated in the Plan, or an Aggregated Plan, shall be treated as being eligible for the first time if either all benefits under the Plan or Aggregated Plan were previously distributed to him/her and he/she was not eligible to participate immediately following such distribution, or if he/she ceased to be eligible to participate in the Plan or such Aggregated Plan other than through accrual of earnings at least 24 months prior to the date on which he/she again becomes eligible.

(d) For Plan Years prior to the Freeze Date, an Active Participant who made any Deferral Election for a Plan Year was deemed to have made the same election for each subsequent Plan Year, provided that he/she remains eligible to make elections, until he/she affirmatively changes the election. Notwithstanding the foregoing, any evergreen Deferral Election that would continue into the 2018 Plan Year shall become immediately null and void as of the Freeze Date.

(e) To the extent permitted by the Administrator, an Active Participant who has made a Deferral Election for a Plan Year may change or revoke the Deferral Election until the last day provided in the applicable provision of paragraph (b) above, but after such last day all elections shall be irrevocable and may be changed only as permitted by §409A. Subject to paragraph (a) above, any Deferral Elections previously made with respect to the Plan Year beginning January 1, 2018 shall be immediately null and void as of the Freeze Date.

(f) For Plan Years prior to the Freeze Date, if an Active Participant made a Deferral Election for a Plan Year, but incurred a termination of employment prior to payment of the compensation for which the Deferral Election was made, his/her termination of employment did not affect his/her Deferral Election, and the compensation was deferred and paid in accordance with the terms of the Plan.

(g) For Plan Years prior to the Freeze Date, except as otherwise provided under Section 2.2(a)(iii), an Active Participant's Deferral Election under the Plan shall be independent of his/her election, if any, to defer all or a portion of his/her compensation under the 401(k) Plan, and the amount that an Active Participant has elected to defer pursuant to this Plan shall not be affected by the amount that an Active Participant is eligible to, or elects to, contribute to the 401(k) Plan, as a

result of the application of the limitations contained in §401(a)(17), §401(k), §415, or §402(g) of the Code or otherwise. In no event shall any change in an Active Participant's deferrals under the 401(k) Plan in any Plan Year cause the amount deferred under this Plan for the same Plan Year to increase by an amount that exceeds the limitation in effect under §402(g) of the Code for such Plan Year, or cause the amount of Employer matching contributions under this Plan to exceed the amount of matching contributions that would have been credited to the Active Participant's account in the 401(k) Plan if his/her deferrals under the 401(k) Plan had not been limited.

(h) For Plan Years prior to the Freeze Date, any Employer, with the consent of the Administrator, may enter into a Deferral Election with an Active Participant (including but not limited to a person described in Section 2.1(b)) which provides for compensation to be withheld and credited to the Active Participant's Deferral Account on a basis different from that described in paragraph (a). Such a Deferral Election may provide for the deferral of forms or amounts of compensation different from those defined as Base Salary or Annual Bonus.

(i) For Plan Years prior to the Freeze Date, an Active Participant's Deferral Elections may have been revoked by the Administrator during a Plan Year to the extent reasonably necessary to enable the Participant to satisfy an Unforeseeable Emergency. If a Participant receives a hardship distribution under a 401(k) Plan, the Participant's deferral election shall be revoked, and the Participant shall be ineligible to make a deferral election, with respect to all amounts of compensation that become payable within six months after the date of the hardship distribution (including amounts payable in the following Plan Year).

(j) For Plan Years prior to the Freeze Date, all Deferral Elections were made, modified and revoked in accordance with rules established by the Administrator. Such rules may vary the amount or type of compensation that may be deferred or, subject to §409A, the time or manner in which Deferral Elections may be made, modified and revoked, and the Plan shall be deemed amended accordingly. Amounts deferred pursuant to this Section 2.2 shall be credited to the Active Participant's Deferral Account as of the date on which the deferred compensation would otherwise have been paid. No Deferral Election shall permit a Participant to defer compensation already earned when the Deferral Election is made.

2.3 Employer Contributions.

(a) Notwithstanding anything to the Contrary, no Employee of an Employer shall be permitted to receive Employer Contributions under the Plan with respect to any Plan Year on and after the Freeze Date.

(b) For Plan Years prior to the Freeze Date, for each Plan Year, an Employer may (but shall in no event be required to) credit the Employer Accounts of some or all of the Active Participants employed by such Employer with such additional amounts as the Employer may determine in its sole discretion. Such amounts may be calculated to be all or a portion of the employer matching contributions to which an Active Participant would be entitled under the 401(k)

Plan if his/her contributions to the 401(k) Plan were not limited by §401(a)(17), §401(k), §415, or §402(g) of the Code , or on any other basis determined by the Employer. Any amounts contributed by an Employer pursuant to this paragraph (a) shall be recorded in the manner specified by the Administrator.

(c) For Plan Years prior to the Freeze Date, any Employer, with the consent of the Administrator, may enter into an employment agreement, or adopt employment policies, with or applicable to an Active Participant (including but not limited to a person described in Section 2.1(b)) which provides for amounts to be credited to the Active Participant's Employer Account on a basis different from that described in paragraph (a). Such an agreement or policy shall specify the basis upon which the amount to be so credited shall be determined, and may also specify a vesting schedule applicable to such amounts.

2.4 **Earnings.**

(a) The Administrator shall designate selected mutual funds or other investment media (" **funds**"), and each Participant shall have the right to have earnings (including realized and unrealized gains and losses) on his/her Account computed as if it had been invested in such funds in such proportions as the Participant shall elect. The funds may be the same as the investment funds designated under the 401(k) Plan, or may exclude some or all of such investment funds or include other funds as the Administrator may determine. The portion of each Participant's Account that is deemed to be invested in each fund shall be a whole percentage, and elections may be changed at such intervals and in such manner as the Administrator may determine. The Administrator shall have the authority to select and discontinue funds at any time, to establish a rate at which interest shall be credited on Accounts with respect to which no fund election is in effect, and otherwise to establish rules and procedures with respect to the calculation and crediting of earnings, including changing the intervals at which fund elections may be made or at which earnings are posted, and establishing a minimum or maximum percentage that may be deemed invested in any fund.

(b) Anything else contained herein to the contrary, in no event shall any Participant be allowed to elect a rate of return on his/her Account retroactively, and in all cases earnings shall be computed in such a manner that they shall not be considered additional deferred compensation for purposes of FICA withholding under §3121(v) of the Code.

2.5 **Vesting.**

(a) The balance in a Participant's Deferral Account shall be fully vested and nonforfeitable at all times. The balance in a Participant's Employer Account (or any subaccount thereof) shall be vested if and only if the Participant has completed two continuous years of unbroken employment with the Employers and Affiliates at the time of his/her Separation from Service, except as otherwise provided in an agreement entered into pursuant to Section 2.3(b). To the extent a Participant's Account is not vested at the time of his/her termination of employment for any reason,

the non-vested portion shall be forfeited, and neither the Company nor any Employer shall have any further obligation to him/her whatsoever with respect to the forfeited portion.

(b) Anything else contained herein to the contrary notwithstanding, if a Participant is a party to any agreement that imposes any restrictions on the Participant's activities following the Participant's termination of employment, including any agreement preventing the Participant from competing with the Company, soliciting employees or customers of the Company, misusing the Company's confidential information, or disparaging the Company, and the Participant commits a breach of such agreement, the entire remaining unpaid balance in the Participant's Employer Account shall be forfeited.

ARTICLE III
PAYMENT OF BENEFITS

3.1 Time and Form of Payment.

(a) Except as otherwise provided in this Article III, the entire balance in a Participant's Account shall be distributed to the Participant upon his/her Separation from Service in the manner described herein, and no portion of his/her Account shall be distributed until he/she has incurred a Separation from Service. A Participant may elect in accordance with paragraph (c) to have all or a portion of his/her Account balance attributable to deferrals or contributions for any Plan Year deferred until his/her fifty-fifth birthday if he/she incurs a Separation from Service prior to becoming eligible for Retirement, in which event his/her Account shall be distributed as if he/she had Retired on his/her fifty-fifth birthday, including any election for payment of installments upon Retirement.

(b) Unless a Participant has elected payment in installments pursuant to paragraph (c), the entire balance in Deferral Account shall be distributed to him/her in a single lump sum as soon as practicable, but in no event more than 90 days, after his/her Retirement or other Separation from Service, and the balance in his/her Employer Account shall be distributed to him/her (unless forfeited pursuant to Section 2.5(b)) on the first anniversary of his/her Retirement or other Separation from Service.

(c) A Participant may elect to have all or a portion of his/her Account balance attributable to deferrals or contributions for any Plan Year paid in not more than fifteen (15) annual installments upon his/her Retirement, or to have all or a portion of his/her Account balance attributable to deferrals or contributions for any Plan Year paid in not more than five (5) annual installments upon his/her Separation from Service for any reason other than Retirement, or both. If a Participant elects to have all or a portion of his/her Account paid in installments, the first installment shall be paid in the January of the Plan Year immediately following his/her Retirement or other Separation from Service, and subsequent installments shall be paid in January of the following years. Each installment shall be equal to the balance in his/her Account immediately preceding the distribution divided by the number of installments remaining to be paid (including the installment being calculated), except that the portion of the first installment attributable to the Participant's Employer Account, if any, shall be deferred and added to the second installment (unless forfeited pursuant to Section 2.5(b)). The Participant's Account shall continue to participate in the crediting of earnings until paid in full. All installments shall be considered a single "payment" for purposes of §409A.

(d) A Participant's election either to have payment of all or a portion of his/her Account balance attributable to deferrals or contributions for any Plan Year deferred until his/her fifty-fifth birthday pursuant to paragraph (b), or paid in installments pursuant to paragraph (c), must be made with the applicable Deferral Election. The Administrator may permit a Participant to change his/her election regarding the payment of any portion of his/her Account in a lump sum or installments upon

Retirement, but not any other election, either to elect more or fewer installments, including payment in a lump sum, provided that (i) the new election is made not less than twelve months prior to the date of the Participant's Retirement, and (ii) the date on which payment commences is deferred by not fewer than five (5) years. All elections as to time and form of payment (including elections made pursuant to Section 3.2 or 3.3) shall be made, modified and revoked in accordance with rules established by the Administrator. Such rules may, subject to §409A, vary or restrict the right to make, modify or revoke elections, or the time or manner in which elections may be made, modified and revoked, and the Plan shall be deemed amended accordingly.

(e) Anything else contained herein to the contrary notwithstanding, if the Participant's total vested Account balance (including any Specified Date Distribution Account) at the time of his/her Retirement or other Separation from Service is not more than \$5,000, his/her entire Account balance shall be distributed in accordance with paragraph (b).

(f) Notwithstanding the foregoing, if at the time of his/her Retirement or other Separation from Service a Participant is a "specified employee" as defined in §409A, no payment shall be paid to him/her until the first day of the seventh month following the month that includes the date of the Retirement or other Separation from Service. If the Participant has elected payment in installments, only the installments that would otherwise have been paid prior to such date shall be so delayed and the remaining installments shall be paid when scheduled. The Administrator shall determine which Participants are specified employees in accordance with §409A, including the application of any options. The provisions of this paragraph (f) shall not apply to payment pursuant to any other Section of this Article III, except as otherwise provided in Section 3.3.

3.2 Specified Date Distributions.

(a) An Active Participant may elect, in accordance with procedures established by the Administrator, to have all or a portion of his/her Account balance attributable to deferrals or contributions for any Plan Year paid in January of a Plan Year specified in such election that is not earlier than the January of the third Plan Year following the Plan Year of the deferral, regardless of whether he/she has incurred a Separation from Service. Any portion of a Participant's deferrals that he/she elects to have paid as a specified date distribution shall be credited to a Specified Date Distribution Account, and distributed beginning on the elected distribution date, together with any earnings attributed to such Account.

(b) A distribution pursuant to this Section 3.2 must be made with the Active Participant's Deferral Election for the Plan Year in which the deferrals are to be credited to the Specified Date Distribution Account. Specified Date Distributions shall be paid in a lump sum unless the Participant elects as part of the Deferral Election to have the Specified Date Distribution paid in not more than five (5) annual installments, in which case the first installment shall be paid in January of the year specified in the Deferral Election and subsequent installments shall be paid in January of the following years. Each installment shall be equal to the balance in his/her Specified Date Distribution

Account immediately preceding the distribution divided by the number of installments remaining to be paid (including the installment being calculated), and all installments shall be considered a single "payment" for purposes of §409A. The Administrator may permit a Participant to change a Specified Date Distribution Election, provided that the new election is made prior to January 1 of the Plan Year immediately preceding the Plan Year in which the Specified Date Distribution is scheduled to be made, and the new scheduled distribution date is at least five (5) years after the original scheduled date.

3.3 Change in Control. An Active Participant may elect to have his/her Account, to the extent vested, paid in a lump sum as soon as practical, but no later than ninety (90) days, after a Change in Control; provided that if the Change in Control occurs after a Participant who is a specified employee has incurred a Separation from Service, Section 3.1(f) shall apply. Such election shall be made with the Active Participant's first Deferral Election and shall apply to his/her entire Account. Notwithstanding the foregoing, a transaction shall not be considered a Change in Control with respect to a Participant unless the transaction also constitutes a "change in control event" with respect to the Participant as defined in paragraph (v) (vi)(B) or (vii) of Treasury Regulation §1.409A-3(i)(5), substituting "substantially all of the assets of the Company (but in no event less than 40 percent of the total gross fair market value of all of the assets of the Company)" for "40 percent of the total gross fair market value of all of the assets of the corporation" in paragraph (vii).

3.4 Withdrawals for Unforeseeable Emergencies. The Administrator may authorize the revocation of a Participant's Deferral Election for a Plan Year, the distribution of all or a portion of a Participant's Accounts, and or the acceleration of any installment payments being made from the Plan, but only to the extent reasonably necessary to relieve an Unforeseeable Emergency, including any tax payable upon such payment. In any event, payment may not be made to the extent such Unforeseeable Emergency is or may be satisfied through reimbursement by insurance or otherwise, including, but not limited to, revocation of the Participant's Deferral Election, liquidation of the Participant's assets, to the extent that such liquidation would not in and of itself cause severe financial hardship.

3.5 Distribution upon Death. Upon the death of a Participant, either before or after a Separation from Service, and including a death that occurs while payment is being made in installments, all elections under Section 3.1 or 3.2 shall be revoked, and the Participant's entire Account balance shall be paid to his/her Beneficiary as soon as practical, but in no event more than ninety (90) days after his/her date of death.

3.6 Source of Payment. All payment of benefits under the Plan shall be made directly from the general funds of the Participant's Employer. Each Employer shall establish separate bookkeeping accounts to reflect its liability under the Plan and may, but shall not be obligated to, invest in insurance or annuity contracts or other assets to assure a source of funds for the payment of benefits, but any such bookkeeping account, insurance or annuity contracts, or other investment shall constitute assets solely of such Employer, and Participants shall have no right, title or interest therein

prior to payment of their benefits hereunder. The right of any Participant or other person to receive benefit payments under the provisions of this Plan shall be no greater than the right of any unsecured general creditor of the Participant's Employer. This Plan shall not create nor be construed to create a trust or fiduciary relationship in favor of any person whatsoever.

3.7 **Establishment of Trust.** The Company may, but shall in no event be required to, establish one or more trusts and contribute, or cause Employers to contribute, amounts to such trusts to be used for the payment of benefits under this Plan. Any such trust shall be of the type commonly referred to as a "rabbi trust", and the Company or Employer shall be treated as the owner of the assets of such trust for tax purposes in accordance with §671-§678 of the Code. The assets of any such trust shall remain subject to the claims of creditors of the Company or the Employer contributing such assets, and no Participant or any other person shall have any beneficial interest in or other claim to the assets of any such trust beyond that of a general creditor as provided in Section 3.6. Any payments made to or on behalf of a Participant or Beneficiary from any such trust shall fully discharge the liability of the Company or Employer to such Participant or Beneficiary under the Plan to the extent of the amount so paid. The Administrator shall have the right to select, remove, and replace the trustee thereof at any time in its sole discretion, and shall enter into one or more agreements governing such trust containing such terms as it determines, and may modify, amend or revoke any such agreements, all in its sole discretion.

3.8 **Withholding and Payroll Taxes.** The Administrator shall withhold, or shall direct the person making any payment to withhold, from payments made hereunder any taxes required to be withheld from a Participant's wages for the federal or any state or local government. To the extent that benefits hereunder are subject to tax under the Federal Insurance Contributions Act or any other law prior to the time that they become payable, the Administrator may withhold, or direct the Participant's Employer to withhold, the amount of such taxes from any other compensation or other amounts payable to the Participant, or may provide for such taxes (and any income tax attributable thereto) to be subtracted from the Participant's Account balance. The Administrator's determination of the amount to be so withheld shall be final and binding on all parties.

3.9 **Payment on Behalf of Disabled or Incompetent Persons.** If a Plan benefit is payable to a minor or a person declared incompetent or to a person whom the Administrator, in its sole discretion, determines to be incapable of handling the disposition of property, the Administrator may direct payment of such Plan benefit to the guardian, legal representative or person having the care and custody of such minor or incompetent person, or to any other person, including any family member, whom the Administrator determines in its sole discretion to be best suited to receive and apply the payment for the benefit of such person. The Administrator may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Company and the Participant's Employer from all liability with respect to such benefit.

3.10 **Missing Participants or Beneficiaries.** If the Administrator is unable to locate any Participant, Beneficiary or other person entitled to benefits under this Plan, the Administrator may, in its sole discretion, either cause all or a portion of such payment to be forfeited and to reduce its obligations under this Plan, or may pay all or a portion of such benefit to members of the missing person's family or such other person as it may determine in its sole discretion to be fair and equitable. Any payment made pursuant to this Section 3.10 shall fully discharge the obligation of the Company and all Employers under this Plan with respect to the amount so paid.

ARTICLE IV **ADMINISTRATION**

4.1 **Plan Administrator.** This Plan shall be administered by the Company, which shall be the "administrator" for purposes of §3(16)(A) of the Employee Retirement Income Security Act of 1974. The Company may designate one or more persons, who may be officers or Employees of any Employer, to exercise any of its authority or carry out any of its duties under the Plan, but such person shall not be considered the "administrator" unless specifically so designated in a resolution of the Compensation and Human Resources Committee of the Board. In the absence of any other designation, the senior officer of the Company responsible for human resources, or persons acting under his/her supervision, shall be so designated.

4.2 **Administrator's Powers.** The Administrator shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers, rights and duties:

(a) **Interpretation of Plan.** The Administrator shall have the power, right and duty to construe and interpret the Plan provisions and to determine all questions arising under the Plan including questions of Plan participation, eligibility for Plan benefits and the rights of Employees, Participants, Beneficiaries and other persons to benefits under the Plan and to determine the amount, manner and time of payment of any benefits hereunder.

(b) **Plan Procedures.** The Administrator shall have the power, right and duty to adopt procedures, rules, regulations and forms (as are consistent with the Plan) to be followed by Employees, Participants, Beneficiaries and other persons or to be otherwise utilized in the efficient administration of the Plan.

(c) **Benefit Determinations.** The Administrator shall have the power, right and duty to make determinations as to the rights of Employees, Participants, Beneficiaries and other persons to benefits under the Plan and to afford any Participant or Beneficiary dissatisfied with such determination with rights pursuant to a claims procedure adopted by the Administrator in accordance with Section 4.4.

(d) **Enforcement of the Plan.** The Administrator shall have the power, right and duty to enforce the Plan in accordance with the terms of the Plan and to enforce its procedures, rules or regulations.

(e) **Maintenance of Plan Records.** The Administrator shall be responsible for preparing and maintaining records necessary to determine the rights and benefits of Employees, Participants and Beneficiaries or other persons under the Plan.

(f) **Allocation of Duties.** The Administrator shall be empowered to allocate fiduciary responsibilities and the right to employ agents (who may also be Employees of the Company) and to delegate to them any of the administrative duties imposed upon the Administrator.

(g) **Correction of Errors.** To correct any errors made in the computation of benefits under the Plan, and, if a trust has been established, to recover any contributions made to such trust by mistake of fact or law.

4.3 **Binding Effect of Rulings.** Any ruling, regulation, procedure or decision of the Administrator, including any interpretation of the Plan, which is made in good faith shall be conclusive and binding upon all persons affected by it. There shall be no appeal from any ruling by Administrator, except as provided in Section 4.4 below. When making a determination or a calculation, the Administrator shall be entitled to rely on information supplied by investment managers, insurance institutions, accountants and other professionals including legal counsel for the Administrator. Any rule or procedure established by the Administrator may alter any provision of this Plan that is ministerial or procedural in nature without the necessity for a formal amendment of the Plan.

4.4 **Claims Procedure.**

(a) Any Participant or Beneficiary, or any other person asserting the right to receive a benefit under this Plan by virtue of his/her relationship to a Participant or Beneficiary (the "**Claimant**"), who believes that he/she has the right to a benefit that has not been paid, must file a written claim for such benefit in accordance with the procedures established by the Administrator. All such claims shall be filed not more than one year after the Claimant knows, or with the exercise of reasonable diligence would have known, of the basis for such claim. The preceding sentence shall not be construed to require a Participant or Beneficiary to file a formal claim for the payment of undisputed benefits in the normal course, but any claim that relates to the amount of any benefit shall in any event be filed not more than one year after payment of such benefit commences. The Administrator may retain third party administrators and recordkeepers for the purpose of processing routine matters relating to the payment of benefits, but correspondence between a Participant, Beneficiary or other person and such third parties shall not be considered claims for purposes of this Section, and a person shall not be considered a Claimant until he/she has filed a written claim for benefits with the Administrator.

(b) All claims for benefits shall be processed by the Administrator, and the Administrator shall furnish the Claimant within 90 days after receipt of such claim a written notice that specifies the reason for the denial, refers to the pertinent provisions of the Plan on which the denial is based, describes any additional material or information necessary for properly completing the claim and explains why such material or information is necessary, and explains the claim review procedures of this Section 4.4, and the Claimant's right to bring an action under §502 of ERISA, subject to the restrictions of paragraph (e) if the request for review is unsuccessful. The 90 day period may be extended by up to an additional 90 days if the Administrator so notifies the Claimant prior to the end of the initial 90 day period, which notice shall include an explanation of the reason for the extension and an estimate of when the processing of the claim will be complete. If the Administrator determines that additional information is necessary to process the claim, the Claimant shall be given a period not less than 45 days to furnish the information, and the time for responding to the claim shall be tolled during the period of time beginning on the date on which the Claimant is notified of the need for the additional information and ending on the day on which the information is furnished (or if earlier the end of the period for furnishing the information).

(c) If the claim is denied in whole or in part, or if the decision on the claim is otherwise adverse, the Claimant may, within 60 days after receipt of such notice, request a review of the decision in writing. If the claimant requests a review, the Administrator (or such other fiduciary as the Administrator may appoint for such purpose) shall review such decision. The Administrator's decision on review shall be in writing and furnished not more than five days after the meeting at which the review is completed, and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, shall include specific references to the pertinent provisions of the Plan on which the decision is based, and shall advise the Claimant of his/her right to bring an action under §502 of ERISA, subject to the limitations of paragraph (e).

(d) The Administrator shall complete its review of the claim not later than its first meeting that is held at least 30 days after the request for review is received. If special circumstances require, such as the need to hold a hearing, the decision may be made by the Administrator not later than its third meeting held after the request for review is received, in which event the Claimant shall be notified of the reason for the delay not later than five days after the meeting at which the review would otherwise have been completed, which notice shall explain the reason for the delay and include an estimate of the time at which the review will be complete. Notwithstanding the foregoing, if at any time the Administrator (or any other fiduciary designated to review appeals) is not scheduled to meet at least quarterly, the decision on review shall be delivered to the Claimant not more than 60 days after the request for review is received, which may be extended to not more than 120 days if special circumstances require and the notice of extension described above is furnished by the end of the initial 60 day period.

(e) As additional consideration for receipt of benefits hereunder, each Participant agrees and covenants, on behalf of himself, his/her Beneficiaries, and all persons claiming through him/her, not to initiate any action before any court, under §502 of ERISA or otherwise, or before any

administrative agency or quasi-judicial tribunal, for any benefit under the Plan, without having first filed a claim for such benefit and requested review of any adverse decision on such claim in accordance with this Section and the procedures established by the Administrator pursuant to this Section, and in any event not more than 180 days after receipt of the decision on review of the adverse claim decision.

(f) The provisions of this Section are intended to comply with ERISA §503 and the Department of Labor regulations issued pursuant thereto, and shall be so construed and applied. Consistent with such regulations, each Claimant shall have the right to have an authorized representative act on his/her behalf, to submit arguments and information in support of his/her claim, and to receive, upon written request and without charge, copies of all documents, records, or other information that either (i) were relied upon in determining his/her benefit under the Plan, (ii) were submitted, considered, or generated in the course of making the benefit determination, even if not relied upon, or (iii) demonstrate compliance with the administrative processes and safeguards of the claim and review procedure.

4.5 **Payment of Expenses.** In general, the Company and the Employers shall pay the cost of administering the Plan. However, the Administrator may provide for some or all of the costs incurred in administering the Plan to be charged to the Plan and deducted from the Accounts of some or all Participants on such basis as it determines to be equitable in its sole discretion. Without limiting the generality of the foregoing, the Administrator may provide for the Accounts of Participants who have elected to defer payment until they reach age fifty-five to be charged with an administrative fee after they have incurred a Separation from Service. The amount of such administrative fee shall initially be equal to 30 basis points multiplied by the Account balance per year, subject to change by the Administrator.

4.6 **Indemnity.** To the extent permitted by applicable law and to the extent that they are not indemnified or saved harmless under any liability insurance contracts, any present or former officers, Employees or directors of the Company, and each of them shall be indemnified and saved harmless by the Company from and against any and all liabilities or allegations of liability to which they may be subjected by reason of any act done or omitted to be done in good faith in the administration of the Plan, including all expenses reasonably incurred in their defense in the event that the Company fails to provide such defense after having been requested in writing to do so.

ARTICLE V

AMENDMENT AND TERMINATION OF PLAN

5.1 **Amendment.** The Company may amend the Plan at any time by action of the Board, or any person to whom the Board may delegate such authority, except that no amendment shall decrease the vested Account balance of any Participant as of the effective date of the amendment. The Board has delegated the authority to amend the Plan, with certain exceptions, to the Compensation and Human Resources Committee of the Board, and any amendment approved by

such Committee shall be binding on all parties. In addition, the Administrator is authorized pursuant to Section 4.3 to adopt rules and procedures that have the effect of amending technical, administrative or ministerial provisions of the Plan.

5.2 **Termination.** The Company may at any time terminate the Plan by action of the Board. Upon termination, no further allocations shall be made to Accounts, but Accounts shall continue to be credited with earnings and shall be paid in accordance with the provisions of the Plan; provided, however, that upon termination, the Company, to the extent permitted by §409A, may, but shall not be obligated to, provide that the Account balances of all Participants shall be fully vested and paid to such Participants in a lump sum, which shall fully discharge all obligations owed to such Participants under the Plan. Any Employer may at any time withdraw from the Plan by written notice to the Administrator, in which event the Plan shall be considered terminated with respect to the Participants employed by such Employer (or who were so employed at the time of their termination of employment), and the provisions of this Section 5.2 shall apply to such Participants only.

ARTICLE VI

MISCELLANEOUS

6.1 **Status of Plan.** This Plan is intended to be an unfunded plan maintained primarily to provide retirement benefits for a select group of management Employees or highly compensated Employees within the meaning of §201(1), §301(a)(3), and §401(a)(1) of ERISA and Department of Labor Regulations 29 C.F.R. §2520.104-23, and shall be so construed. The Plan is also intended to comply in all respects with the requirements of §409A, and to the maximum extent permitted by law shall be so interpreted and administered. Notwithstanding the foregoing, under no circumstances shall the Company, the Administrator, the Employers, or any of their officers, employees or agents, be responsible to reimburse or indemnify any Participant or Beneficiary for any additional tax imposed by reason of §409A or any similar law (including any state income tax law).

6.2 **Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be nonassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to garnishment, seizure or sequestration for the payment of any debts owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency. Notwithstanding the foregoing, to the extent permitted by §409A, the Company shall have the right to offset any amount owed to it or the Participant's Employer against the amount payable to a Participant or his/her Beneficiary, or to defer payment until any dispute with respect to any amount owed has been resolved.

6.3 **No Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company or any Employer and the

Participant, and neither the Participant nor the Participant's Beneficiary shall have any rights against the Company or any Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Company or any Employer or to interfere with the right of the Company and each Employer to discipline or discharge him/her at any time.

6.4 **Participant Litigation.** In any action or proceeding regarding the Plan, Participants, Employees or former Employees of the Company or an Employer, their Beneficiaries or any other persons having or claiming to have an interest in this Plan shall not be necessary parties and shall not be entitled to any notice or process. Any final judgment which is not appealed or appealable and may be entered in any such action or proceeding shall be binding and conclusive on the parties hereto and all persons having or claiming to have any interest in this Plan. To the extent permitted by law, if a legal action is begun against the Company, an Employer, the Administrator, the trustee of any trust established hereunder, or any person acting on the behalf or under the direction of any of the foregoing persons, by or on behalf of any person and such action results adversely to such person or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the costs to any such person of defending the action will be charged to the amounts, if any, which were involved in the action or were payable to the Participant or other person concerned. To the extent permitted by applicable law, acceptance of participation in this Plan shall constitute a release of the Company, each Employer, the Administrator and such trustee and their respective agents from any and all liability and obligation not involving willful misconduct or gross neglect.

6.5 **Participant and Beneficiary Duties.** Persons entitled to benefits under the Plan shall file with the Administrator from time to time such person's post office address and each change of post office address. Each such person entitled to benefits under the Plan also shall furnish the Administrator with all appropriate documents, evidence, data or information which the committee considers necessary or desirable in administering the Plan.

6.6 **Governing Law.** The provisions of this Plan shall be construed and interpreted according to the laws of the State of Florida to the extent not pre-empted by the laws of the United States.

6.7 **Validity.** In case any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

6.8 **Notices.** Any notice or filing required or permitted to be given to the Administrator or the Company under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Company at its principal executive offices, or to Company's statutory agent. Notices shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice required or permitted to be given to a Participant shall be sufficient if in writing and hand delivered

or sent by first class mail to the Participant at the last address listed on the records of the Company or such Participant's Employer.

6.9 **Successors.** The provisions of this Plan shall bind and inure to the benefit of each Employer and its respective successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this 27th day of October, 2017.

HSN, INC.

By: /s/ Maria Martinez

Its: Chief Human Resources Officer

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

I, Rod Little, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2017 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.

Date: November 8, 2017

By: /s/ Rod
Little
Rod Little
Chief Financial Officer
Principal Executive, Financial and Accounting Officer

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

I, Rod Little, 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 September 30, 2017 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.

Date: November 8, 2017

By: /s/ Rod
Little

Chief Financial Officer
Principal Executive, Financial and Accounting Officer

Rod Little