

Barry Diller, Chairman of the Board of Directors and Chief Executive Officer of the Company, Mr. Allen and Liberty HSN, Inc. ("Liberty"), an indirect wholly owned subsidiary of Tele-Communications, Inc., have entered into a Stockholders Agreement (the "Diller-Liberty-Allen Stockholders Agreement") pursuant to which, among other things, each of Mr. Diller and Liberty agrees to vote all shares of voting stock of the Company over which he or it may then exercise voting power, at any annual or special meeting of stockholders of the Company called for the purpose of the election of directors or to execute written consents of stockholders without a meeting with respect to the election of directors, in favor of Mr. Allen or a designee of Mr. Allen acceptable to the Company, so long as Mr. Allen is entitled to representation on the

Company's Board of Directors under the Stock Exchange Agreement.

The Diller-Liberty-Allen Stockholder Agreement will terminate (as will Mr. Allen's right under the Stock Exchange Agreement to representation on the Company's Board of Directors) upon the disposition by Mr. Allen and his permitted transferees collectively, in one or more transactions, to third parties of one-third or more of the shares of Common Stock acquired by Mr. Allen under the Stock Exchange Agreement; provided, however, that the Diller-Liberty-Allen Stockholder Agreement will terminate earlier (as will Mr. Allen's right under the Stock Exchange Agreement to representation on the Company's Board of Directors) if Mr. Allen and his permitted transferees do not beneficially own at least 5% of the Company's outstanding equity securities (assuming for this purpose that all Company equity securities issuable under the Liberty Agreements (as defined in the Stock Exchange Agreement) are outstanding). The full text of the Diller-Liberty-Allen Stockholder Agreement is filed herewith as Exhibit 3 and is incorporated herein by reference.

Pursuant to the Company's previously outstanding contractual obligation to issue to Liberty certain shares of Company stock upon the occurrence of certain events, which events include without limitation the issuance of shares of Common Stock (such as pursuant to the Stock Exchange Agreement) that has the effect of decreasing Liberty's proportionate ownership interest in the Company to a level less than that permitted by the Federal Communications Commission, 2,002,591 shares of Company Class B Common Stock were issued to Liberty in connection with the closing under the Stock Agreement.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA
FINANCIAL INFORMATION AND EXHIBITS.

(A) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

The Financial Statements of Ticketmaster are filed herewith as Exhibit 4 and are hereby incorporated herein by reference.

(B) PRO FORMA FINANCIAL INFORMATION

HSN, Inc. Pro Forma Financial Information (unaudited) is filed herewith as Exhibit 5 and is hereby incorporated herein by reference.

Exhibit No.	Description
1	Stock Exchange Agreement

- 2 Press Release of the Company dated July 17, 1997
- 3 Diller-Liberty-Allen Stockholder Agreement
- 4 Financial Statements of Ticketmaster
- 5 HSN, Inc. Pro Forma Financial Information (un-audited)

SIGNATURE

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 hereunto duly authorized.

Date: July 25, 1997

HSN, Inc.

By: /s/ James G. Gallagher
Name: James G. Gallagher
Title: Vice President, General
Counsel and Secretary

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STOCK EXCHANGE AGREEMENT

between

PAUL G. ALLEN

- and -

HSN, INC.

MAY 20, 1997

STOCK EXCHANGE AGREEMENT

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STOCK EXCHANGE AGREEMENT

AGREEMENT made and entered into on this 20th day of May, 1997, between PAUL G. ALLEN (the "Stockholder") and HSN, INC., a Delaware corporation ("HSNi").

W I T N E S S E T H :

WHEREAS, the Stockholder is the owner of 12,283,014 shares (the "Shares") of common stock, no par value ("Common Stock"), of Ticketmaster Group, Inc., an Illinois corporation (the "Company");

WHEREAS, the Stockholder desires to exchange with HSNi, and HSNi desires to exchange with the Stockholder, the Shares for shares of common stock, \$.01 par value per share ("HSNi Common Stock"), of HSNi, upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, the Stockholder and the Company are entering into this Agreement to provide for said exchange (the "Exchange") and to establish various rights and obligations in connection therewith, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

"Additional HSNi Shares" shall have the meaning set forth in Section 2.02 of this Agreement.

"Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated by the Commission under the Exchange Act.

"Balance Sheet" shall have the meaning set forth in Section 3.08 of this Agreement.

"Balance Sheet Date" shall have the meaning set forth in Section 3.08 of this Agreement.

"Bank Consent" shall mean the consent or waiver by the banks

under the Credit Agreement to the transactions contemplated hereby.

"Bank Refinancing" shall have the meaning set forth in

Section 5.05 of this Agreement.

"Business Day" shall mean any day except a Saturday, Sunday

or other day on which commercial banks in the City of New York are not
open for the transaction of business.

"Closing" shall have the meaning set forth in Section 7.01 of

this Agreement.

"Closing Date" shall have the meaning set forth in

Section 7.01 of this Agreement.

"Commission" shall mean the Securities and Exchange

Commission.

"Commission Documents" shall have the meaning set

forth in Section 3.08 of this Agreement.

"Common Stock" shall have the meaning set forth in

the recitals to this Agreement.

"Company" shall mean Ticketmaster Group, Inc., an

Illinois corporation.

"Company Information Statement" shall have the

meaning set forth in Section 6.01 of this Agreement.

"Credit Agreement" shall mean the Company's Credit

Agreement dated as of November 18, 1994, as amended, among the Company,
its lenders and Wells Fargo Bank, National Association, as agent.

"Diller" shall mean Mr. Barry Diller.

"Exchange Act" shall mean the Securities Exchange

Act of 1934, as amended.

"Fair Market Value" shall mean the unweighted average closing

price of a share of HSNi Common Stock as reported by the National
Association of Securities Dealers, Inc. Automated Quotation System
("NASDAQ"), during the period in question or, if the HSNi Common Stock
is no longer quoted on NASDAQ, as reported in the principal
consolidated transaction reporting system with respect to securities
listed on the

principal national securities exchange on which the HSNi Common Stock is listed or admitted to trading; provided, however, that if the Fair

Market Value is less than \$20 per share, Fair Market Value shall be deemed to be \$20 per share.

"FCC" shall mean the Federal Communications Commission.

"FCC Excess Shares" shall have the meaning set forth in

Section 2.02(c) of this Agreement.

"Form 10-K" shall have the meaning set forth in Section 3.08

of this Agreement.

"Form S-1" shall mean the registration statement of the

Company on Form S-1, as amended through the date hereof, filed with the Commission on September 20, 1996.

"GAAP" shall mean United States generally accepted accounting

principles.

"HSNi Certificate" shall have the meaning set forth in

Section 4.01 of this Agreement.

"HSNi Class B Stock" shall have the meaning set forth in

Section 4.02 of this Agreement.

"HSNi Commission Documents" shall have the meaning set forth

in Section 4.08 of this Agreement.

"HSNi Common Stock" shall have the meaning set forth in the

recitals to this Agreement.

"HSNi Form 10-K" shall have the meaning set forth in

Section 4.08 of this Agreement.

"HSNi Form S-4" shall have the meaning set forth in

Section 4.02 of this Agreement.

"HSNi Shares" shall have the meaning set forth in

Section 2.01 of this Agreement.

"HSR Act" shall mean Hart-Scott-Rodino Antitrust

Improvements Act of 1976.

"Information Statement" shall mean the Information Statement

relating to the Exchange mailed to HSNi shareholders in accordance with Rule 14c-2 under the Exchange Act.

"Joint Ventures" shall have the meaning set forth

in Section 3.01 of this Agreement.

"Laws" shall have the meaning set forth in Section

3.09 of this Agreement.

"Liberty Agreements" shall have the meaning set

forth in Section 4.02 of this Agreement.

"Liens" shall mean any lien, claim, charge, restriction,

pledge, mortgage, security interest or other encumbrance.

"Loss" or "Losses" shall have the meaning set forth

in Section 11.01 of this Agreement.

"Material Adverse Effect" shall mean a material

adverse effect on the business, prospects, condition (financial
or otherwise), assets or results of operations of the party
in question.

"Permitted Transferees" shall have the meaning set

forth in the Stockholders Agreement.

"Representatives" shall have the meaning set forth

in Section 5.04.

"Restated By-laws" shall mean the By-laws of the

Company, as amended and restated and in effect on the date
hereof.

"Restated Certificate" shall mean the Articles of

Incorporation of the Company, as amended and restated and in
effect on the date hereof.

"Second Closing" shall have the meaning set forth

in Section 7.03 of this Agreement.

"Securities Act" shall mean the Securities Act of

1933, as amended.

"Shareholders Agreement" shall mean the Shareholders

Agreement dated as of December 15, 1993 by among Paul Allen, on
the one hand, and HG, Inc. and the other signatories thereto, on the
other hand.

"Shares" shall have the meaning set forth in the

recitals to this Agreement.

"Stockholder" shall mean Mr. Paul G. Allen and his

successors.

"Stockholders Agreement" shall have the meaning set forth

in Section 5.08 of this Agreement.

"Subsidiary" shall mean each corporation or other entity of

which a majority of the voting power of the voting equity securities
or equity interest is owned, directly or indirectly, by the party in
question.

ARTICLE II

EXCHANGE -----

Section 2.01. Exchange of Shares for shares of HSNi Common

Stock. Upon the terms and subject to the conditions hereinafter set

forth, the Stockholder shall exchange, assign, transfer and deliver the
Shares to HSNi, or to any direct or indirect subsidiary of HSNi
designated by HSNi, at the Closing, as described in Section 7.01; and,
in consideration therefor, HSNi shall issue, exchange, sell and deliver
to the Stockholder an aggregate of 7,238,507 shares (the "HSNi Shares")

of HSNi Common Stock as provided in Section 2.02 and subject to
adjustment as therein provided.

Section 2.02. Delivery of HSNi Shares. (a) Subject to

adjustment as provided in subparagraph (b) below, at the Closing, HSNi
shall deliver certificates representing the HSNi Shares, bearing a
legend regarding restrictions on transfer under the Securities Act.

(b) The number of HSNi Shares to be issued to the Stockholder
in exchange for the Shares shall be subject to adjustment as follows:
if the Fair Market Value during the first 20 trading days in July 1998
is less than \$29 per share, additional shares ("Additional HSNi

Shares") of HSNi Common Stock shall be issued to the Stockholder

as additional consideration in exchange for the Shares. The number of
Additional HSNi Shares to be issued shall equal the difference between
the number obtained by dividing \$209,916,709 by the Fair Market Value
and the number of HSNi Shares. Notwithstanding the foregoing, no
adjustment shall be required or made if the Fair Market Value during
any consecutive 20 trading day period commencing on December 1, 1997
and ending on the day immediately prior to the Second Closing equals or
exceeds \$29 per share.

(c) In the event that the issuance of all or any portion of the Additional HSNi Shares would cause the Stockholder to be in violation of the rules and regulations of the FCC, the Stockholder, at his option, may elect to (i) receive in lieu of the Additional HSNi Shares that may not be issued under FCC law (the "FCC Excess Shares") non-voting participating preferred stock of HSNi, convertible upon transfer or upon compliance with FCC regulatory restrictions into HSNi Common Stock, and designed to be the economic equivalent of the FCC Excess Shares, (ii) deliver a proxy complying with FCC law to Diller to vote the FCC Excess Shares or (iii) enter into such other arrangements to comply with FCC law as are acceptable to HSNi.

(d) The number of Shares, HSNi Shares and/or Additional HSNi Shares shall be appropriately and equitably adjusted to reflect (i) the payment of any dividend or other distribution on such shares, (ii) any stock split, combination or reclassification of such shares, or (iii) any consolidation, merger or other event which results in the conversion or exchange of such shares.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER

The Stockholder hereby represents and warrants to HSNi as follows:

Section 3.01. Organization and Good Standing. The

Company is a corporation duly organized, validly existing and in good standing under the laws of Illinois, and is duly qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the nature of the business transacted by it or the character or location of the properties owned or leased by it requires such qualification, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect on the Company and its Subsidiaries considered as a whole. The Company has full corporate power and authority to own and manage its properties and to carry on its business as it is now being (and as it is currently proposed to be) conducted. The copies of the Company's Restated Certificate and Restated By-laws and other organizational documents and instruments (in each case, as amended and/or restated through the date hereof), filed by the Company with the Commission prior to the date hereof, are true, complete and correct copies thereof. The Restated Certificate and the Restated By-laws will be in

full force and effect on and prior to the Closing Date. Except for the joint ventures (the "Joint Ventures"), disclosed in the Commission

Documents filed prior to the date hereof or as set forth on Schedule 3.01 hereof, the Company does not own any interest in any other company or entity other than the Subsidiaries of the Company. Each Subsidiary of the Company and, to the knowledge of the Stockholder, each Joint Venture is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has the power and authority to own or lease its properties and to conduct its business as now conducted, except as would not result in any Material Adverse Effect on the Company and its Subsidiaries considered as a whole. All outstanding shares of the capital stock of each Subsidiary of the Company and, to the knowledge of the Stockholder, equity interests of the Company in each Joint Venture have been validly issued and are fully paid and nonassessable. Except as disclosed in the Commission Documents filed prior to the date hereof, there are no outstanding options, warrants, rights, agreements or commitments of any nature whatsoever of any third party to subscribe for or purchase any equity security of any Subsidiary of the Company or, to the knowledge of the Stockholder, of any Joint Venture or to cause any Subsidiary of the Company or, to the knowledge of the Stockholder, any Joint Venture to issue any such equity security.

Section 3.02. Capitalization. The authorized

capitalization of the Company as of the date hereof consists of: 80,000,000 shares of Common Stock, no par value, one share of series A redeemable convertible preferred stock, no par value (the "Series A

Stock"), and 19,999,999 shares of undesignated preferred stock

no par value ("Preferred Stock"), of which, as of the date hereof

there were 24,739,715 shares of Common Stock outstanding (and 1,252,942 shares issuable upon exchange of the Class B shares of Ticketmaster Canada Acquisition Limited) and no shares of Series A Stock or Preferred Stock outstanding. All such shares outstanding on the date hereof are, and any shares that will be issued under the Restated Certificate, when issued, will be, duly authorized, validly issued and fully paid and nonassessable. Except as disclosed on Schedule 3.02 hereof and other than options to purchase an aggregate of 4,408,251 shares of Common Stock issued pursuant to employee benefit plans of the Company, there are no outstanding options, warrants, rights, puts, calls, commitments, or other contracts, arrangements, or understandings issued by or binding upon the Company requiring or providing for, and there are no outstanding debt or equity securities of the Company which upon the conversion, exchange or exercise thereof would require or provide for, the issuance

by the Company of any new or additional shares of Common Stock (or any other securities of the Company which, with notice, lapse of time and/or payment of monies, are or would be convertible into or exercisable or exchangeable for shares of Common Stock). There are no preemptive or other similar rights available to the existing holders of Common Stock or other securities of the Company.

Section 3.03. Due Authorization; Execution and Delivery. The

execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Stockholder and by the Board of Directors of the Company (including such authorization as may be required so that no state anti-takeover statute or similar statute or regulation including, without limitation, Section 5/11.75 of the Illinois Business Corporation Act, is or becomes operative with respect to this Agreement or the transactions contemplated hereby), and, except (if applicable) for requirements under Rule 14f-1 under the Exchange Act to transmit the Company Information Statement to the Company's stockholders at least 10 days prior to the date that persons designated by HSNi constitute a majority of the Company's Board, no other action by the Stockholder or corporate proceedings on the part of the Company are necessary to authorize this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes the legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms, except that such enforcement may be subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights, and the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 3.04. Absence of Breach; No Conflict. Except

as disclosed in the Commission Documents filed prior to the date hereof or as set forth on Schedule 3.04 hereto, the execution, delivery, and performance of this Agreement by the Stockholder, and the consummation by the Stockholder of the transactions contemplated hereby, will not (a) give rise to a right to (or otherwise) terminate, accelerate the maturity of or increase any payment due under, conflict with, result in a breach or violation of any of the terms, conditions or provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, require any approval, waiver or consent under, or result in the creation or imposition of any Lien upon any property or assets of the Stockholder, the Company or any of its

Subsidiaries pursuant to the terms of, any note, bond, mortgage, pledge, indenture, deed of trust, lease, agreement, indemnity, obligation, commitment, instrument, franchise, license, certificate or permit to which the Company or any of its Subsidiaries is a party or by which any of their respective properties or assets may be bound; (b) violate or conflict with any term or provision of the restated certificate of incorporation, by-laws or equivalent organizational instruments and documents (in each case, as amended and/or restated through the date hereof) of the Company or any Subsidiary of the Company (and in each case as in effect on the Closing Date); (c) violate any judgment, decree, order, writ, statute, rule or regulation of any judicial, arbitral, public, or governmental authority having jurisdiction over the Company, any of its Subsidiaries or any of their respective properties or assets or (d) to the knowledge of the Stockholder, violate or conflict with any term or provision of any Joint Venture. No employment agreement or other contract with any Company employee contains any provision that would permit such employee to terminate such agreement or contract or receive additional or accelerated payments or benefits upon consummation of the transactions contemplated hereby.

Section 3.05. The Shares. (a) The Shares have

been duly authorized and legally and validly issued, are fully paid and nonassessable, and represent all of the issued and outstanding shares of capital stock of the Company held by the Stockholder.

(b) The Stockholder has full beneficial ownership of the Shares, subject to his obligations under the Shareholders Agreement, and on the Closing Date shall possess full authority and power to convey the same to HSNi, free and clear of any and all Liens, and preemptive and other similar rights. Except as disclosed on Schedule 3.05 hereof, the Shareholders Agreement is the only agreement, arrangement or understanding relating to the Shares to which the Stockholder is a party, and since December 15, 1993, there have been no amendments thereto. Schedule 3.05 hereof sets forth the identity of the persons who have rights under the Shareholders Agreement and the maximum number of shares of Brick Common Stock as to which each such person may exercise "Tag-Along Rights" thereunder.

Section 3.06. Investment Purpose. The Stockholder

is acquiring the HSNi Shares solely for the purpose of investment and not with view to, or for offer or sale in connection with, any distribution thereof. The Stockholder acknowledges and understands that the HSNi Shares may not be sold except in compliance with the registration requirements

of the Securities Act, unless an exemption therefrom is available.

The Stockholder hereby acknowledges and agrees that upon the original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act and the rules and regulations thereunder, the certificates representing the HSNi Shares (including shares of HSNi Common Stock issuable as Additional HSNi Shares) may bear the following legend on the reverse side thereof:

"THE SHARES REPRESENTED BY THIS CERTIFICATE (THE 'SHARES') HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE LAWS REGULATING THE SALE OF SECURITIES AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION IS OBTAINED TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED."

Section 3.07. Brokers. Other than Montgomery Securities,

the fees of which shall be paid by HSNi (not to exceed the amount previously disclosed to HSNi), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Stockholder or the Company.

Section 3.08. Commission Documents; Financial Information.

The Company's Form S-1 filed with the Commission on September 20, 1996, as amended, the Company's Form 10-K in respect of the fiscal year ended January 31, 1997 (the "Form 10-K"), and each report, schedule, proxy,

information statement or registration statement (including all exhibits and schedules thereto and documents incorporated by reference therein) filed by the Company with the Commission on or before the Closing Date are collectively referred to as the "Commission

Documents". As of their respective filing dates, the Commission

Documents complied (or will comply) in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder applicable to such Commission Documents, and as of their respective dates none of the Commission Documents contained (or will contain) any untrue statement of a material fact or omitted (or will omit) to state a material fact required to be stated therein or necessary in

order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Commission Documents comply (or will comply) as of their respective dates as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q promulgated by the Commission), and present fairly (or will present fairly) as of their respective dates, in all material respects, the consolidated financial position of the Company and the Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for each of the respective periods, in conformity with GAAP. As used in this Agreement, the consolidated balance sheet of the Company and its Subsidiaries at January 31, 1997 included in the Form 10-K is hereinafter referred to as the "Balance Sheet", and January 31, 1997 is hereinafter referred to as the "Balance Sheet Date."

Except as and to the extent expressly set forth in the Balance Sheet, or the notes, schedules or exhibits thereto, or as disclosed in the Form 10-K or Schedule 3.08 hereof, (i) as of the Balance Sheet Date, neither the Company nor its Subsidiaries had any liabilities or obligations (whether absolute, contingent, accrued or otherwise) that would be required to be included on a balance sheet or in the notes, schedules or exhibits thereto prepared in accordance with GAAP and (ii) since the Balance Sheet Date, neither the Company nor any of its Subsidiaries has incurred any such liabilities or obligations other than in the ordinary course of business.

Section 3.09. Approvals; Compliance with Laws.

(a) Except (i) as disclosed in the Commission Documents filed prior to the date hereof or as set forth on Schedule 3.09(a) hereof and (ii) for any filings, notices, applications and other information as may be required to be made or supplied pursuant to the HSR Act or the Exchange Act, no notices, reports or other filings are required to be made by the Stockholder, the Company or any of its Subsidiaries with, nor are any consents, registrations, applications, approvals, permits, licenses or authorizations required to be obtained by the Stockholder, the Company or any of its Subsidiaries from, any public or governmental authority or other third party in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(b) Except as set forth on Schedule 3.09(b) or as set forth in the Commission Documents filed prior to the date hereof and except as would not result in any Material Adverse Effect on the Company and its Subsidiaries considered as a whole, the business of the Company and each of its Subsidiaries has been and is presently being conducted in compliance with all applicable federal, state, county and local ordinances, statutes, rules, regulations and laws (collectively "Laws").

Section 3.10. Litigation. Except as would not result in any

Material Adverse Effect on the Company and its Subsidiaries considered as a whole, there are no judicial, administrative or arbitral actions, suits, claims, inquiries, investigations or proceedings (whether of a public or private nature) pending or, to the knowledge of the Stockholder, threatened against the Company, any of its Affiliates (relating to the Company or its Subsidiaries) or any of the Company's Subsidiaries.

Section 3.11. Related Party Transactions. Except

as set forth on Schedule 3.11 hereto or as disclosed in the Commission Documents filed prior to the date hereof, since January 1, 1996, there is no transaction required to be disclosed under the Securities Act or the Exchange Act pursuant to which an Affiliate of the Company and/or any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) five percent or more of the outstanding Common Stock of the Company (other than the Subsidiaries) has borrowed any monies from or has outstanding any indebtedness or other similar obligations to the Company or any Subsidiary of the Company. Except as disclosed in the Commission Documents filed prior to the date hereof or as set forth on Schedule 3.11 hereto, since January 1, 1996, there is no transaction required to be disclosed under the Securities Act or the Exchange Act pursuant to which an Affiliate of the Company and/or any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) five percent or more of the outstanding Common Stock of the Company (other than the Subsidiaries) (a) owns any direct or indirect interest of any kind in, or is a director, officer, employee, partner or Associate (as such term is defined in Rule 12b-2 under the Exchange Act) of, or consultant or lender to, or borrower from, or has the right to participate in the management, operations or profits of, any person or entity which is (i) a competitor, supplier, customer, distributor, lessor, tenant, creditor or debtor of the Company or any Subsidiary of the Company, (ii) engaged in a

business related to the business of the Company or any Subsidiary of the Company or (iii) participating in any transaction to which the Company or any Subsidiary of the Company is a party or (b) is otherwise a party to any contract, arrangement or understanding with the Company or any Subsidiary of the Company. To the knowledge of the Stockholder, each of the contracts, arrangements or understandings set forth on Schedule 3.11 hereto to which the Company or any Subsidiary of the Company is a party provides for terms and conditions that are no less favorable to the Company than could be obtained from a non-Affiliate third-party in an arm's-length transaction.

Section 3.12. Absence of Certain Events; No Material

Adverse Change. Except as disclosed in the Commission Documents

filed prior to the date hereof, since the Balance Sheet Date, the Company and its Subsidiaries have conducted their business operations in the ordinary course and there has not occurred any event or condition having or, that the Stockholder believes is likely to have, a Material Adverse Effect on the Company and its Subsidiaries considered as a whole. Without limiting the generality of the foregoing, other than as is disclosed in the Commission Documents filed prior to the date hereof or on Schedule 3.12 hereto, since the Balance Sheet Date there has not occurred:

(a) any change or agreement to change the character or nature of the business of the Company or any of its Subsidiaries;

(b) any purchase, sale, transfer, assignment, conveyance or pledge of the assets or properties of the Company or any of its Subsidiaries (including by merger or otherwise), except in the ordinary course of business;

(c) any waiver or modification by the Company or any of its Subsidiaries of any right or rights of substantial value, or any payment, direct or indirect, in satisfaction of any liability, in each case, having a Material Adverse Effect on the Company and its Subsidiaries considered as a whole;

(d) any liability, contract, agreement, license or other commitment entered into or assumed by or on behalf of the Company or any of its Subsidiaries relating to a merger or acquisition or to the business, assets or properties of the Company or any of its Subsidiaries (whether oral or written), except in the ordinary course of business;

(e) any loan, advance or capital expenditure by the Company or any of its Subsidiaries, except for loans, advances and capital expenditures made in the ordinary course of business;

(f) any change in the accounting principles, methods, practices or procedures followed by the Company in connection with the business of the Company or any change in the depreciation or amortization policies or rates theretofore adopted by the Company in connection with the business of the Company and its Subsidiaries;

(g) any declaration or payment of any dividends, or other distributions in respect of the outstanding shares of capital stock of the Company or any of its Subsidiaries (other than dividends and distributions declared or paid by its wholly-owned Subsidiaries or by Joint Ventures);

(h) other than in connection with the exercise of employee stock options outstanding on the date hereof, any issuance of any shares of capital stock of the Company or any of its Subsidiaries or any other change in the authorized capitalization of the Company or any of its Subsidiaries;

(i) other than options granted to employees in the ordinary course of business prior to the date hereof, any grant or award of any options, warrants, conversion rights or other rights to acquire any shares of capital stock of the Company or any of its Subsidiaries; or

(j) any increase in the compensation or benefits of any director, officer or other key employee of the Company or any of its Subsidiaries not required by an agreement or plan as in effect on the Balance Sheet Date to any such person.

Section 3.13. Full Disclosure. All of the statements made

by the Stockholder in this Agreement (including, without limitation, the representations and warranties made by the Stockholder herein and in the schedules and exhibits hereto which are incorporated by reference herein and which constitute an integral part of this Agreement) do not (and on the Closing Date shall not) include or contain any untrue statement of a material fact, and do not (and on the Closing Date shall not) omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Other than as is disclosed in the Commission Documents filed prior to the date hereof, there is no material fact as to the Company or its Subsidiaries which

the Stockholder has not disclosed to HSNi and which, in the reasonable judgment of the Stockholder, has had or will have a Material Adverse Effect on the Company and its Subsidiaries considered as a whole.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF HSNi

HSNi hereby represents and warrants to the Stockholder as follows:

Section 4.01. Organization and Good Standing.

HSNi is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is duly qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the nature of the business transacted by it or the character or location of the properties owned or leased by it requires such qualification, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole. HSNi has full corporate power and authority to own and manage its properties and to carry on its business as it is now being (and as it is currently proposed to be) conducted. The copies of HSNi's certificate of incorporation (the "HSNi Certificate"), by-laws and other

organizational documents and instruments (in each case, as amended and/or restated through the date hereof), heretofore delivered to the Stockholder, are true, complete and correct copies thereof. Each Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has the power and authority to own or lease its properties and to conduct its business as now conducted, except as would not result in any Material Adverse Effect on HSNi and its Subsidiaries considered as a whole. All outstanding shares of the capital stock of each HSNi Subsidiary have been validly issued and are fully paid and nonassessable. Except as set forth in the HSNi Form 10-K, there are no outstanding options, warrants, rights, agreements or commitments of any nature whatsoever of any third party to subscribe for or purchase any equity security of any Subsidiary or to cause any Subsidiary to issue any such equity security.

Section 4.02. Capitalization. The authorized

capitalization of HSNi as of the date hereof consists of: 150,000,000 shares of HSNi Common Stock, \$.01 par value per share, 30,000,000 shares of HSNi Class B Common Stock, \$.01 par value per share ("HSNi Class B Stock"), and 15,000,000

shares of preferred stock, \$.01 par value per share, of HSNi ("HSNi Preferred Stock"), of which, as of May 1, 1997, there were 36,094,593

shares of HSNi Common Stock outstanding, 10,225,056 shares of HSNi Class B Stock outstanding and no shares of HSNi Preferred Stock outstanding. All such shares outstanding on the date hereof are, and any shares that will be issued under the HSNi Certificate, when issued, will be, duly authorized, validly issued and fully paid and nonassessable. Other than (a) options to purchase an aggregate of 11,359,592 shares of HSNi Common Stock issued pursuant to employee benefit plans and agreements of HSNi as of April 30, 1997, (b) rights to acquire shares of HSNi Class B Stock and HSNi Common Stock under agreements (the "Liberty Agreements") described in a Joint Proxy

Statement/Prospectus dated November 20, 1996 filed by HSNi with the Commission on Form S-4 (the "HSNi Form S-4") and (c) shares of HSNi

Common Stock issuable upon exercise or conversion, as the case may be, of Savoy Warrants, Savoy Options, Savoy Debentures, the Savoy Note, HSNi Options and HSNi Debentures (each such term as defined in the HSNi Form S-4), as of the date hereof, there are no outstanding options, warrants, rights, puts, calls, commitments, or other contracts, arrangements, or understandings issued by or binding upon HSNi requiring or providing for, and there are no outstanding debt or equity securities of HSNi which upon the conversion, exchange or exercise thereof would require or provide for, the issuance by HSNi of any new or additional shares of HSNi Common Stock (or any other securities of HSNi which, with notice, lapse of time and/or payment of monies, are or would be convertible into or exercisable or exchangeable for shares of HSNi Common Stock). There are no preemptive or other similar rights available to the existing holders of HSNi Common Stock or other securities of HSNi.

Section 4.03. Due Authorization; Execution and Delivery. The

execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the HSNi Board of Directors (including such authorization as may be required so that no state anti-takeover statute or similar statute or regulation including, without limitation, Section 203 of the Delaware Business Corporation Act, is or becomes operative with respect to this Agreement or the transactions contemplated hereby) and by the requisite consent of HSNi stockholders acting by consent pursuant to HSNi's By-laws and, except for notification requirements under HSNi's By-laws and under Rule 14c-2 under the Exchange Act to deliver the Information Statement to HSNi stockholders at least 20 calendar

days prior to consummation of the Exchange, no other corporate proceedings on the part of HSNI are necessary to authorize this Agreement and to consummate the transactions contemplated hereby. This Agreement constitutes the legal, valid and binding obligation of HSNI, enforceable against HSNI in accordance with its terms, except that such enforcement may be subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights, and the remedy of specific performance and injunctive relief may, as the case may be, subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 4.04. Absence of Breach; No Conflict. Except as set

forth on Schedule 4.04 hereto, the execution, delivery, and performance of this Agreement by HSNI, and the consummation by HSNI of the transactions contemplated hereby, will not (a) give rise to a right to (or otherwise) terminate, accelerate the maturity of or increase any payment due under, conflict with, result in a breach or violation of any of the terms, conditions or provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, require any approval, waiver or consent under, or result in the creation or imposition of any Lien upon any property or assets of HSNI or any Subsidiary pursuant to the terms of, any note, bond, mortgage, pledge, indenture, deed of trust, lease, agreement, indemnity, obligation, commitment, instrument, franchise, license, certificate or permit to which HSNI or any of its Subsidiaries is a party or by which any of their respective properties or assets may be bound; (b) violate or conflict with any term or provision of the certificate of incorporation, by-laws or equivalent organizational instruments and documents (in each case, as amended and/or restated through the date hereof) of HSNI or any of its Subsidiaries (in each case as in effect on the Closing Date); or (c) violate any judgment, decree, order, writ, statute, rule or regulation of any judicial, arbitral, public, or governmental authority having jurisdiction over HSNI, any of its Subsidiaries or any of their respective properties or assets except as would not result in a Material Adverse Effect on HSNI and its Subsidiaries considered as a whole.

Section 4.05. The HSNI Shares. The HSNI Shares have been,

and any Additional HSNI Shares will be, duly authorized and legally and validly issued, are (or will be) fully paid and nonassessable.

Section 4.06. Investment Purpose. HSNI is acquiring

the Shares solely for the purpose of investment and not

with view to, or for offer or sale in connection with, any distribution thereof. HSNi acknowledges and understands that the Shares may not be sold except in compliance with the registration requirements of the Securities Act, unless an exemption therefrom is available.

HSNi hereby acknowledges and agrees that upon the transfer by the Stockholder of the Shares to HSNi, and until such time as the same is no longer required under the applicable requirements of the Securities Act and the rules and regulations thereunder, the certificates representing the Shares may bear the following legend on the reverse side thereof:

"THE SHARES REPRESENTED BY THIS CERTIFICATE (THE `SHARES') HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE LAWS REGULATING THE SALE OF SECURITIES AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION IS OBTAINED TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED."

Section 4.07. Brokers. Other than Allen & Company

Incorporated, the fees of which shall be solely the responsibility of HSNi, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of HSNi.

Section 4.08. Commission Documents; Financial Information.

The HSNi Form 10-K in respect of the fiscal year ended December 31, 1996 (the "HSNi Form 10-K"), and each report, schedule, proxy, information statement or registration statement (including all exhibits and schedules thereto and documents incorporated by reference therein) filed by HSNi with the Commission following the date thereof and on or before the Closing Date are collectively referred to as the "HSNi Commission Documents". As of their respective filing dates, the HSNi Commission Documents complied (or will comply) in all material respects with the requirements of the Securities Act and the rules and regulations of the Commission thereunder applicable to such HSNi Commission Documents, and as of their respective dates none of the HSNi Commission Documents contained (or will contain) any untrue statement of a material fact or omitted (or will omit) to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial

statements of HSNi included in the HSNi Commission Documents comply (or will comply) as of their respective dates as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q promulgated by the Commission), and present fairly (or will present fairly) as of their respective dates, in all material respects, the consolidated financial position of HSNi and its Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for each of the respective periods, in conformity with GAAP. As used in this Agreement, the consolidated balance sheet of HSNi and its Subsidiaries at March 31, 1997 included in the HSNi Form 10-Q filed with the Commission in respect of the fiscal quarter ended March 31, 1997 is hereinafter referred to as the "HSNi Balance Sheet", and March 31, 1997

is hereinafter referred to as the "HSNi Balance Sheet Date."

Except as and to the extent expressly set forth in the HSNi Balance Sheet, or the notes, schedules or exhibits thereto, or as disclosed in the HSNi Form 10-K, (i) as of the HSNi Balance Sheet Date, neither HSNi nor its Subsidiaries had any liabilities or obligations (whether absolute, contingent, accrued or otherwise) that would be required to be included on a balance sheet or in the notes, schedules or exhibits thereto prepared in accordance with GAAP and (ii) since the HSNi Balance Sheet Date, neither HSNi nor any of its Subsidiaries has incurred any such liabilities or obligations other than in the ordinary course of business.

Section 4.09. Approvals; Compliance with Laws.

(a) Except (i) as set forth on Schedule 3.09(a) hereof and (ii) for any filings, notices, applications and other information as may be required to be made or supplied pursuant to the HSR Act or the Exchange Act, no notices, reports or other filings are required to be made by HSNi, or any of its Subsidiaries with, nor are any consents, registrations, applications, approvals, permits, licenses or authorizations required to be obtained by HSNi or any of its Subsidiaries from, any public or governmental authority or other third party in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(b) Except as would not result in any Material Adverse Effect on HSNi and its Subsidiaries considered as a whole, the business of HSNi and its Subsidiaries has been and

is presently being conducted in compliance with all applicable Laws.

Section 4.10. Litigation. Except as would not result in any

Material Adverse Effect on HSNi and its Subsidiaries considered as a whole, there are no judicial, administrative or arbitral actions, suits, claims, inquiries, investigations or proceedings (whether of a public or private nature) pending or, to the knowledge of HSNi, threatened against HSNi, any of its controlled Affiliates or any of the HSNi Subsidiaries.

Section 4.11. Related Party Transactions. Except as disclosed

in the HSNi Form S-4 or the HSNi Commission Documents, since January 1, 1996, no officer or director of HSNi has borrowed any monies from or has outstanding any indebtedness or other similar obligations to HSNi or any Subsidiary of HSNi. Except as disclosed in the HSNi Form S-4 or the HSNi Commission Documents, since January 1, 1996, no officer or director of HSNi (a) owns any direct or indirect interest of any kind in, or is a director, officer, employee, partner or Associate (as such term is defined in Rule 12b-2 under the Exchange Act) of, or consultant or lender to, or borrower from, or has the right to participate in the management, operations or profits of, any person or entity which is (i) a competitor, supplier, customer, distributor, lessor, tenant, creditor or debtor of HSNi or any Subsidiary of HSNi, (ii) engaged in a business related to the business of HSNi or any Subsidiary of HSNi or (iii) participating in any transaction to which HSNi or any Subsidiary of HSNi is a party or (b) is otherwise a party to any contract, arrangement or understanding with HSNi or any Subsidiary of HSNi.

Section 4.12. Absence of Certain Events; No Material Adverse

Change. Except as disclosed in the HSNi Form 10-K, since the HSNi

Balance Sheet Date HSNi and its Subsidiaries have conducted their business operations in the ordinary course and there has not occurred any event or condition having or, that management believes is likely to have, a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole. Without limiting the generality of the foregoing, other than as is disclosed in the HSNi Commission Documents filed prior to the date hereof or on Schedule 4.11 hereto, since the HSNi Balance Sheet Date there has not occurred:

(a) any change or agreement to change the character or nature of the business of HSNi or any of its Subsidiaries;

(b) any purchase, sale, transfer, assignment, conveyance or pledge of the assets or properties of HSNi or its Subsidiaries, except in the ordinary course of business;

(c) any waiver or modification by HSNi or any HSNi Subsidiary of any right or rights of substantial value, or any payment, direct or indirect, in satisfaction of any liability, in each case, having a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole;

(d) any loan, advance or capital expenditure by HSNi or any of its Subsidiaries, except for loans, advances and capital expenditures made in the ordinary course of business;

(e) any change in the accounting principles, methods, practices or procedures followed by HSNi in connection with the business of HSNi or any change in the depreciation or amortization policies or rates theretofore adopted by HSNi in connection with the business of HSNi and its Subsidiaries; or

(f) any declaration or payment of any dividends, or other distributions in respect of the outstanding shares of capital stock of HSNi or any HSNi Subsidiary (other than dividends declared or paid by wholly-owned Subsidiaries);

(g) other than in connection with the exercise of employee stock options or the conversion of outstanding convertible debt instruments, any issuance of any shares of capital stock of HSNi or any HSNi Subsidiary or any other change in the authorized capitalization of the Company or any HSNi Subsidiary, except as contemplated by this Agreement or the Liberty Agreement; or

(h) any grant or award of any options, warrants, conversion rights or other rights to acquire any shares of capital stock of HSNi or any HSNi Subsidiary, except as contemplated by this Agreement or except pursuant to employee benefit plans, programs or arrangements in the ordinary course of business consistent with past practice.

Section 4.13. Full Disclosure. All of the statements

made by HSNi in this Agreement (including, without limitation, the representations and warranties made by HSNi herein and in the schedules and exhibits hereto which are incorporated by reference herein and which constitute an integral part of this Agreement) do not (and on the Closing Date shall not) include or contain any untrue statement of a material fact, and do not (and on the Closing Date shall not)

omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Other than as is disclosed in the Form S-4 or the HSNi Commission Documents filed prior to the date hereof, there is no material fact as to HSNi or its Subsidiaries which HSNi has not disclosed to the Stockholder and which, in the reasonable judgment of HSNi, has had or will have a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole.

ARTICLE V

COVENANTS OF THE PARTIES

Section 5.01. Additional HSNi Shares. HSNi hereby

covenants to the Stockholder that it shall reserve and keep available out of its authorized but unissued shares of HSNi Common Stock (including any shares of HSNi Common Stock held by HSNi in its corporate treasury), for the purpose of effecting the adjustment in full of the number of HSNi Shares deliverable hereunder in accordance with Section 2.02 of this Agreement, such number of its duly authorized shares of HSNi Common Stock as shall be sufficient to effect such adjustment.

Section 5.02. Registration Rights. (a) HSNi

hereby grants the Stockholder certain registration rights on the basis of one demand registration right for each 4,000,000 shares of Common Stock being exchanged hereunder, together with customary piggyback registration rights relating thereto. Accordingly, HSNi hereby covenants to the Stockholder that following the one year anniversary of the Closing Date, if requested by the Stockholder, it shall be required promptly to cause the HSNi Shares and the Additional HSNi Shares, if any, owned by the Stockholder or his Affiliates to be registered under the Securities Act in order to permit the Stockholder or such Affiliate to sell such shares in one or more (but not more than three) registered public offerings (each, a "Demand Registration"). The Stockholder shall also be entitled to customary piggyback registration rights. If the amount of shares sought to be registered by the Stockholder and his Affiliates pursuant to any Demand Registration is reduced by more than 50% pursuant to any underwriters' cutback, then the Stockholder may elect to request the Company to withdraw such registration, in which case, such registration shall not count as one of the Stockholder's three Demand Registrations. If the Stockholder requests that any Demand Registration be an underwritten offering, then the

Stockholder shall select the underwriter(s) to administer the offering, provided that such underwriter(s) shall be reasonably satisfactory to HSNi. If a Demand Registration is an underwritten offering and the managing underwriter advises the Stockholder in writing that in its opinion the total number or dollar amount of securities proposed to be sold in such offering is such as to materially and adversely affect the success of such offering, then HSNi will include in such registration, first, the securities of the Stockholder, and, thereafter, any securities to be sold for the account of others who are participating in such registration (as determined by HSNi). In connection with any Demand Registration or inclusion of the Stockholder's or his Affiliate's shares in a piggyback registration, the Company, the Stockholder and/or his Affiliates shall enter into an agreement containing terms (including representations, covenants and indemnities by HSNi and the Stockholder), and shall be subject to limitations, conditions, and blackout periods, customary for a secondary offering by a selling stockholder. The costs of the registration (other than underwriting discounts, fees and commissions) shall be paid by HSNi. HSNi shall not be required to register such shares if the Stockholder would be permitted to sell the HSNi Shares and/or Additional HSNi Shares in the quantities proposed to be sold and at such time under Rule 144 of, or other exemption from, the Securities Act.

(b) If HSNi and the Stockholder cannot agree as to what constitutes customary terms within 10 days of the Stockholder's request for registration (whether in a Demand Registration or a piggyback registration), then such determination shall be made by a law firm of national reputation mutually acceptable to HSNi and the Stockholder.

Section 5.03. HSR Filings. Following the date hereof, the

Stockholder and HSNi shall, and the Stockholder shall use all reasonable efforts to cause the Company to, file promptly any forms required under applicable law and take any other action reasonably requested in connection with obtaining the expiration or termination of the waiting period under the HSR Act.

Section 5.04. Access to Information. (a) From the date

hereof until the Closing, (i) the Stockholder shall use all reasonable efforts to cause the Company and its Subsidiaries and each of the Company's and its Subsidiaries' officers, directors, employees, agents, representatives, accountants and counsel (collectively, "Representatives") to, and (ii) HSNi and its Subsidiaries and each of

HSNi's and its Subsidiaries' Representatives shall: (x) afford the officers, employees and authorized agents, accountants, counsel

and representatives of the other party reasonable access to its offices, properties, plants, other facilities, books and records and to those officers, directors, employees, agents, accountants and counsel who have any knowledge relating to its business and (y) furnish to the officers, employees and authorized agents, accountants, counsel and representatives of the other party such additional financial and operating data and other information regarding its assets, properties and goodwill as the other party may from time to time reasonably request. All information obtained by a party or its Representatives pursuant to this Section 5.04 shall be kept confidential in accordance with the provisions of Article XII hereof.

Section 5.05. Further Action. Each of the parties hereto

shall use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable law, and execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement (including, without limitation, promptly preparing, filing with the Commission and mailing to stockholders, in the case of HSNi, the Information Statement and, in the case of the Stockholder (and to the extent required), the Company Information Statement). HSNi and the Stockholder shall, and the Stockholder shall use all reasonable efforts to cause the Company to (a) cooperate with the parties hereto in order to obtain any consents (including, without limitation, the Bank Consent) required to be obtained or to otherwise take action to effectuate the transactions contemplated hereby (including without limitation refinancing the Credit Agreement on terms reasonably acceptable to the Company and HSNi (the "Bank Refinancing") if the Bank Consent is not obtained) and (b) take such action as is required so as to cause the representations and warranties made by such party to be true at and as of the Closing, the covenants contained herein to be complied with and the conditions to the parties' obligations to proceed to the Closing to be satisfied.

Section 5.06. Conduct of Business. Except as contemplated by

this Agreement, during the period from the date of this Agreement to the Closing, the Stockholder shall use all reasonable efforts to cause the Company and its Subsidiaries to carry on their businesses in the ordinary course consistent with past practice and in compliance in all material respects with all applicable laws and regulations and, to the extent consistent therewith, shall use all reasonable

efforts to preserve intact their current business organizations, use reasonable efforts to keep available the services of their current officers and other key employees and preserve their relationships with those persons having business dealings with them to the end that their goodwill and ongoing businesses shall be unimpaired at the Closing. Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Closing, the Stockholder shall use all reasonable efforts to cause the Company and its Subsidiaries not to (without the consent of HSNi) take any action that would cause the representations and warranties made in paragraphs (a) through (j) of Section 3.12 to be untrue. In addition, as an accommodation to HSNi to facilitate an orderly transition, the Stockholder will continue to serve as Chairman of the Company for a period not to exceed six months following the Closing.

Section 5.07. Tag-Along Rights. HSNi hereby confirms that it

has been informed of the "Tag-Along Rights" provided for in the Shareholders Agreement and hereby agrees, subject to the accuracy of the last two sentences of Section 3.05(b) of this Agreement, to purchase shares of Common Stock from those Company shareholders who exercise their "Tag-Along Rights" in accordance with the terms of the Shareholders Agreement and will provide demand registration rights to such holders on the basis of one demand registration right for each 4,000,000 shares of Common Stock sold to HSNi pursuant to such tag-along right. In addition, to the extent any such exchanging holder receives under this Agreement more than 1% of HSNi's outstanding equity securities, such holder shall be permitted to "piggyback" on any demand registration by the Stockholder if at the time thereof such holder cannot sell his or its HSNi shares received pursuant to his or its tag-along right under Rule 144 under the Securities Act (or its equivalent) without volume limitation. The Stockholder shall be solely responsible for giving notices to such holders in connection with any such registration.

Section 5.08. Stockholders Agreement. In connection with the

Closing, the Stockholder shall enter into the Stockholders Agreement attached hereto as Exhibit A (the "Stockholders Agreement") with the

parties thereto. HSNi shall use all reasonable efforts to cause Diller and Liberty Media Corporation to enter into the Stockholders Agreement.

ARTICLE VI

DIRECTORS

Section 6.01. Director Election. Prior to the Closing, the

Stockholder shall use all reasonable efforts to cause the directors of the Company and the Company to exercise all authority under applicable law (including, without limitation, if required, preparing, filing and mailing to the Company's stockholders an information statement (the "Company Information Statement") in accordance with Rule 14F-1 under

the Exchange Act) so that, effective upon the Closing, the Board of Directors of the Company shall consist of up to a majority of persons designated by HSNi (the precise number of which shall be determined by HSNi). Such designees shall be reasonably satisfactory to the Company's directors in the exercise of their fiduciary duties to the Company's stockholders. HSNi shall cooperate with the Company and shall provide to the Company the information required to be contained in the Company Information Statement, to the extent the Company Information Statement is required under the Exchange Act, concerning the persons proposed by HSNi to serve as Company directors.

Section 6.02. HSNi Director Appointment. Prior to the

Closing, HSNi shall take such action under applicable law so that, effective upon the Closing, the Stockholder shall be elected to serve as a director of HSNi. Subject to applicable law (including the rules and regulations of the FCC), so long as the Stockholder has not disposed of one-third or more of the HSNi Shares acquired hereunder (appropriately adjusted for stock splits, stock dividends, combinations, reorganizations and the like), other than to his Permitted Transferees (provided that at all times the Stockholder is the beneficial owner of at least 5% of HSNi's outstanding equity securities (assuming for this purpose that all HSNi equity securities issuable under the Liberty Agreements are outstanding)), HSNi shall take all necessary action to cause the Stockholder (or a designee of the Stockholder acceptable to HSNi) to be included in the slate of nominees recommended by the HSNi Board and shall use all reasonable efforts to cause the election of the Stockholder or such designee.

ARTICLE VII

CLOSING; SECOND CLOSING

Section 7.01. Closing. Subject to the provisions of Articles

VIII and IX hereof and unless otherwise agreed by the parties, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Wachtell, Lipton, Rosen &

Katz, 51 W. 52nd Street, New York, New York at 10:00 a.m., Eastern time, on July 9, 1997; provided, however, that if the conditions set

forth in Sections 8.03, 8.05, 8.09, 9.06, 9.07 and 9.08 shall not have been satisfied or, where legally permissible, waived by such date, the Closing shall occur on the second Business Day after the last of such conditions has been satisfied or waived, at such time and place as is specified above. The date of the Closing is referred to in this Agreement as the "Closing Date."

Section 7.02. Deliveries. At or prior to the Closing, the

parties shall deliver all documents, instruments, certificates and writings required to be executed and delivered by them at or prior to the Closing pursuant to this Agreement.

Section 7.03. Second Closing. If an adjustment in the number

of HSNi Shares to be delivered in the Exchange is required to be made under Section 2.02(b), a second closing (the "Second Closing") shall

take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 W. 52nd Street, New York, New York at 10:00 a.m., Eastern time, on the fifth Business Day following the determination of the number of Additional HSNi Shares to be delivered in accordance with Section 2.02(b).

Section 7.04. Deliveries at Second Closing. At the Second

Closing, HSNi shall deliver to the Stockholder, against receipt therefor, certificates representing the Additional HSNi Shares and/or the FCC Excess Shares bearing a legend as set forth in Section 3.06.

ARTICLE VIII

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF
THE STOCKHOLDER TO EXCHANGE, SELL AND DELIVER THE SHARES

The obligations hereunder of the Stockholder to exchange, sell and deliver the Shares to HSNi, and accept delivery of the HSNi Shares, are subject to the satisfaction,

at or before the Closing, of each of the following conditions set forth in Section 8.01 through Section 8.10 below. These conditions are for the Stockholder's sole benefit and may be waived by the Stockholder (in whole or in part) at any time in his sole discretion.

Section 8.01. Accuracy of HSNi's Representations and

Warranties. The representations and warranties of HSNi contained in

Article IV hereof shall be true and correct as of the date when made and as of the Closing Date, as though made on such date (except that representations and warranties made as of a specific date need be true and correct only as of such date), and the Stockholder shall have received a certificate attesting thereto signed by a duly authorized officer or agent of HSNi.

Section 8.02. Performance by HSNi. HSNi shall have

performed, satisfied and complied with, in all material respects, all covenants, agreements, and conditions required by this Agreement to be performed, satisfied or complied with by it on or prior to the Closing Date, and the Stockholder shall have received a certificate attesting thereto signed by a duly authorized officer or agent of HSNi.

Section 8.03. HSR Act. The waiting periods under the HSR Act

applicable to the Stockholder's acquisition of the HSNi Shares and to HSNi's acquisition of the Shares shall have expired or have been earlier terminated.

Section 8.04. No Injunction. No temporary, preliminary or

permanent injunction or any order by any federal or state court of competent jurisdiction shall have been issued which prohibits or otherwise seeks to prohibit, restrain, enjoin or delay the consummation of any of the transactions contemplated by this Agreement.

Section 8.05. Information Statements. Twenty calendar days

shall have elapsed from the mailing of the Information Statement to HSNi stockholders, and, if required under the Exchange Act, 10 calendar days shall have elapsed from the mailing of the Company Information Statement to the Company's stockholders.

Section 8.06. Stockholders Agreement. The Stockholders

Agreement shall be executed and delivered by Diller and Liberty Media Corporation.

Section 8.07. No Adverse Action or Decision. There shall be

no action, suit, investigation or proceeding

pending with, or to the knowledge of the Stockholder, threatened by, any public or governmental authority, against or affecting HSNi or the Stockholder or their respective properties or rights, before any court, arbitrator or administrative or governmental body which (a) seeks to restrain, enjoin or prevent the consummation of the transactions contemplated by this Agreement, or (b) challenges the validity or legality of any transactions contemplated by this Agreement or seeks to recover damages or to obtain other relief in connection with any such transactions.

Section 8.08. No Material Adverse Effect.

(a) There shall not have occurred and there shall not otherwise exist any condition, event or development having, or likely to have (in the reasonable judgment of the Stockholder), a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole.

(b) Diller shall not have ceased serving HSNi as its Chief Executive Officer and Chairman of the Board.

Section 8.09. Approvals and Consents. HSNi shall have duly

obtained, received or effected (and all applicable waiting and termination periods, if any, including any extensions thereof, under any applicable law, statute, regulation or rule shall have expired or terminated) all authorizations, consents, approvals, licenses, franchises, permits and certificates by or of, and shall have made all filings and effected all notifications, registrations and qualifications with, all federal, state and local governmental and regulatory authorities necessary for the consummation of the transactions contemplated hereby. The Bank Consent shall have been obtained or, in lieu thereof, the Bank Refinancing shall have been effected.

Section 8.10. Proceedings. All corporate and other

proceedings to be taken by HSNi in connection with the transactions contemplated by this Agreement and all documents reflecting or evidencing such proceedings shall be reasonably satisfactory in scope, form and substance to the Stockholder and his legal counsel, and the Stockholder and his legal counsel shall have received all such duly executed counterpart originals or certified or other copies of such documents and instruments as they may reasonably request.

ARTICLE IX

CONDITIONS PRECEDENT TO THE OBLIGATIONS
OF HSNi TO EXCHANGE, ISSUE AND DELIVER THE SHARES

The obligations of HSNi hereunder to exchange, issue and deliver the HSNi Shares, and accept delivery of the Shares, are subject to the satisfaction, at or before the Closing, of each of the following conditions set forth in Section 9.01 through Section 9.08 below. These conditions are for HSNi's sole benefit and may be waived (in whole or in part) at any time in its sole discretion.

Section 9.01. Accuracy of the Stockholder's Representations

and Warranties. The representations and warranties of the Stockholder

contained in Article III hereof shall be true and correct as of the date when made and as of the Closing Date, as though made on such date (except that representations and warranties made as of a specific date need be true and correct only as of such date), and HSNi shall have received a certificate attesting thereto signed by the Stockholder.

Section 9.02. Performance by the Stockholder. The

Stockholder shall have performed, satisfied and complied with, in all material respects, all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with on or prior to the Closing Date, and HSNi shall have received a certificate attesting thereto signed by the Stockholder.

Section 9.03. No Adverse Action or Decision. There shall be

no action, suit, investigation or proceeding pending with, or to the knowledge of HSNi, threatened by, any public or governmental authority, against or affecting the Company or its properties or rights, before any court, arbitrator or administrative or governmental body which (a) seeks to restrain, enjoin or prevent the consummation of the transactions contemplated by this Agreement, or (b) challenges the validity or legality of any transactions contemplated by this Agreement or seeks to recover damages or to obtain other relief in connection with any such transactions.

Section 9.04. No Material Adverse Effect. There shall not

have occurred and there shall not otherwise exist any condition, event or development having, or likely to have (in the reasonable judgment of HSNi), a Material Adverse Effect on the Company and its Subsidiaries considered as a whole.

Section 9.05. No Injunction. No temporary, preliminary or

permanent injunction or any order by any federal or state court of competent jurisdiction shall have been issued or threatened which prohibits or otherwise seeks to prohibit, restrain, enjoin or delay the consummation of any of the transactions contemplated by this Agreement.

Section 9.06. Approvals and Consents. The Company and the

Stockholder, as applicable, shall have duly obtained, received or effected (and all applicable waiting and termination periods, if any, including any extensions thereof, under any applicable law, statute, regulation or rule, shall have expired or terminated) all authorizations, consents, approvals, licenses, franchises, permits and certificates by or of, and shall have made all filings and effected all notifications, registrations and qualifications with, all federal, state and local governmental and regulatory authorities necessary for the consummation of the transactions contemplated hereby. The Bank Consent shall have been obtained or, in lieu thereof, the Bank Refinancing shall have been effected.

Section 9.07. HSR Act. The waiting periods under the HSR Act

applicable to the Stockholder's acquisition of the HSNi Shares and to HSNi's acquisition of the Shares shall have expired or have been earlier terminated.

Section 9.08. Information Statements. Twenty calendar days

shall have elapsed from the mailing of the Information Statement to HSNi stockholders, and, if required under the Exchange Act, 10 calendar days shall have elapsed from the mailing of the Company Information Statement to the Company's stockholders.

Section 9.09. Proceedings. All corporate and other

proceedings to be taken by the Company in connection with the transactions contemplated by this Agreement and all documents reflecting or evidencing such proceedings shall be reasonably satisfactory in scope, form and substance to HSNi and its legal counsel, and HSNi and its legal counsel shall have received all such duly executed counterpart originals or certified or other copies of such documents and instruments as they may reasonably request.

ARTICLE X

TERMINATION; EXPENSES

Section 10.01. Termination by Mutual Written Consent. This

Agreement may be terminated and the transactions

contemplated hereby may be abandoned, for any reason, at any time prior to the Closing Date, by the mutual written consent of the Stockholder and HSNi.

Section 10.02. Termination by the Stockholder or HSNi. This

Agreement may be terminated and the transactions contemplated hereby may be abandoned by action of the Stockholder or HSNi if and to the extent that (a) the Closing shall not have occurred at or prior to 5:00 p.m., Eastern time, on December 31, 1997; provided, however, that the

right to terminate this Agreement under this Section 10.02 shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date; or (b) any court or governmental authority of competent jurisdiction shall have issued an order, decree, writ or ruling or taken any other action, or there shall be in effect any statute, rule or regulation, temporarily, preliminarily or permanently restraining, enjoining or otherwise prohibiting the Exchange or the consummation of the transactions contemplated by this Agreement.

Section 10.03. Termination by HSNi. This Agreement may be

terminated and the transactions contemplated hereby may be abandoned by action of HSNi, if (a) the Stockholder shall have failed to comply in any material respect with any of the covenants or agreements contained in this Agreement to be complied with or performed by the Stockholder at or prior to such date of termination, and the Stockholder shall not, within a reasonable period of time after notice of such failure, have cured or commenced prompt and diligent measures which would promptly cure such failure, (b) there shall have been a misrepresentation or breach by the Stockholder with respect to any representation or warranty made by him in this Agreement which would entitle HSNi not to consummate the transactions contemplated hereby under Article IX and such misrepresentation or breach cannot be cured prior to the Closing Date, or (c) there shall have occurred and be continuing any condition, event or development having, or reasonably likely to have, a Material Adverse Effect on the Company and its Subsidiaries considered as a whole.

Section 10.04. Termination by the Stockholder. This

Agreement may be terminated and the transactions contemplated hereby may be abandoned by action of the Stockholder, at any time prior to the Closing Date, if (a) HSNi shall have failed to comply in any material respect with any of the covenants or agreements contained in this Agreement to be complied with or performed by HSNi at or prior to such date of termination and HSNi shall not, within a reasonable period of

time after notice of such failure, have cured or commenced prompt and diligent measures which would promptly cure such failure, (b) there shall have been a misrepresentation or breach by HSNi with respect to any representation or warranty made by it in this Agreement which would entitle the Stockholder not to consummate the transactions contemplated hereby under Article VIII and such misrepresentation or breach cannot be cured prior to the Closing Date, (c) there shall have occurred and be continuing any condition, event or development having, or reasonably likely to have, a Material Adverse Effect on HSNi and its Subsidiaries considered as a whole, or (d) Diller shall have ceased serving HSNi as its Chief Executive Officer and Chairman of the Board.

Section 10.05. Expenses. Except as provided in Section 3.7

hereof, each party shall be responsible for the payment of any expenses incurred by such party (including fees and expenses of counsel) incurred in connection with this Agreement and the transactions contemplated hereby.

ARTICLE XI

SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

Except as set forth below in the proviso to this Article XI, the representations and warranties of the parties set forth in this Agreement shall not survive the Closing Date; provided, however, that

(a) the representations and warranties of the Stockholder set forth in Sections 3.03, 3.05, 3.06 and 3.07 of this Agreement shall survive the Closing Date indefinitely, and (b) the representations and warranties of HSNi set forth in Sections 4.03, 4.05, 4.06 and 4.07 of this Agreement shall survive the Closing Date and continue indefinitely. All covenants of the parties contained in this Agreement that contemplate action following the Closing shall survive the Closing; all other covenants shall terminate at the Closing.

ARTICLE XII

CONFIDENTIALITY

Each party hereto agrees that any nonpublic information heretofore delivered, provided or made available to it or to be provided to it in the future, shall not be used to the detriment of HSNi, the Company or any of their respective Subsidiaries or their business or operations and shall be

kept confidential and not disclosed to any third party; provided,

however, that disclosure of such information may be made (a) to any

officers, directors, general partners, representatives, shareholders, agents, employees, Affiliates and Associates of the person receiving such information who agree to keep the nonpublic information confidential to the same extent and degree as provided herein, or (b) to the extent the same: (i) shall be or hereinafter become publicly available other than as a result of a disclosure by the party receiving such information; (ii) was lawfully available to the party receiving such information prior to its having received such information; (iii) becomes available to the party receiving such information from a source other than the party providing such information, provided such source is not known to the receiving party to be bound by a duty of confidentiality to the party providing such information; or (iv) shall be required to be disclosed by law or during the course of or in connection with any litigation or other proceeding, provided that the party so required to make disclosure shall notify the party provided such information of its obligation to disclose such information and shall fully cooperate with the party which provided such information in order to protect such confidentiality, or (c) by any party in connection with the enforcement of its rights hereunder (to the minimum extent necessary to enforce such rights, as determined in good faith by the party seeking to enforce such right).

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices. Except as otherwise provided

herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and either shall be delivered in person with receipt acknowledged or sent by registered or certified mail, return receipt requested, postage prepaid, or by overnight mail or courier, or delivery service or by telecopy and confirmed by telecopy answerback, addressed as follows:

(a) If to the Stockholder, to:

Paul G. Allen
c/o William Savoy
110 110th Avenue, NE
Suite 500
Bellevue, Washington 98004
Telephone: (206) 453-1940
Telecopy: (206) 453-1985

With a copy to:

Irell & Manella
1800 Avenue of the Stars
Suite 900
Los Angeles, California 90067
Telephone: (310) 203-7069
Telecopy: (310) 282-5669

Attention: Al Segel

(b) If to HSNi, to:

HSN, Inc.
2501 118th Avenue North
St. Petersburg, Florida 33716
Telephone: (813) 572-8585
Telecopy: (813) 556-6882

Attention: James G. Gallagher

With a copy to:

Wachtell, Lipton, Rosen & Katz
51 W. 52nd Street
New York, New York 10019
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

Attention: Pamela S. Seymon

or at such other address as may be substituted by notice given as herein provided. The furnishing of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on (A) the date on which personally delivered, with receipt acknowledged, (B) the date on which telecopied and confirmed

by telecopy answerback, (C) the next Business Day if delivered by overnight or express mail, courier or delivery service, or (D) three Business Days after the same shall have been deposited in the United States mail, as the case may be. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to the persons designated above to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

Section 13.02. Entire Agreement. This Agreement

(together with the annex, schedules and exhibits hereto which are incorporated by reference herein) together with the Stockholders Agreement represent the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes any and all prior oral and written agreements, arrangements and understandings among the parties hereto with respect to such subject matter, and can be amended, supplemented or changed, and any provision hereof can be waived, only by a written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

Section 13.03. Successors and Assigns. This Agreement

shall be binding upon the parties hereto and their respective successors and permitted assigns. Neither the Stockholder nor HSNI may assign its rights hereunder without the prior written consent of the other party hereto.

Section 13.04. Paragraph Headings. The paragraph headings

contained in this Agreement are for general reference purposes only and shall not affect in any manner the meaning or interpretation of the terms or other provisions of this Agreement.

Section 13.05. Reasonable Efforts. Whenever in this

Agreement the Stockholder is required to use all reasonable efforts to cause the Company to take or refrain from taking any action, the Stockholder shall not be required to breach his fiduciary duties to the Company in causing the Company to take or refrain from taking such action. Notwithstanding the foregoing, in the event the Company fails to comply with the covenants contained herein despite the Stockholder's efforts, for purposes of HSNI's rights under this Agreement, such failure shall be a breach of the applicable covenant, permitting, to the full extent of HSNI's rights under this Agreement, HSNI to terminate this Agreement, and there shall be no liability on the part of the

Stockholder for the Company's failure (provided the Stockholder acts in good faith).

Section 13.06. Applicable Law. This Agreement shall

be governed by, construed and enforced in accordance with the laws of the State of New York, applicable to contracts to be made, executed, delivered and performed wholly within such state, and in any case, without regard to the conflicts of law principles of such state.

Section 13.07. Severability. If at any time subsequent to the

date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

Section 13.08. Equitable Remedies. The parties hereto

agree that irreparable harm would occur in the event that any of the covenants contained in this Agreement were not performed in all material respects by the parties hereto in accordance with their specific terms or conditions or were otherwise breached, and that money damages are an inadequate remedy for breach thereof because of the difficulty of ascertaining and quantifying the amount of damage that will be suffered by the parties hereto in the event that such covenants are not performed in accordance with their terms or are otherwise breached. It is accordingly hereby agreed that the parties hereto shall be entitled to an injunction or injunctions to restrain, enjoin and prevent breaches and violations of any of the covenants contained in this Agreement by the other parties and to enforce specifically the terms and provisions hereof in any court of the United States or any state having competent jurisdiction, such remedy being in addition to and not in lieu of, any other rights and remedies to which the other parties are entitled to at law or in equity.

Section 13.09. No Waiver. The failure of any party at any

time or times to require performance of any provision hereof shall not affect the right at a later time to enforce the same. No waiver by any party of any condition, and no breach of any provision, term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

Section 13.10. Counterparts. This Agreement may be executed

in one or more counterparts, each of which shall be deemed an original,
but all of which together shall constitute but one and the same
original instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement, as of the day and year first above written.

PAUL G. ALLEN

By /s/ Paul G. Allen

William Savoy
Attorney in Fact

HSN, INC.

By /s/Victor Kaufman

Name: Office of the Chairman

HSN, INC. ACQUIRES CONTROLLING INTEREST IN TICKETMASTER GROUP, INC.; TICKETMASTER RECONSTITUTES BOARD

ST. PETERSBURG, Fla., and LOS ANGELES, July 17 /PRNewswire/ -- HSN, inc. (Nasdaq:HSNI) announced today that it has consummated the previously announced agreement to acquire Paul G. Allen's interest in Ticketmaster Group, Inc., (Nasdaq:TKTM) in a stock-for-stock transaction. The shares issued by HSNi to Mr. Allen represent approximately 11% of HSNi's equity after giving effect to the transaction. HSNi issued approximately 7.2 million shares to Mr. Allen in exchange for approximately 12.3 million of his common shares of Ticketmaster, representing approximately 49.6% of the currently outstanding Ticketmaster equity securities. In connection with the closing, Mr. Allen, Fredric D. Rosen and William Savoy joined the HSNi Board of Directors.

Also, in connection with the closing, Barry Diller, Chairman and Chief Executive Officer of HSN, inc., and James Held, President and Chief Executive Officer of Home Shopping Network, Inc. and Vice Chairman of HSN, inc., joined the Ticketmaster Board of Directors. In addition, Ticketmaster announced that Jonathan Dolgen, Chairman of Viacom Entertainment Group, and Peter Barton, President of Barton and Associates, have joined the Ticketmaster Board as outside directors. Charles Gerber, Terence Strom and David Liddle resigned from the Ticketmaster Board. Mr. Allen continues as Chairman and Mr. Rosen continues as President and Chief Executive Officer of Ticketmaster Group, Inc.

HSN, inc. is the parent company to Home Shopping Network, Silver King Broadcasting and SF Broadcasting, and has home shopping joint ventures in Germany and Japan. The Home Shopping Network, which pioneered the television shopping industry in 1982, currently reaches 70 million households via cable and broadcast station affiliates and also owns the Internet Shopping Network. Silver King Broadcasting, the sixth-largest television broadcast group in the nation, owns and operates 12 independent full-power UHF stations in 11 major markets and holds minority interest in stations in six major markets. SF Broadcasting owns and operates VHF Fox affiliates in Honolulu, New Orleans, Mobile, Alabama and Green Bay, Wisconsin.

Ticketmaster is the world's leading computerized ticketing service, selling over 70 million tickets a year through approximately 2,900 retail center outlets, 25 telephone call centers and Ticketmaster's Internet site.

Contact: Jennifer Goebel of HSN, inc., 212-247-5823; or Susan Pierson of Vulcan Northwest, 206-453-1940; or George Sard or Debbie Miller of Sard Verbinnen & Co., 212-687-8080

STOCKHOLDERS AGREEMENT

This Stockholders Agreement is made and entered into as of May 20, 1997 by and among Paul G. Allen, an individual ("ALLEN"); Barry Diller, an individual ("DILLER"), on behalf of himself and his Affiliates (as defined below) (including, without limitation, Arrow Holdings, LLC, BDTV, Inc. and BDTV II, Inc.); and Liberty Media Corporation, a Delaware corporation ("LIBERTY"), on behalf of itself and its Affiliates (including, without limitation, Liberty HSN, Inc.).

WHEREAS, pursuant to a Stock Exchange Agreement, dated May 20, 1997, between Allen and HSN, Inc., a Delaware corporation (the "COMPANY") (the "EXCHANGE AGREEMENT"), Allen will acquire shares of HSNi Common Stock, as defined below;

WHEREAS, Diller and Liberty and their respective Affiliates collectively have "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of an aggregate number of shares of HSNi Common Stock and HSNi Class B Common Stock, as defined below, which represent over 50% of the total voting power of the outstanding Voting Stock of the Company; and

WHEREAS, Allen, Diller and Liberty desire to enter into this Agreement to set forth their respective rights and obligations with respect to certain matters relating to their shares of Common Stock (as defined below).

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Definitions. As used in this Agreement, the following terms

shall have the following meanings:

"Affiliate" of a specified person shall mean any other person directly or indirectly controlling or controlled by or under direct common control with such specified person. For purposes of this definition, "control," when used with respect to any person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Board of Directors" shall mean the Board of Directors of the Company.

"Common Stock" shall mean and include, without limitation, (i) the HSNi Common Stock; (ii) the HSNi Class B Common Stock; (iii) any security or other instrument (A) received as a dividend on, or other payment made to holder of, the Common Stock (or any security or other instrument referred to in this definition); (B) issued in connection with a split of the Common Stock (or any security or other instrument referred to in this definition) or as a result of any exchange or reclassification of the Common Stock (or any security or other instrument referred to in this definition)

or (C) issued as a result of any consolidation, merger or other event which results in the conversion or exchange of the Common Stock (or any security or other instrument referred to in this definition); and (iv) any option, warrant or right to acquire the Common Stock (or any security or other instrument referred to in this definition).

"HSNi Common Stock" shall mean common stock, par value \$.01 per share of the Company.

"HSNi Class B Common Stock" shall mean Class B common stock, par value \$.01 per share of the Company.

"Permitted Transferee" shall mean, with respect to Allen, (i) an Affiliate of Allen in which Allen is the sole equity owner, (ii) Allen's spouse, parents, members of his immediate family or his lineal descendants or to a trust the beneficiary of which is any of such persons, (iii) any of Allen's executors, administrators, testamentary trustees, legatees or beneficiaries named by will or by the laws of intestate succession or (iv) any investment fund, investment account or investment entity whose investment manager, investment advisor, general partner or managing member is Allen or a Permitted Transferee of Allen and such manager, advisor, partner or member has sole voting power with respect to the HSNi Common Stock so transferred by Allen.

"Person" or "person" shall mean an individual, trustee, corporation, partnership, limited liability company, joint stock company, trust, unincorporated association, union, business association, firm or other entity.

"Voting Stock" shall mean all capital stock of the Company that by its terms may be voted on all matters submitted to the stockholders of the Company generally.

Section 2. Voting Agreement Relating to Election of Directors.

At all times after the date of this Agreement, (i) Allen shall be entitled to nominate Allen (or a designee of his acceptable to the Company) in each election of the Company's directors or, if the Company shall have a staggered Board of Directors, in each election in which Allen or his designee would stand for re-election upon the expiration of his or her term as a director of the Company, (ii) each of Diller and Liberty agrees, and agrees to cause each of his

or its respective Affiliates, to vote all shares of Voting Stock over which he or it may then exercise voting power, at any annual or special meeting of stockholders of the Company called for the purpose of the election of directors or to execute written consents of stockholders without a meeting with respect to the election of directors, in favor of Allen or his designee (or, if necessary, to cause his or its designee or designees on the Board of Directors of the Company, if any, to vote in favor of the election of Allen or his designee) and (iii) each of Diller and Liberty shall, and shall cause his or its respective Affiliates to, take whatever other action is reasonably necessary to ensure that the Board of Directors shall at all times include Allen or his designee as a member (including voting all shares of Voting Stock over which he or it may the exercise voting power to ensure that the

Company's charter and bylaws do not at any time conflict with the provisions of this Agreement), subject to applicable law. Allen or his designee shall not be removed except for cause or with the consent of Allen. Upon any such removal for cause or with the consent of Allen, Allen shall have the right to designate a replacement director.

Nothing in this Agreement shall be construed as requiring that Allen or his designee be counted as one of the directors that Diller or Liberty would be entitled to designate under the Stockholders Agreement dated as of August 24, 1995, as amended, by and between Diller and Liberty following a "Restructuring Transaction" or a "Change in Law" (as such terms are defined in such Stockholders Agreement).

This Agreement shall terminate upon the disposition by Allen and his Permitted Transferees collectively, in one or more transactions, to third parties (other than Permitted Transferees) of one-third or more of the shares of HSNi Common Stock (as adjusted for stock splits, stock dividends, combinations, reorganizations and the like) acquired by Allen in the first closing of the Exchange Agreement; provided, however, that this Agreement shall terminate

earlier if Allen and his Permitted Transferees do not beneficially own at least 5% of the Company's outstanding equity securities (assuming for this purpose that all Company equity securities issuable under the Liberty Agreements (as defined in the Exchange Agreement) are outstanding).

Section 3. Miscellaneous.

(a) Effective Time of this Agreement. This Agreement shall become effective upon the first closing of the Exchange Agreement. If the Exchange Agreement is terminated for any reason, this Agreement shall also terminate.

(b) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN THE STATE OF DELAWARE.

(c) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto.

(d) Amendments and Waivers. This Agreement may be amended, waived or modified only with the written consent of each of the parties hereto. Any amendment that shall be so consented to shall be effective and binding on all of the parties hereto.

(e) Specific Enforcement. Each of the parties hereto acknowledges and agrees that (i) monetary damages would be an inadequate remedy for a breach of any of the provisions of this Agreement, (ii) the other parties shall therefore be entitled to specific performance of its rights under this Agreement and (iii) in the event of any action for specific performance it shall waive the defense that a remedy at law would be adequate.

(f) Attorneys' Fees. In any action or proceeding brought to enforce any

provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to its cost and expense and any other available remedy.

(g) Severability. If any term, provision, covenant or restriction of this

Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction.

(h) Counterparts. This Agreement may be executed in any number of

counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) Entire Agreement. This Agreement is intended by the parties as a final

expression of their agreement, and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings among the parties with respect to such subject matter.

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

/s/ Paul G. Allen

Paul G. Allen
Attorney-in-Fact

/s/ Barry Diller

Barry Diller

Liberty Media Corporation,
a Delaware Corporation

By: /s/ Robert R. Bennett

Robert R. Bennett

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Ticketmaster Group, Inc.:

We have audited the accompanying consolidated balance sheets of Ticketmaster Group, Inc. and subsidiaries as of January 31, 1996 and 1997 and the related consolidated statements of operations, shareholders' equity (deficiency), and cash flows for each of the years in the three year period ended January 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ticketmaster Group, Inc. and subsidiaries as of January 31, 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three year period ended January 31, 1997 in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Los Angeles, California
March 12, 1997, except for Notes 13 and 14,
which are as of April 17, 1997

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TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

	JANUARY 31,	
	1996	1997
Current assets:		
Cash and cash-equivalents.....	\$ 34,004	\$ 60,880
Accounts receivable, ticket sales.....	8,644	12,014
Accounts receivable, other.....	3,783	8,884
Inventory.....	623	4,093
Prepaid expenses.....	5,491	8,079
	-----	-----
Total current assets.....	52,545	93,950
Property, equipment and leasehold improvements, net.....	12,776	32,923
Investments in and advances to affiliates.....	9,784	7,308
Cost in excess of net assets acquired, net.....	13,645	65,074
Intangible and other assets, net.....	11,447	26,031
Deferred income taxes, net.....	5,200	3,948
	-----	-----
	\$ 105,397	\$ 229,234
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current liabilities:		
Current portion of long-term debt.....	\$ 45	\$ 190
Accounts payable, trade.....	5,352	10,767
Accounts payable, clients.....	31,318	35,842
Accrued expenses.....	6,691	16,863
Deferred revenue.....	5,165	9,233
	-----	-----
Total current liabilities.....	48,571	72,895
Long-term debt, net of current portion.....	159,864	127,514
Deferred rent and other.....	3,627	7,400
Minority interests.....	1,128	80
Shareholders' equity (deficiency):		
Preferred stock.....	--	--
Common stock, no par value, authorized 80,000,000 shares, issued and outstanding 15,310,405 and 24,739,715 shares at January 31, 1996 and 1997, respectively.....	--	--
Additional paid-in capital.....	--	127,466
Cumulative currency translation adjustment.....	--	(53)
Accumulated deficit.....	(107,793)	(106,068)
	-----	-----

Total shareholders' equity (deficiency).....	(107,793)	21,345
	-----	-----
	\$ 105,397	\$ 229,234
	=====	=====

See notes to consolidated financial statements.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED JANUARY 31,		
	1995	1996	1997
Revenue:			
Ticketing operations.....	\$ 176,989	\$ 154,851	\$ 205,491
Concession control systems.....	--	--	12,401
Publications.....	4,640	4,198	10,769
Merchandising.....	1,321	2,201	2,300
	<u>182,950</u>	<u>161,250</u>	<u>230,961</u>
Operating costs, expenses and other items:			
Ticketing operations.....	112,695	97,147	122,243
Ticketing selling, general and administrative.....	28,917	27,748	35,789
Concession control systems operations.....	--	--	7,377
Concession control systems selling, general and administrative.....	--	--	5,995
Publications.....	2,908	9,129	17,965
Merchandising.....	1,222	1,891	2,141
Corporate general and administrative.....	13,722	14,758	16,849
Write off of in process research and development.....	7,500	--	--
Depreciation.....	4,614	4,868	6,714
Amortization of goodwill.....	1,858	1,925	2,356
Amortization of other.....	6,829	2,532	3,474
Equity in net income of unconsolidated affiliates....	(1,360)	(1,458)	(3,605)
Operating income.....	<u>4,045</u>	<u>2,710</u>	<u>13,663</u>
Other (income) expenses:			
Interest expense, net.....	12,409	12,782	11,508
Minority interests.....	984	273	300
Gain on sale of unconsolidated affiliate.....	--	--	(3,195)
Income (loss) before income taxes.....	<u>(9,348)</u>	<u>(10,345)</u>	<u>5,050</u>
Income tax provision (benefit).....	<u>(2,670)</u>	<u>(2,250)</u>	<u>3,258</u>
Net income (loss).....	<u>\$ (6,678)</u>	<u>\$ (8,095)</u>	<u>\$ 1,792</u>
Net income (loss) per share.....	<u>\$ (0.44)</u>	<u>\$ (0.53)</u>	<u>\$ 0.10</u>
Weighted average number of common shares outstanding...	<u>15,310,405</u>	<u>15,310,405</u>	<u>17,243,626</u>

See notes to consolidated financial statements.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	PREFERRED STOCK	COMMON STOCK, NO PAR		ADDITIONAL PAID-IN CAPITAL	CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS/ (ACCUMULATED DEFICIT)	TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)
	NO PAR (NUMBER OF SHARES) REDEEMABLE/ CONVERTIBLE	(NUMBER OF SHARES)					
		SERIES A	SERIES B				
BALANCE AT JANUARY 31, 1994.....	--	15,262,704	47,701	\$ --	\$ --	\$ (93,020)	\$ (93,020)
Common stock conversion.....	--	47,701	(47,701)	--	--	--	--
Net loss.....	--	--	--	--	--	(6,678)	(6,678)
BALANCE AT JANUARY 31, 1995.....	--	15,310,405	--	--	--	(99,698)	(99,698)
Net loss.....	--	--	--	--	--	(8,095)	(8,095)
BALANCE AT JANUARY 31, 1996.....	--	15,310,405	--	--	--	(107,793)	(107,793)
Foreign currency translation adjustment.....	--	--	--	--	(53)	--	(53)
Preferred Stock issued.....	1	--	--	27,000	--	--	27,000
Preferred Stock converted.....	(1)	1,862,069	--	--	--	--	--
Dividends on Preferred Stock...	--	--	--	--	--	(67)	(67)
Public sale of Common Stock at \$14.50 per share (IPO Price), net of expenses.....	--	7,250,000	--	95,866	--	--	95,866
Issuance of Common Stock for a Minority Interest.....	--	317,241	--	4,600	--	--	4,600
Net income.....	--	--	--	--	--	1,792	1,792
BALANCE AT JANUARY 31, 1997.....	--	24,739,715	--	\$127,466	\$ (53)	\$ (106,068)	\$ 21,345

See notes to consolidated financial statements.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED JANUARY 31,		
	1995	1996	1997
Cash flows from operating activities:			
Net income (loss).....	\$ (6,678)	\$ (8,095)	\$ 1,792
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	13,301	9,325	12,544
Income attributable to minority interests.....	984	273	300
Equity in net income of unconsolidated affiliates.....	(1,360)	(1,458)	(3,605)
Gain on sale of unconsolidated affiliate.....	--	--	(3,195)
Deferred income taxes.....	(4,200)	(1,830)	1,252
Changes in operating assets and liabilities net of effects from purchase of venturers' interests:			
Accounts receivable, ticket sales.....	1,797	3,385	(299)
Accounts receivable, other.....	(624)	(1,693)	(216)
Inventory.....	520	(223)	424
Prepaid expenses.....	(1,036)	393	(1,196)
Accounts payable, trade.....	(501)	1,783	457
Accounts payable, clients.....	7,632	(5,876)	(2,981)
Accrued expenses.....	4,036	(3,432)	3,653
Deferred revenue.....	(1,409)	3,090	2,149
Deferred rent and other.....	(153)	1,290	4,506
Net cash provided by (used in) operating activities.....	12,309	(3,068)	15,585
Cash flows from investing activities:			
Proceeds from sale of unconsolidated affiliate.....	--	--	6,600
Purchase of property, equipment and leasehold improvements.....	(6,838)	(3,644)	(21,796)
Payments for investments in affiliates.....	(2,586)	(7,736)	(4,309)
Cash distributions received from affiliates.....	4,060	5,760	3,240
Cost in excess of net assets acquired.....	(3,250)	(2,225)	--
Intangible and other assets.....	(5,939)	(1,607)	(305)
Purchase of minority interest for cash.....	--	--	(6,000)
Payment for acquisitions of venturers' and licensees interests, net of cash acquired.....	--	--	(21,182)
Net cash used in investing activities.....	(14,553)	(9,452)	(43,752)
Cash flows from financing activities:			
Net proceeds from IPO.....	--	--	95,866
Dividends paid.....	--	--	(67)
Proceeds from long-term debt.....	161,036	136,339	70,999
Reduction of long-term debt.....	(144,910)	(128,029)	(111,401)
Distributions to minority shareholders.....	(1,040)	(538)	(301)
Net cash provided by financing activities.....	15,086	7,772	55,096
Effect of exchange rate on cash and cash-equivalents.....	--	--	(53)
Net increase (decrease) in cash and cash-equivalents.....	12,842	(4,748)	26,876
Cash and cash-equivalents, beginning of year.....	25,910	38,752	34,004
Cash and cash-equivalents, end of year.....	\$ 38,752	\$ 34,004	\$ 60,880
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest.....	\$ 14,268	\$ 12,913	\$ 12,623
Income taxes.....	4,256	997	2,738

Supplemental schedule of noncash investing and financing activities:

During the fiscal year ended January 31, 1997, Ticketmaster acquired the 50% interest of its partners in the European and Indiana Joint Ventures and in the Pacer Joint Venture, the 20% interests of the minority shareholders in the Texas and Florida operations, and the license rights and related assets of its Delaware Valley (Philadelphia) licensee. In conjunction with the acquisitions, liabilities were assumed as follows:

Fair value of assets acquired.....	\$92,576
Cash paid for venturers' and licensee's interests.....	37,600
Stock issued for venturer's interest.....	31,600

	\$23,376
	=====

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Ticketmaster Group, Inc. and subsidiaries (the Company) is the leading provider of automated ticketing services in the United States with clients including the country's foremost entertainment facilities, promoters and professional sports franchises. The Company provides automated ticketing services to organizations that sponsor events which enable patrons alternatives to purchasing tickets through operator-staffed call centers, the Internet and independent sales outlets remote to the facility box office. On November 22, 1996 the Company completed its Initial Public Offering (IPO).

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and majority (80% or greater) owned companies and joint ventures. Investments in companies and joint ventures, which ownership interests range from 20-50% and in which the Company exercises significant influence over operating and financial policies, are accounted for using the equity method at cost plus advances, increased or decreased by the Company's share of earnings or losses, less dividends received. All significant intercompany balances and transactions have been eliminated.

REVENUE RECOGNITION

Revenue from ticket operations is recognized as tickets are sold. Revenue from all other sources are recognized either upon delivery or when the service is provided.

CASH AND CASH EQUIVALENTS

The Company classifies all highly liquid debt instruments purchased with an original maturity of three months or less as cash equivalents.

ACCOUNTS RECEIVABLE, TICKET SALES

Accounts receivable, ticket sales are principally from ticketing outlets and represent the face value of the tickets sold plus convenience charges, generally net of outlet commissions. The Company performs credit evaluations of new ticket outlets, which are reviewed and updated periodically, requiring collateral as circumstances warrant.

INVENTORY

Inventory, consisting primarily of systems hardware, maintenance parts and supplies, is stated at the lower of cost (first-in, first out) or market.

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets of three to forty years or, for leasehold improvements, the term of the lease, if shorter. When assets are retired or otherwise disposed of, the cost is removed from the asset account and the corresponding accumulated depreciation is removed from the related allowance account and any gain or loss is reflected in results of operations.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
COST IN EXCESS OF NET ASSETS ACQUIRED

The cost in excess of net assets acquired represents amounts allocated to goodwill through the purchase of other businesses, ticketing operations and minority interests and is being amortized by the straight-line method principally over terms ranging from five to thirty years.

ACCOUNTS PAYABLE, CLIENTS

Accounts payable, clients represents contractual amounts due to clients for tickets sold by the Company on behalf of the organizations that sponsor events.

DEFERRED REVENUE

Deferred revenue primarily consists of subscription revenue related to publications, maintenance revenue related to Concession Control Systems and sponsorship revenue related to ticketing operations. Deferred publications revenue is recognized pro rata on a monthly basis, over the life of the subscriptions. Costs in connection with the procurement of the subscriptions are charged to expense pro rata on a monthly basis, over the life of the subscriptions. Deferred maintenance revenue is recognized over the term (generally 1 year) of the agreements on a straight-line basis. Deferred sponsorship revenue and the related costs are recognized over the term of the agreements on a straight-line basis.

INCOME TAXES

Deferred tax assets and liabilities are recognized with respect to the tax consequences attributable to the differences between the financial statement carrying values and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Further, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements of foreign subsidiaries are translated into U.S. dollars. Gains and losses resulting from translation are accumulated in a separate component of shareholders' equity (deficiency) until the investment in the foreign entity is sold or liquidated. Gains and losses on currency transactions were immaterial for all years presented.

CONCENTRATION OF CREDIT RISK

The Company places its temporary cash investments principally in commercial paper with large domestic and international companies and limits the amount of credit exposure in any one company.

INCOME (LOSS) PER SHARE

Income (loss) per share is based on the weighted average number of Common Shares outstanding, as adjusted for the reverse stock split (note 8) for all years presented.

Pursuant to the requirements of the Securities and Exchange Commission, Common Shares and stock options issued by the Company during the twelve months immediately preceding an initial public offering have been included in the calculation of the weighted average shares outstanding as if they were outstanding for all periods presented using the treasury stock method.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FINANCIAL INSTRUMENTS

The estimated fair values of cash, accounts receivable, notes receivable, accounts payable, accrued expenses, income taxes payable and long term debt approximate their carrying value because of the short term maturity of these instruments or the stated interest rates are indicative of market interest rates.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STOCK OPTION PLAN

Prior to February 1, 1996, the Company accounted for its Stock Option Plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On February 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant or, alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The Company adopted the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," on February 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (on an undiscounted basis) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations or liquidity.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1997, the Financial Standards Board issued SFAS No. 128, "Earnings Per Share." SFAS No. 128 specifies new standards designed to improve the earnings per share (EPS) information provided in financial statements by simplifying the existing computational guidelines, revising the disclosure requirements and increasing the comparability of EPS data on an international basis. Some of the changes made to simplify the EPS computations include: (a) eliminating the presentation of primary EPS and replacing it with basic EPS, with the principal difference being that common stock equivalents are not considered in computing basic EPS, (b) eliminating the modified treasury stock method and the three percent materiality provision and (c) revising the contingent share provision and the supplemental EPS data requirements. SFAS No. 128 also

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

makes a number of changes to existing disclosure requirements. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. The Company has not determined the impact of the implementation of SFAS No. 128.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years financial information to conform with the current year presentation.

(2) PROPERTY, EQUIPMENT & LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consisted of the following (in thousands):

	JANUARY 31,	
	1996	1997
Computer equipment.....	\$ 17,203	\$ 28,287
Building.....	--	12,784
Telephone equipment and furnishings.....	7,688	11,611
Transportation equipment.....	642	1,124
Leasehold improvements.....	3,516	4,661
	-----	-----
	29,049	58,467
Less accumulated depreciation and amortization.....	(16,273)	(25,544)
	-----	-----
	\$ 12,776	\$ 32,923
	=====	=====

(3) INVESTMENTS IN AND ADVANCES TO AFFILIATES

Investments in Joint Ventures, which the Company refers to also as affiliates or "affiliated companies", consisted of the following (in thousands):

	JANUARY 31,	
	1996	1997
Investments in Ticketing Joint Ventures.....	\$ 7,458	\$6,655
Investment in Pacer Joint Venture (defined in note 4)....	(2,430)	--
Advances to Pacer Joint Venture.....	2,000	--
Investment in and advances to VJNIL (defined below).....	2,270	--
Other investments.....	486	653
	-----	-----
	\$ 9,784	\$7,308
	=====	=====

All of the above investments are accounted for under the equity method. The Company is managing general partner of each of the Joint Ventures.

Ticketing Joint Ventures

At January 31, 1997, the Company's investments in Ticketing Joint Ventures consist of a 50% interest in both Ticketmaster-Northwest and Ticketmaster-Australia, a 33% interest in Ticketmaster-Southeast and a 27% interest in Ticketmaster-Mexico. In fiscal 1997, the Company acquired controlling interests in Ticketmaster-Indiana, Ticketmaster-UK Limited and TM-Europe Group (see note 4). Prior to the fiscal 1997

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) INVESTMENTS IN AND ADVANCES TO AFFILIATES (CONTINUED)

acquisition dates, the Company had a 50% interest in these Joint Ventures and, accordingly, classified these investments as affiliates and accounted for them using the equity method of accounting.

On December 1, 1995, the Company entered into a series of agreements which resulted in the acquisition of a 50% interest in Joint Ventures with its former licensee in Melbourne, Australia for Australian \$2.8 million (approximately US \$2 million). In March 1996, an additional Australian \$400,000 (approximately US \$300,000) was paid in accordance with certain contingent consideration provisions of the Joint Venture Agreement for a total investment of Australian \$3.2 million (approximately US \$2.3 million).

On October 10, 1996, the Company acquired a 27% equity interest in the Company's Mexican licensee from a third party for \$1.8 million in cash and 5% of net distributions (as defined) received with respect to such 27% equity interest from the Mexican operation through December 31, 1998. Pursuant to a letter of intent, the Company and the majority owner of its licensee (CIE) intend to enter into a development agreement to operate in Central and South America using the Company's trademark and technology in exchange for a 22.99% portion of CIE's 73% ownership interest in the Company's Mexican licensee. Upon completion of these two transactions, the Company will have a 50.01% equity interest in future ticketing and service entities in Central America and South America and will have a 49.99% equity interest in existing and future ticketing service entities in Mexico.

Summarized financial information of the unconsolidated Ticketing Joint Ventures is presented below (in thousands):

	YEAR ENDED JANUARY 31, 1997 -----
COMBINED RESULTS OF OPERATIONS:	
Revenues.....	\$54,577
Operating income.....	10,087
Net income.....	10,032
	JANUARY 31, 1997 -----
COMBINED FINANCIAL POSITION:	
Total assets.....	\$24,739
Total liabilities.....	12,551
Venturers' capital.....	12,188

Pacer/CATS/CCS

During the years ended January 31, 1995 and 1996, the Company held a 50% interest in and served as the managing general partner of the Pacer Joint Venture. On July 29, 1996, the Company acquired the remaining 50% equity interest in the Pacer Joint Venture from WIL, Incorporated (WIL) (see note 4).

Video Jukebox Network International Limited (VJNIL)

On June 30, 1995, the Company acquired 50% of the common stock in VJNIL for \$2.2 million in cash and commitments for future management services equivalent to \$1 million. Also, on June 30, 1995, the Company loaned VJNIL \$1.5 million. On October 29, 1996, the Company received \$5.0 million for its interest in VJNIL and \$1.6 million as repayment of the note plus interest. A \$3.2 million gain on the transaction was recognized.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) BUSINESS ACQUISITIONS

All acquisitions have been accounted for under the purchase method. The results of operations of the acquired businesses are included in the consolidated financial statements from the dates of acquisition. The aggregate purchase price plus liabilities assumed exceeded the fair value of tangible assets by approximately \$65 million, of which approximately \$14.5 million was allocated to purchased user agreements with the remaining excess of the estimated fair value of the net assets acquired amounting to approximately \$50.5 million, which is being accounted for as goodwill. Purchased user agreements are being amortized over the contract life generally three to ten years, while goodwill is being amortized primarily over 30 years.

Ticketing Joint Ventures and Licensees

On February 12, 1996 the Company completed the acquisition of certain assets of Tennessee Performing Arts Center Management Corporation, which manages a ticket selling business within the State of Tennessee, for a purchase price of \$1.6 million.

On June 7, 1996, the Company acquired the minority interests held by its joint venture partner in Ticketmaster UK Limited and Ticketmaster Europe Group. The purchase consideration was \$6 million in cash and an Exchangeable Promissory Note (the Note) in the principal amount of \$5 million, bearing interest at the prime rate. The Note plus interest was paid in full in November 1996.

On August 31, 1996, the Company purchased certain assets of its Albuquerque, New Mexico licensee, which manages a ticket distribution business in Albuquerque, New Mexico, for a purchase price of \$150,000.

On October 3, 1996, the Company acquired the license rights and related assets of its Delaware Valley (Philadelphia) licensee, which manages a ticket distribution business primarily in Philadelphia, Pennsylvania for \$19 million in cash.

On November 22, 1996, the Company completed the acquisition of the 50% equity interest of its partner in Ticketmaster-Indiana. In connection with this transaction, the Company issued 1,862,069 shares of Common Stock having an aggregate value of \$27 million based on the IPO Price per share (also, see note 8).

On November 25, 1996, the Company acquired the 20% equity interest of the minority shareholder in Southwest Ticketing, Inc., the Company's consolidated operating subsidiary in Texas, for \$6 million in cash. With the acquisition, the Company increased its ownership interest to 100%.

Also, on November 25, 1996, the Company acquired the 20% equity interest of the minority shareholder in Ticketmaster-Florida, Inc., the Company's consolidated operating subsidiary in Florida. In connection with the acquisition, the Company issued 317,241 shares of Common Stock (having a value of \$4.6 million based upon the IPO Price per share). With the acquisition, the Company increased its ownership interest to 100%.

Pacer/CATS/CCS

On July 29, 1996, the Company acquired the 50% interest held by its joint venture partner in Pacer/CATS/CCS - a Wembley/Ticketmaster Joint Venture (the Pacer Joint Venture) which business is to develop, design and service stand-alone computer tickets systems, as well as other management information systems to be used in various venues, including motion picture theaters, stadiums, arenas and amusement parks. With the acquisition, the Company increased its ownership interest to 100%.

Consideration paid by the Company in connection with its initial 50% interest in the Pacer Joint Venture and the subsequent 50% interest purchased from WIL aggregated approximately \$16 million in cash and the assumption of \$7.5 million of debt. WIL's contribution to the Pacer Joint Venture included certain ticketing technology in development and employment contracts with covenants-not-to-compete, for which the Com-

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) BUSINESS ACQUISITIONS (CONTINUED)

pany paid \$7.5 million and \$3.75 million, respectively. The technology in development was expensed as research and development cost by the Company. During the year ended January 31, 1995, the covenants-not-to-compete were charged to expense, as it was determined that this intangible had no future value to the Company. The remaining \$3.25 million of the Company's excess investment over the underlying equity in the Pacer Joint Venture has been recorded as cost in excess of net assets acquired and is being amortized using the straight line method over a period of seven and a half years.

Proforma Financial Results

The following pro forma information presents a summary of consolidated results of the Company, the European, Indiana and Pacer Joint Ventures, the Delaware Valley (Philadelphia) and Mexico licensees and the Texas and Florida operating subsidiaries for the years ended January 31, 1996 and 1997 assuming the acquisitions had been made as of February 1, 1995, with pro forma adjustments to give affect to amortization of goodwill and purchased user agreements, interest on the related acquisitions and the related income tax effect utilizing a statutory rate for Federal taxes equal to 34%, for state and foreign taxes equal to the rate applicable in each jurisdiction. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effective on February 1, 1995.

	FISCAL YEAR ENDED JANUARY 31	
	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Total revenue.....	\$223,666	\$ 270,851
Net income (loss).....	(6,076)	1,989
Income (loss) per share.....	(0.40)	0.12

Pro forma results of operations have not been presented for the Nashville or the New Mexico acquisitions because the pro forma effects of these acquisitions are not significant.

(5) INTANGIBLE AND OTHER ASSETS, NET

Intangible and other long term assets consisted of the following (in thousands):

	JANUARY 31,	
	1996	1997
Purchased user agreements.....	\$ 5,949	\$20,320
Covenants not to compete.....	1,274	1,072
Other.....	2,674	3,199
Note Receivable.....	1,550	1,440
	\$11,447	\$26,031
	=====	=====

The purchased user agreements and other long term assets are being amortized generally in accordance with the contract terms, primarily on a straight-line basis, including any annual minimum guarantees specified by the contract. The lives of the contracts generally range from 2 to 10 years. The covenants not to compete are being amortized using the straight-line method over the lives of the noncompetition agreements, principally ranging from 2 to 25 years. Other long term assets include debt issue costs.

Notes receivable consists of the long term portion of a \$2 million note entered into with a former related party in May 1995. The \$2 million note bears an interest rate of prime (8.25% at January 31, 1997) plus 1% and is due in monthly installments through April 30, 1998 with the balance due on May 31, 1998.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	JANUARY 31,	
	1996	1997
Notes payable to bank on revolving loan (\$100 million at January 31, 1996, \$175 million at January 31, 1997, respectively), collateralized by substantially all of the Company's assets, payable on December 31, 1999; bearing interest at the London Inter-Bank Offering Rate (5.5% and 5.4% at January 31, 1996 and 1997, respectively) plus the applicable margin, as defined (1.625% at January 31, 1996 and 1997, respectively).....	\$ 84,800	\$120,000
Notes payable to bank on term loan collateralized by substantially all of the Company's assets and certain publicly traded common stock pledged by the majority shareholder, paid in November 1996: bearing interest at the London Inter-Bank Offering Rate (5.5% at January 31, 1996), plus the applicable margin, as defined (1.625% at January 31, 1996).....	75,000	--
Notes payable to bank on term loan collateralized by substantially all of Pacer's assets, interest at prime (8.25% at January 31, 1997) plus 0.25% or at the Inter-Bank Offering Rate plus 225 basis points; interest payable monthly; principal payable monthly beginning July 31, 1997 with the balance due on June 30, 1999.....	--	7,500
Other.....	109	204
	159,909	127,704
Less current portion.....	45	190
	<u>\$159,864</u>	<u>\$127,514</u>

Annual principal payments due subsequent to January 31, 1997 are as follows (in thousands):

Year ending January 31:

1998.....	\$ 190
1999.....	764
2000.....	126,750

	<u>\$127,704</u>
	=====

Aggregate bank group commitment under the terms of the Company's revolving loan agreement, currently equals \$175 million reducing to \$165 million at December 31, 1997 and \$150 million at December 31, 1998.

The Company's revolving credit and term loans borrowing agreements with its bank group are subject to certain restrictive covenants relating to, among other things, net worth, cash flows and capital expenditures. The Company was in compliance with its restrictive covenants or has obtained the necessary waivers from its bank for the fiscal years ended January 31, 1995, 1996 and 1997. In addition, the Company's credit agreements impose certain restrictions on the payment of dividends to the Company's shareholders.

The Company has issued standby letters of credit totaling \$0.2 million on January 31, 1997.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) INCOME TAXES

Deferred income taxes result from temporary differences in the tax and financial reporting bases of certain assets and liabilities. The sources of these differences and the tax effect of each were as follows (in thousands):

	JANUARY 31,	
	1996	1997
Deferred tax assets:		
Investments in affiliates due to equity in net loss and amortization period differences.....	\$5,125	\$3,305
Deferred revenue.....	975	1,545
Contributions.....	375	630
State and local taxes.....	130	45
Other.....	50	--
Total deferred tax assets.....	6,655	5,525
Deferred tax liabilities:		
Other intangible assets, principally due to amortization.....	880	600
Equipment and leasehold improvements, principally due to depreciation.....	575	265
Cost in excess of net assets acquired, principally due to amortization.....	--	415
Other.....	--	297
Total deferred tax liabilities.....	1,455	1,577
Net deferred tax assets.....	\$5,200	\$3,948

In assessing the realizability of the net deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of January 31, 1997, the Company had not provided a valuation allowance to reduce the net deferred tax assets due to the Company's expectation of future taxable income against which the deferred tax asset may be realized.

The provision/(benefit) for income taxes consisted of the following (in thousands):

	YEARS ENDED JANUARY 31,		
	1995	1996	1997
Current:			
Federal.....	\$ 510	\$(1,500)	\$ 545
State.....	1,020	1,080	1,330
Foreign.....	--	--	130
	1,530	(420)	2,005
Deferred:			
Federal.....	(3,446)	(1,595)	1,092
State.....	(754)	(235)	161
	(4,200)	(1,830)	1,253
Total income tax provision (benefit).....	\$(2,670)	\$(2,250)	\$3,258

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) INCOME TAXES (CONTINUED)

The following is a reconciliation of the statutory Federal income tax rate to the Company's effective income tax rate:

	YEARS ENDED JANUARY 31,		
	1995	1996	1997
	---	---	---
Statutory Federal income tax expense.....	(34)%	(34)%	34%
State income taxes, net of Federal benefit.....	2	5	20
Effect of foreign operations.....	(1)	(3)	(7)
Non-deductible amortization of excess cost over fair market value of net assets acquired.....	3	5	10
Meals and entertainment limitation.....	3	2	5
Other.....	(2)	3	3
	----	----	----
	(29)%	(22)%	65%
	=====	=====	=====

Federal income tax returns of the Company for all fiscal years through 1989 and the 1993 fiscal year have been closed and all matters have been resolved. The Federal income tax returns for the 1990 and 1991 fiscal years have been audited by the Internal Revenue Service and the Company received a Notice of Proposed Adjustment. A response to the proposed adjustments has been filed. Management believes that the resolution of the proposed adjustments will not have a material adverse effect on the Company's financial position or results of operations.

(8) CAPITAL STOCK

In August 1996, the Company amended its Restated Certificate of Incorporation pursuant to which the classes of the Company's Common and Preferred Stock were revised (the Stock Amendment). There were no accounting effects as a result of the Stock Amendment. A description of the Company's structure before and after the Stock Amendment follows:

COMMON STOCK

Prior to the Stock Amendment, the Company had authorized the issuance of 80,000,000 shares of Series A Common Stock and 1,000,000 shares of Series B Common Stock. Each share of Series A Common was entitled to one vote; Series B Common Stock had no voting rights. As of January 31, 1996 and 1997, no shares of Series B Common Stock were issued or outstanding.

Subsequent to the Stock Amendment, the authorized, issued and outstanding shares of the Company's Series A Common Stock, and the voting rights, remained unchanged. The Series A Common Stock is now referred to as the Common Stock. The Company no longer had Series B Common Stock.

On August 21, 1996, the Board of Directors authorized a one-for-three reverse stock split of the Company's Common Stock which subsequently was approved by the shareholders. All references in the consolidated financial statements to the number of common shares and per share amounts have been retroactively restated to reflect the decreased number of common shares outstanding.

PREFERRED STOCK

Prior to the Stock Amendment, the Company had authorized three series of Preferred Stock. The Company had 15,000,000 authorized shares of no par Series I Preferred Stock, 5,900,000 authorized shares of

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) CAPITAL STOCK (CONTINUED)

no par Series II Preferred Stock, and 4,100,000 shares of no par undesignated Preferred Stock. As of January 31, 1996 and 1997, no shares of Preferred Stock were issued or outstanding.

Subsequent to the Stock Amendment, the Company had 20,000,000 authorized shares of no par undesignated Preferred Stock. The Company no longer had Series I or II Preferred Stock.

In conjunction with the Indiana transaction (note 4), the Company designated a new series of Preferred Stock -- Series A Redeemable Convertible Preferred Stock (Series A Preferred Stock). One share of no par Series A Preferred Stock was authorized. The one share of Series A Preferred Stock is entitled to receive an annual dividend of \$2,700,000, payable in installments on the last day of each calendar quarter. The one share of Series A Preferred Stock was issued on November 12, 1996 and converted into 1,862,069 shares of Common Stock on November 22, 1996; a \$67,000 dividend was paid on December 31, 1996.

(9) STOCK OPTIONS

In February 1994, the Company adopted the Ticketmaster Stock Plan (the Plan), under which 3,250,000 shares of common stock have been reserved for issuance upon exercise of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights or phantom stock awards.

The table below summarizes stock option activity under the Plan over the past three years consisting solely of the non-qualified stock options:

	NUMBER OF SHARES	OPTION PRICE (RANGE PER SHARE)
	-----	-----
Options outstanding at February 1, 1994.....	--	
Granted.....	265,111	\$14.14
Exercised.....	--	
Canceled or expired.....	--	
	-----	-----
Options outstanding at January 31, 1995.....	265,111	\$14.14
Granted.....	--	
Exercised.....	--	
Canceled or expired.....	--	
	-----	-----
Options outstanding at January 31, 1996.....	265,111	\$14.14
Granted.....	2,801,700	\$14.50
Exercised.....	--	
Canceled or expired.....	(9,900)	\$14.50
	-----	-----
Options outstanding at January 31, 1997.....	3,056,911	\$14.14 - \$14.50
	=====	=====
Exercisable at January 31, 1997.....	247,437	

Options are granted at prices not less than the market value of the common stock at grant date and become exercisable over a period of 6 to 48 months. Options expire not later than 10 years after the date of grant. Options outstanding at January 31, 1997 had an average exercise price of \$14.47 per share and will expire at various dates between February 2004 and October 2006, or earlier, in certain cases, if the individual is no longer employed by the Company. On January 31, 1997, the Company's underlying stock closed on the NASDAQ at a price of \$14.125 per share.

On December 15, 1993, the Company granted, outside of the Plan, options to acquire 1,331,340 shares of common stock at an exercise price of \$14.14 per share. At January 31, 1997, 1,026,241 options were exercisable. The options expire on December 15, 2003. No options were exercised as of January 31, 1997.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) STOCK OPTIONS (CONTINUED)

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

	YEAR ENDED JANUARY 31, 1997 -----
Net income	
As reported.....	\$ 1,792
Pro forma.....	902
Net income per share	
As reported.....	.10
Pro forma.....	.05

Pro forma net income reflects only options granted in fiscal 1997. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of 6 months to 4 years and compensation cost for options granted prior to January 31, 1996 is not considered.

The weighted average fair value of options granted during the year was \$4.81 in 1997. No options were granted in 1996. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	YEAR ENDED JANUARY 31, 1997 -----
Dividend Yield.....	0%
Volatility.....	27%
Risk free interest.....	7.2%
Expected terms (years).....	4%

The impact of outstanding unvested stock options granted prior to 1997 has been excluded from the pro forma calculations. Accordingly, the 1996 and 1995 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

(10) 401(K) PLAN

The Company has a 401(k) plan covering all eligible employees, which contains an employer matching feature of 25% up to a maximum of 6% of the employee's compensation. The Company's contribution for the plan years ended December 31, 1994, 1995 and 1996 was approximately \$190,000, \$310,000 and \$410,000, respectively.

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under various operating leases that expire at various dates through 2014. Future minimum lease payments are as follows as of January 31, 1997 (in thousands):

YEAR ENDING JANUARY 31,	AMOUNT
1998.....	\$ 7,393
1999.....	6,891
2000.....	5,803
2001.....	3,457
2002.....	2,826
Thereafter.....	3,014

	\$29,384
	=====

Additional rental payments may be required for the Company's pro rata share of certain operating expenses associated with office space leases.

Rental expense charged to operations for operating leases was approximately \$5.9 million, \$4.9 million and \$4.9 million and for the years ended January 31, 1995, 1996 and 1997 respectively.

(12) RELATED PARTY TRANSACTIONS

The Company has employment contracts with certain senior executives which require through 2002, periodic payments aggregating \$0.9 million to \$6.2 million per year, plus performance bonuses based in part upon the annual results of operations.

At January 31, 1996 and 1997, an affiliate of a primary lender to the Company held 196,370 shares of Common Stock, which represents less than 1% of the shares outstanding.

The Company entered into an agreement expiring on December 31, 2003, with an affiliate of its majority shareholder, whereby in exchange for services rendered in connection with the development of the Company's web site, the Company will pay royalties ranging from 5 - 10% of ticket service charges and merchandise sold through its web site (net of defined deductions). The agreement calls for an annual minimum royalty payment of \$100,000 per year (pro-rated for 1996). Royalty payments incurred for the year ended January 31, 1997 amounted to \$50,000.

(13) LITIGATION AND GOVERNMENT INVESTIGATION

The Company and several of its subsidiaries were named as defendants in several Federal and state antitrust consumer class action lawsuits. These cases, consolidated by the Judicial Panel on Multi-District Litigation, asserted among other things violations of Sections 1 and 2 of the Sherman Act. On May 31, 1996, these cases were dismissed for failure to state a claim. On June 12, 1996, plaintiffs appealed the court's decision. Oral argument was held on February 14, 1997, and the case is under advisement by the Eighth Circuit Court of Appeals.

On March 17, 1995, Moviefone, Inc. and the Teleticketing Company, L.P. filed a complaint against the Company in the United States District Court for the Southern District of New York. The complaint asserts that the Company has violated Sections 1 and 2 of the Sherman Antitrust Act and Section 7 of the Clayton Act. On May 8, 1995, the Company filed a motion to dismiss the case in its entirety. The Court heard oral argument on September 26, 1995. On March 4, 1997, prior to the rendering of any decision by the Court on the Company's motion to dismiss, the Company received an amended complaint in which the plaintiffs assert

TICKETMASTER GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) LITIGATION AND GOVERNMENT INVESTIGATION (CONTINUED)

essentially the same claims as in the prior complaint but have added a RICO claim and tort claims. The Company filed a motion to dismiss the amended complaint on April 17, 1997.

The Company also is involved in various other investigations, lawsuits and claims arising in the normal conduct of its business, including but not limited to, allegations of antitrust violations. The Company has also at times responded to inquiries from various government and state authorities. In the opinion of the Company's management, none of the Company's legal proceedings will have a material adverse effect on the Company's financial position or results of operation.

(14) SUBSEQUENT EVENTS

In March 1997, the Company signed a letter of intent to purchase 100% of the businesses of its Canadian licensees, Vancouver Ticket Centre Limited and Ticketmaster Canada, Inc. for a combination of cash and stock for an amount not yet determined.

QUARTERLY FINANCIAL SUMMARY
(IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)

	APRIL 30 -----	JULY 31 -----	OCTOBER 31 -----	JANUARY 31 -----
FISCAL YEAR ENDED JANUARY 31, 1997				
Revenues.....	\$46,741	\$53,218	\$ 62,578	\$ 68,424
Operating Income.....	427	3,069	4,745	5,422
Net income (loss).....	(1,979)	(439)	2,849	1,361
Earnings (loss) per share.....	\$ (0.13)	\$ (0.03)	\$ 0.19	\$ 0.06
FISCAL YEAR ENDED JANUARY 31, 1996				
Revenues.....	\$42,302	\$41,428	\$ 38,196	\$ 39,324
Operating Income.....	2,639	1,254	252	(1,435)
Net loss.....	(728)	(1,598)	(2,660)	(3,109)
Loss per share.....	\$ (0.05)	\$ (0.10)	\$ (0.17)	\$ (0.20)

INDEPENDENT AUDITORS' REPORT

The Venturers:
Ticketmaster Northwest (A Joint Venture)

We have audited the accompanying balance sheet of Ticketmaster Northwest (A Joint Venture) as of January 31, 1997, and the related statements of income and venturers' capital, and cash flows for the year then ended. These financial statements are the responsibility of Ticketmaster Northwest's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ticketmaster Northwest (A Joint Venture) as of January 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Los Angeles, California
March 12, 1997, except for Note 7,
which is as of April 22, 1997

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

BALANCE SHEET
JANUARY 31, 1997
(IN THOUSANDS)

ASSETS

Current assets:	
Cash and cash-equivalents.....	\$4,952
Accounts receivable, ticket sales.....	502
Accounts receivable, trade.....	176
Due from affiliates.....	208
Prepaid expenses.....	268

Total current assets.....	6,106
Noncurrent assets:	
Equipment and leasehold improvements, net.....	544
Other assets.....	358

	\$7,008
	=====

LIABILITIES AND VENTURERS' CAPITAL

Current liabilities:	
Accounts payable, trade.....	\$ 134
Accounts payable, clients.....	4,359
Accrued expenses.....	332
Deferred income and other.....	71

Total current liabilities.....	4,896
Venturers' capital.....	2,112

	\$7,008
	=====

See accompanying notes to financial statements.

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

STATEMENT OF INCOME AND VENTURERS' CAPITAL
FISCAL YEAR ENDED JANUARY 31, 1997
(IN THOUSANDS)

Revenue.....	\$ 9,651
Operating costs, expenses and other items:	
Operating costs.....	4,712
Selling, general and administrative.....	1,838
Depreciation.....	225

Net income.....	2,876
Venturers' capital at beginning of year.....	1,286
Distribution to venturers.....	(2,050)

Venturers' capital at end of year.....	\$ 2,112
	=====

See accompanying notes to financial statements.

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JANUARY 31, 1997
(IN THOUSANDS)

Cash flows from operating activities:	
Net income.....	\$ 2,876
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation.....	225
Changes in operating assets and liabilities:	
Accounts receivable.....	(35)
Due from affiliates.....	(73)
Prepaid expenses.....	(15)
Other assets.....	(297)
Accounts payable, trade.....	23
Accounts payable, clients.....	(3,878)
Accrued expenses.....	(80)
Deferred income and other.....	71

Net cash used in operating activities.....	(1,183)
Cash used in investing activities-purchases of equipment and leasehold improvements.....	(212)
Cash used in financing activities-distribution to venturers.....	(2,050)

Net decrease in cash and cash-equivalents.....	(3,445)
Cash and cash-equivalents, beginning of year.....	8,397

Cash and cash-equivalents, end of year.....	\$ 4,952
	=====

See accompanying notes to financial statements.

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ticketmaster Northwest (Joint Venture) is a Washington joint venture and is 50% owned by Ticketmaster Corporation of Washington (TCW) and HBI Financial Inc. (HBI) respectively. The Joint Venture is engaged in the business of providing computerized ticketing services to venues and promoters primarily in the State of Washington. The Joint Venture's profits and losses are shared by joint venturers in proportion to their equal ownership interests.

Revenue Recognition

Revenue from ticket operations is recognized as tickets are sold.

Cash and Cash Equivalents

The Company classifies all highly liquid debt instruments purchased with an original maturity of three months or less as cash equivalents.

Accounts Receivable, Ticket Sales

Accounts receivable, ticket sales are principally from ticketing outlets and represent the face value of the tickets sold plus convenience charges, generally net of outlet commissions. The Joint Venture performs credit evaluations of new ticket outlets, which are reviewed and updated periodically, requiring collateral as circumstances warrant.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets of three to five years or, for leasehold improvements, the term of the lease, if shorter. When assets are retired or otherwise disposed of, the cost is removed from the asset account and the corresponding accumulated depreciation is removed from the related allowance account and any gain or loss is reflected in results of operations.

Concentration of Credit Risk

The Joint Venture places its cash equivalents principally in money market accounts with its banks. The money market investments are diverse and generally short-term and, therefore, bear minimal risk. The Joint Venture has not experienced any losses on its money market investments.

Accounts Payable, Clients

Accounts payable, clients represents contractual amounts due to clients for tickets sold by the Joint Venture on behalf of the organizations that sponsor events.

Income Taxes

No provision has been made for Federal and state income taxes, since these taxes are the responsibility of the joint venturers.

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The estimated fair values of cash, accounts receivable, due from venturers, accounts payable and accrued expenses approximate their carrying value because of the short term maturity of these instruments or the stated interest rates are indicative of market interest rates.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company adopted to provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be "Disposed Of," on February 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, (on an undiscounted basis) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Adoption of this statement did not have a material impact on the Company's financial position, results of operations or liquidity.

(2) EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Equipment and leasehold improvements at January 31, 1997 are summarized as follows (in thousands):

Telephone and computer equipment.....	\$ 967
Furniture and equipment.....	31
Leasehold improvements.....	178

	1,176
Less accumulated depreciation.....	(632)

	\$ 544
	=====

(3) OTHER ASSETS

During the fiscal year ended January 31, 1997, pursuant to the renewal of an agreement to provide ticketing services, the Joint Venture was required to pay a recoupable advance of \$500,000 against revenue to be earned over a three-year period. As of January 31, 1997, \$125,000 was included as prepaid expenses and \$357,000 was included in other assets.

TICKETMASTER NORTHWEST
(A JOINT VENTURE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(4) COMMITMENTS AND CONTINGENCIES

The Joint Venture leases office space and equipment under various operating leases which expire through 1999. Future minimum lease payments are as follows as of January 31, 1997 (in thousands):

YEAR ENDING JANUARY 31	AMOUNT
1998.....	\$127
1999.....	127
2000.....	72

	\$326
	=====

Rental expenses charged to operations for operating leases was approximately \$130,000 for the year ended January 31, 1997.

(5) 401(K) PLAN

Ticketmaster Corporation has a 401(k) Plan covering all eligible employees of the Joint Venture. The Plan contains an employer matching feature of 25% up to a maximum of 6% of the employee's compensation. The Joint Venturer's contribution for the plan year ended December 31, 1996 was approximately \$18,000.

(6) RELATED PARTY TRANSACTIONS

Charges from the venturers and affiliates under various agreements were as follows for the year ended January 31, 1997 (in thousands):

Management Fees (royalties).....	\$24
Reimbursements for other services.....	10
Purchases of equipment from the venturers.....	40

(7) SUBSEQUENT EVENT

On February 24, 1997, TCW filed a complaint against HBI seeking dissolution of the Joint Venture. On March 17, 1997, HBI filed a counterclaim against TCW seeking a declaratory judgment that TCW by its actions in filing the lawsuit dissolved the Joint Venture in contravention to the joint venture agreement. On April 11, 1997, TCW filed a motion of summary judgment asserting that since the Joint Venture had an indefinite term, it could be dissolved under Washington law, at the will of either partner. On April 22, 1997, HBI filed its response and a motion for partial summary judgment.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ticketmaster Canada Holdings Ltd.

We have audited the consolidated balance sheets of Ticketmaster Canada Holdings Ltd. as at February 28, 1997 and February 29, 1996 and the consolidated statements of income and retained earnings and changes in financial position for the years ended February 28, 1997, February 29, 1996 and February 28, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

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

In our opinion, these consolidated balance sheets present fairly, in all material respects, the financial position of the Company as at February 28, 1997 and February 29, 1996 and the statements of income and retained earnings and changes in financial position present fairly, in all material respects, the results of its operations and the changes in its financial position for the years ended February 28, 1997, February 29, 1996 and February 28, 1995 in accordance with generally accepted accounting principles.

KPMG
Chartered Accountants

Vancouver, Canada
May 13, 1997

TICKETMASTER CANADA HOLDINGS LTD.

CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

A S S E T S

	FEBRUARY 28, 1997	FEBRUARY 29, 1996
	-----	-----
Current assets:		
Cash and short-term investments.....	\$21,974,432	\$16,689,784
Accounts receivable:		
Ticket sales.....	2,239,844	2,759,034
Other.....	2,041,405	1,454,506
Receivable from affiliates.....	--	386,887
Receivable from shareholders.....	--	8,512
Inventory.....	--	16,101
Prepaid expenses and deposits.....	1,055,395	1,052,624
	-----	-----
Current assets.....	27,311,076	22,367,448
Property and equipment.....	4,248,278	4,742,574
Rental property and equipment.....	--	292,274
Intangible and other assets, net.....	2,564,683	2,202,068
Deferred income taxes.....	160,500	157,500
	-----	-----
	\$34,284,537	\$29,761,864
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt.....	\$ 533,324	\$ 744,347
Accounts payable:		
Trade.....	1,788,749	823,906
Clients.....	20,135,591	17,209,956
Accrued liabilities.....	1,978,516	1,865,505
Shareholder bonuses payable.....	262,886	700,000
Income taxes payable.....	932,220	66,063
Deferred revenue.....	585,170	1,048,993
	-----	-----
Current liabilities.....	26,216,456	22,458,770
Long-term debt.....	1,257,073	1,050,621
Payable to shareholders.....	--	927,121
	-----	-----
Shareholders' equity:		
Share capital.....	6,587,528	2,531,577
Retained earnings.....	223,480	2,793,775
	-----	-----
Total shareholders' equity.....	6,811,008	5,325,352
Commitments and contingencies.....		
	-----	-----
	\$34,284,537	\$29,761,864
	=====	=====

See accompanying notes to consolidated financial statements.

TICKETMASTER CANADA HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(EXPRESSED IN CANADIAN DOLLARS)

	YEAR ENDED		
	FEBRUARY 28, 1997	FEBRUARY 29, 1996	FEBRUARY 28, 1995
Revenue:			
Ticketing operations.....	\$34,868,202	\$29,162,739	\$31,188,405
Other revenue.....	1,138,565	1,521,984	557,362
	36,006,767	30,684,723	31,745,767
Expenses:			
Ticketing operations.....	19,158,296	17,191,817	17,319,678
Ticketing, selling, general and administrative....	9,304,008	8,472,548	8,054,097
Shareholder bonuses.....	1,410,859	775,778	2,019,949
Depreciation and amortization.....	1,414,790	1,380,166	1,202,757
Interest.....	186,541	220,533	214,821
	31,474,494	28,040,842	28,811,302
Other expenses (income).....	4,532,273 471,390	2,643,881 (55,154)	2,934,465 (132,283)
Income before income taxes.....	4,060,883	2,699,035	3,066,748
Income taxes:			
Current.....	1,927,808	1,009,954	985,266
Deferred.....	(3,000)	120,803	313,881
	1,924,808	1,130,757	1,299,147
Net income.....	2,136,075	1,568,278	1,767,601
Retained earnings (deficit), beginning of year.....	2,793,775	1,654,732	(15,046)
	4,929,850	3,223,010	1,752,555
Dividends.....	650,419	429,235	97,823
Reclassification of retained earnings into share capital.....	4,055,951	--	--
Retained earnings, end of year.....	\$ 223,480	\$ 2,793,775	\$ 1,654,732

See accompanying notes to consolidated financial statements.

TICKETMASTER CANADA HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(EXPRESSED IN CANADIAN DOLLARS)

	YEAR ENDED		
	FEBRUARY 28, 1997	FEBRUARY 29, 1996	FEBRUARY 28, 1995
Cash provided by (used in):			
Operations:			
Net income.....	\$ 2,136,075	\$ 1,568,278	\$ 1,767,601
Items not involving cash:			
Depreciation and amortization.....	1,414,790	1,380,166	1,202,757
Equity (loss) of an affiliate.....	1,173	(82,293)	(173,368)
Write-off of receivable from an affiliate.....	333,360	--	--
Depreciation and amortization of rental property and equipment.....	13,969	14,439	17,000
Deferred income taxes.....	(3,000)	120,803	313,881
Loss (gain) on disposal of property and equipment...	102,828	(6,037)	--
Net change in non-cash operating working capital.....	4,564,330	(6,629,878)	10,188,585
	8,563,525	(3,634,522)	13,316,456
Financing:			
Advances (repayments) from affiliated companies.....	53,527	(35,019)	(59,385)
Repayment of long-term debt.....	(711,958)	(1,176,288)	(217,680)
Advances to shareholders.....	(918,609)	110,918	(508,398)
Dividends.....	(650,419)	(429,235)	(97,823)
Proceeds from long-term debt.....	872,557	--	690,000
Increase (decrease) of obligations under capital lease.....	(165,170)	71,966	563,390
	(1,520,072)	(1,457,658)	370,104
Investments:			
Proceeds from sale of rental property and equipment....	279,377	--	--
Purchase of property and equipment.....	(745,063)	(841,985)	(2,201,605)
Proceeds from sale of property and equipment.....	44,376	23,483	18,728
Advances of convenience charge participations.....	(1,675,000)	--	--
Repayment of advance convenience charge participation.....	543,577	--	--
Dividends received from an affiliate.....	--	96,075	236,741
Proceeds (purchase) of rental property equipment.....	(1,072)	1,397	--
Advance note receivable.....	(250,000)	--	(437,500)
Reduction note receivable.....	45,000	--	--
Acquisition of ticketing rights.....	--	--	(500,000)
	(1,758,805)	(721,030)	(2,883,636)
Increase (decrease) in cash and short-term investments...	5,284,648	(5,813,210)	10,802,924
Cash and short-term investments, beginning of year.....	16,689,784	22,502,994	11,700,070
Cash and short-term investments, end of year.....	\$ 21,974,432	\$ 16,689,784	\$ 22,502,994

See accompanying notes to consolidated financial statements.

TICKETMASTER CANADA HOLDINGS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Ticketmaster Canada Holdings Ltd. (the "Company") is the leading provider of automated ticketing services in Canada with clients including the country's foremost entertainment facilities promoters and professional sports franchises. The Company provides automated ticketing services to organizations that sponsor events which enable patrons alternatives to purchasing tickets through operator-staffed call centers, the Internet and independent sales outlets remote to the facility box office.

PRINCIPLES OF CONSOLIDATION AND PRESENTATION

The Company was formed by the amalgamation of certain companies principally Vancouver Ticket Center Ltd. and Ticketmaster Canada Inc. (the "Companies"), which amalgamation took place in contemplation of the acquisition of the Companies by Ticketmaster Group, Inc. in a transaction pursuant to an agreement dated May 13, 1997 (See Note 7). The amalgamation has been accounted for under the pooling-of-interest method whereby the assets and liabilities of the Companies are carried forward in the accounts of the Company at their carrying values in the records of the predecessor companies and the operations are the combined operations of the Companies. All intercompany balances and transactions have been eliminated.

The Consolidated Balance Sheet at February 28, 1997 has been adjusted to give effect to certain transactions that occurred subsequent to that date relating to the acquisition of the Company by Ticketmaster Group, Inc. The adjustment gives effect to the settlement of all amounts due to or from shareholders along with a dividend and sale of non-ticketing assets to the former shareholders aggregating \$260,000 and \$157,422 respectively. Accordingly, the accompanying balance sheet at February 28, 1997 includes the assets acquired and liabilities assumed by Ticketmaster Group, Inc. in its acquisition of the amalgamated Companies.

ACCOUNTING PRINCIPLES

These financial statements have been prepared based on accounting principles generally accepted in Canada. These accounting principles are not materially different from accounting principles generally accepted in the U.S. for the Company.

REVENUE RECOGNITION

The Company recognizes convenience charge revenue as tickets are sold, and user fee revenue upon completion of the event.

RENTAL PROPERTY

Rental property is recorded at the lower of cost or net recoverable amount. Depreciation is calculated using a declining-balance method at a rate of 4%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN CANADIAN DOLLARS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the following methods and annual rates:

ASSET	BASIS	RATE
Building	straight-line	20 years
Computer equipment	declining-balance	20% - 30%
Furniture, fixtures and equipment	declining-balance	20% - 30%
Automobiles	declining-balance	30%
Equipment under capital lease	straight-line over term of lease	
Leasehold improvements	straight-line over term of lease	

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following:

	COST	ACCUMULATED DEPRECIATION	1997 NET BOOK VALUE	1996 NET BOOK VALUE
Land.....	\$ 600,000	\$ --	\$ 600,000	\$ 600,000
Buildings and leaseholds.....	1,245,881	589,981	655,900	748,815
Computer equipment.....	7,117,427	5,196,784	1,920,643	2,098,064
Furniture and equipment.....	1,593,524	961,218	632,306	667,791
Equipment under capital leases.....	871,448	432,019	439,429	627,904
	<u>\$11,428,280</u>	<u>\$ 7,180,002</u>	<u>\$4,248,278</u>	<u>\$4,742,574</u>
	=====	=====	=====	=====

3. INTANGIBLE AND OTHER ASSETS, NET

Intangible and other long term assets consisted of the following:

	FEBRUARY 28, 1997	FEBRUARY 29, 1996
Acquired ticketing rights.....	\$ 250,000	\$ 350,000
Advances of participations in convenience charges...	731,423	--
Cost in excess of assets acquired.....	1,190,760	1,413,395
Note receivable.....	392,500	437,500
Other.....	--	1,173
	<u>\$ 2,564,683</u>	<u>\$ 2,202,068</u>
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN CANADIAN DOLLARS)

3. INTANGIBLE AND OTHER ASSETS, NET (CONTINUED)

Acquired ticketing rights are recorded at cost and are being amortized over the lesser of the life of the contract or five years. Cost in excess of net assets acquired is recorded at cost and is being amortized on a straight-line basis over ten years.

Advances of participations in convenience charges bear interest at bank prime plus 1.5%, except at February 28, 1997 \$171,776 is non-interest bearing. The advances will be repaid by applying certain ticket convenience charge participations payable by the Company to the promoters in 1998 through 2006.

The Note Receivable is non-interest bearing and is being repaid through quarterly installments of \$62,500 and by the application of certain fees payable by the Company to a ticketing services client in 1997, 1998 and 1999.

4. LONG-TERM DEBT

Long-term debt consisted of the following:

	1997	1996
	-----	-----
Western Economic Diversification unsecured loan:		
Payable in monthly installments of \$6,000 including interest at 7.34% per annum to July 1, 1997.....	\$ 30,000	\$ 90,000
Non-interest bearing, payable in monthly installments of \$6,000 commencing August 1, 1997.....	268,217	270,000
	-----	-----
	298,217	360,000
Term demand loan, payable in monthly installments of \$3,333 plus interest at prime plus 1% per annum, secured by a general securities agreement with a fixed charge on certain equipment.....	106,667	146,667
Term demand loan, payable in quarterly installments of \$62,500 plus interest at prime plus 1% per annum, secured by a floating charge on all Company assets....	872,557	217,234
Term demand loan, payable in monthly installments of \$20,883 plus interest at prime plus 1.25% secured by a registered general security agreement with a floating charge on all assets.....	--	250,001
Term demand loan, payable in monthly installments of \$1,022 including interest at 7.75% per annum, secured by a mortgage on rental property (note 2).....	--	141,317
Capitalized lease obligations, plus interest at rates ranging from 6% to 10%.....	511,313	676,483
Other.....	1,643	3,266
	-----	-----
	1,790,397	1,794,968
Less: Current portion.....	533,324	744,347
	-----	-----
	\$1,257,073	\$1,050,621
	=====	=====

Principal repayments on long-term debt due in each of the next five years as follows:

1998.....	\$ 533,324
1999.....	558,485
2000.....	492,031
2001.....	194,557
2002.....	12,000

	\$1,790,397
	=====

TICKETMASTER CANADA HOLDINGS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN CANADIAN DOLLARS)

5. SHARE CAPITAL

The share capital of the Company is as follows:

AUTHORIZED:

50,000,000	class A voting common shares without par value
50,000,000	class B voting common shares with a par value of \$0.001 per share
50,000,000	class C non-voting common shares with a par value of \$0.001 per share
50,000,000	class A non-voting preferred shares with a par value of \$0.01 per share, redeemable at \$100 per share
50,000,000	class B non-voting preferred shares without par value, redeemable at \$1 per share

ISSUED:

		FEBRUARY 28, 1997

293,530	class A common shares.....	\$ 47,422
1,000	class B common shares.....	1
12,887,761	class C common shares.....	12,888
15,642,802	class B preferred shares.....	6,527,217

		\$6,587,528
		=====

6. COMMITMENTS AND CONTINGENCY

The Company has entered into operating leases for office premises, equipment and automobiles. Minimum annual lease payments required are approximately as follows:

1998.....	\$332,453
1999.....	171,139
2000.....	86,275
2001.....	30,480
2002.....	14,280

	\$634,627
	=====

The Company is also committed to pay its share of operating costs related to the premises leases.

The Company has guaranteed certain obligations of a related company by virtue of common directors, in the amount of \$207,000 which during 1997 filed for bankruptcy. The Company has not provided for the guarantee as the outcome is not determinable at this time.

7. SUBSEQUENT EVENT

Pursuant to an agreement dated May 13, 1997, all the outstanding share capital of the Company was purchased by Ticketmaster Group, Inc.

TICKETMASTER GROUP, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 1997

	THREE MONTHS ENDED JANUARY 31, 1997 (HISTORICAL)	ACQUIRED BUSINESSES	PRO FORMA ADJUSTMENTS	TICKETMASTER ADJUSTED PRO FORMA
	----- (IN THOUSANDS) -----			
NET REVENUES:				
Ticket operations.....	\$ 60,664	\$ --	\$ --	\$ 60,664
Other.....	7,760	543	--	8,303
	-----	-----	-----	-----
Total net revenues.....	68,424	543	--	68,967
	-----	-----	-----	-----
Operating costs and expenses:				
Cost of sales.....	4,268	(100)	--	4,168
Selling, general and administrative.....	54,999	603	--	55,602
Depreciation and amortization.....	4,400	38	363(A)	4,801
	-----	-----	-----	-----
Total operating costs and expenses.....	63,667	541	363	64,571
	-----	-----	-----	-----
Operating profit.....	4,757	2	(363)	4,396
	-----	-----	-----	-----
Interest income (expense), net.....	(2,414)	(22)	385(B)	(2,051)
Other income.....	665	--	10(C)	675
	-----	-----	-----	-----
	(1,749)	(22)	395	(1,376)
	-----	-----	-----	-----
Earnings (loss) before income taxes and minority interest.....	3,008	(20)	32	3,020
Income tax (expense) benefit.....	(1,608)	--	(4)(D)	(1,612)
Minority interest (expense) benefit.....	(39)	--	28(E)	(11)
	-----	-----	-----	-----
NET EARNINGS (LOSS).....	\$ 1,361	\$ (20)	\$ 56	\$ 1,397
	=====	=====	=====	=====

TICKETMASTER GROUP, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1997

- (A) Represents depreciation arising from the purchase of the building which serves as corporate headquarters and amortization arising from the purchased user agreements and excess purchase price paid for the net assets of a joint venture partner's 50% equity interest in Ticketmaster-Indiana, a minority shareholder's 20% equity interest in the Company's Florida operating subsidiary and a minority shareholder's 20% equity interest in the Company's Texas operating subsidiary. The purchased user agreements are being amortized using a discounted cash flow method through the expiration date of the underlying contracts, generally ranging from 3 to 10 years. The cost in excess of net assets acquired is being amortized over a 30 year period.
- (B) Represents the reduction in interest expense resulting from the repayment of indebtedness under the Company's Credit Agreement at rates of interest incurred by the Company during the period, approximately 7.0%.
- (C) Represents the consolidation of income earned by Ticketmaster-Indiana and the European Joint Venture.
- (D) Represents the related income tax effect of the pro forma adjustments utilizing a statutory Federal rate of 34% and a statutory rate for state and foreign taxes based on the rate in the applicable jurisdiction.
- (E) Represents a decrease in the minority interests held by the minority shareholders in Ticketmaster's Florida and Texas operating subsidiaries.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS OF HSN, INC.

The following unaudited pro forma combined condensed financial statements have been prepared to give effect to (i) the Ticketmaster acquisition as presented herein, (ii) certain acquisitions of Ticketmaster and (iii) the Ticketmaster Canadian Transaction (collectively the "Acquisition"). In addition, the statements give effect to the Savoy Merger and the Home Shopping Merger (collectively, the "HSNi Mergers") as presented in the HSNi Form 10-K for the year ended December 31, 1996. These unaudited pro forma combined condensed financial statements give effect to the Acquisition and the HSNi Mergers using the purchase method of accounting.

The unaudited pro forma financial statements reflect certain assumptions regarding the proposed Acquisition and the HSNi Mergers and are based on the historical consolidated financial statements of the respective companies. These unaudited pro forma combined condensed financial statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the audited financial statements and the unaudited interim financial statements, including the notes thereto, of HSNi and Ticketmaster, which are incorporated by reference or included in this Proxy Statement.

The pro forma combined condensed balance sheet as of March 31, 1997 gives effect to the Acquisition as if it had occurred on March 31, 1997, and combines the unaudited balance sheet of HSNi as of March 31, 1997 with the audited balance sheet of Ticketmaster as of January 31, 1997, reflecting the pro forma effects of the Ticketmaster Canadian Transaction.

The pro forma combined condensed statement of operations for the year ended December 31, 1996, combines the unaudited pro forma statement of operations of HSNi for the year ended December 31, 1996, which gives effect to the HSNi Mergers as if they had occurred January 1, 1996, with the results of operations of Ticketmaster for the 12-month period ended January 31, 1997, reflecting the pro forma effect of certain acquisitions of Ticketmaster including the Ticketmaster Canadian Transaction. Separately, the pro forma combined condensed statement of operations for the three months ended March 31, 1997, combines the unaudited statements of operations of HSNi for the quarter ended March 31, 1997 with the unaudited results of operations of Ticketmaster for the three months ended January 31, 1997, reflecting the pro forma effect of certain acquisitions of Ticketmaster including the Ticketmaster Canadian Transaction.

The purchase accounting information included herein is preliminary and has been made solely for the purposes of developing such unaudited pro forma combined condensed financial information. The unaudited pro forma combined information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operation which would have actually been reported had any of the transactions occurred as of March 31, 1997, or for three months ended March 31, 1997, or for the year ended December 31, 1996, nor is it necessarily indicative of future financial position or results of operation. Although cost savings and other benefits from the synergies of operations of the combined companies are expected, no such benefits are reflected in these pro forma combined condensed financial statements.

1

HSN, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
MARCH 31, 1997

	TICKETMASTER GROUP, INC.				
	HSN, INC.	JANUARY 31, 1997 (HISTORICAL)	CANADIAN TRANSACTION(B)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	(IN THOUSANDS)				
ASSETS					
Current Assets:					
Cash and short-term					
investments.....	\$ 41,562	\$ 60,880	\$ 15,160	\$ (6,175) (g)	\$ 111,427
Accounts and notes receivable...	53,291	20,898	3,063	--	77,252
Inventories.....	113,479	4,093	--	--	117,572
Deferred income taxes.....	34,718	--	--	--	34,718
Other.....	6,778	8,079	755	--	15,612
	-----	-----	-----	-----	-----
Total current					
assets.....	249,828	93,950	18,978	(6,175)	356,581
Property, plant and equipment, net.....	125,837	32,923	3,041		161,801
Intangible assets including goodwill and broadcast licenses, net.....	1,529,969	86,466	1,031	189,509(a)(c) 56,954(d) 27,416(h)	1,891,345
Cable distribution fees.....	112,854	--	--	--	112,854
Long-term investments.....	27,958	7,308	--	--	35,266
Notes receivable.....	17,042	1,440	281	--	18,763

Deferred income taxes.....	6,086	3,948	114	--	10,148
Deferred charges and other.....	29,726	3,199	524	--	33,449
	-----	-----	-----	-----	-----
	1,849,472	135,284	4,991	273,879	2,263,626
	-----	-----	-----	-----	-----
Total assets.....	\$2,099,300	\$ 229,234	\$ 23,969	\$ 267,704	\$2,620,207
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable, accrued and other current liabilities.....	\$ 227,643	\$ 63,472	\$ 17,898	\$ 1,618(c)	\$ 310,631
Deferred revenue.....	--	9,233	419	--	9,652
Current portion of long-term debt.....	14,734	190	211	--	15,135
	-----	-----	-----	-----	-----
Total current liabilities.....	242,377	72,895	18,528	1,618	335,418
Long-term debt.....	269,071	127,514	507	10,000(g)	407,092
Other long-term liabilities.....	58,392	7,400	--	--	65,792
	-----	-----	-----	-----	-----
	569,840	207,809	19,035	11,618	808,302
Minority interest.....	365,009	80	--	18,722(e)	383,811
Stockholders' Equity:					
Preferred stock.....	--	--	--	--	--
Common stock.....	361	--	--	93(a)(d)	454
Common stock -- Class B.....	102	--	--	--	102
Additional paid-in capital.....	1,286,671	127,466	4,774	(143,641)(a)(d)	1,550,221
				263,550(a)(e)	
				11,401(g)	
Retained earnings (deficit).....	(112,892)	(106,068)	160	106,068(a)	(112,892)
				(160)(g)	
Unearned compensation.....	(4,793)	--	--	--	(4,793)
Cumulative currency translation adjustment.....	--	(53)	--	53(a)	--
Note receivable from key executive for common stock issuance.....	(4,998)	--	--	--	(4,998)
	-----	-----	-----	-----	-----
Total stockholders' equity.....	1,164,451	21,345	4,934	237,364	1,428,094
	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$2,099,300	\$ 229,234	\$ 23,969	\$ 267,704	\$2,620,207
	=====	=====	=====	=====	=====

HSN, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1996

TICKETMASTER GROUP, INC.

	HSN, INC. PRO FORMA(F)	YEAR ENDED JANUARY 31, 1997 PRO FORMA(B)	CANADIAN TRANSACTION(B)	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
			(IN THOUSANDS,	EXCEPT PER SHARE	DATA)		
NET REVENUES:							
Home Shopping....	\$1,014,705	\$ --	\$ --	\$ --	\$ --	\$ --	\$1,014,705
Broadcasting.....	53,215	--	--	--	--	--	53,215
Ticket operations....	--	232,241	25,763	(505)(i)	257,499	--	257,499
Other.....	--	38,610	--	--	38,610	--	38,610
Total net revenues...	1,067,920	270,851	25,763	(505)	296,109	--	1,364,029
Operating costs and expenses:							
Cost of sales....	626,090	17,980	--	--	17,980	--	644,070
Selling, general and administrative...	271,961	223,598	21,684	(477)(i) (1,044)(j)	243,761	--	515,722
Engineering and programming...	39,679	--	--	--	--	--	39,679
Depreciation and amortization...	90,862	17,995	1,012	2,621(k)	21,628	6,162(o)	118,652
Total operating costs and expenses...	1,028,592	259,573	22,696	1,100	283,369	6,162	1,318,123
Operating profit...	39,328	11,278	3,067	(1,605)	12,740	(6,162)	45,906
Interest income (expense), net.....	(34,665)	(8,793)	(133)	(613)(m)	(9,539)	--	(44,204)
Other income (expense).....	320	6,311	(24)	24(l)	6,311	--	6,631
	(34,345)	(2,482)	(157)	(589)	(3,228)	--	(37,573)
Earnings (loss) before income taxes and minority interest.....							
	4,983	8,796	2,910	(2,194)	9,512	(6,162)	8,333
Income tax (expense) benefit.....							
	(22,582)	(5,043)	(1,375)	(198)(n)	(6,616)		(29,198)
Minority interest (expense) benefit.....							
	3,288	(81)			(81)	(1,405)(e)	1,802
NET EARNINGS (LOSS).....							
	\$ (14,311)	\$ 3,672	\$ 1,535	\$(2,392)	\$ 2,815	\$(7,567)	\$ (19,063)
Weighted average shares outstanding(p)...							
	48,761						58,002
Net loss per common share.....							
	\$ (.29)						\$ (.33)

HSN, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1997

TICKETMASTER GROUP, INC.

HSN, INC.	THREE MONTHS ENDED JANUARY 31, 1997 PRO FORMA(B)	CANADIAN TRANSACTION(B)	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
NET REVENUES:						
Home Shopping....	\$ 261,418	\$ --	\$ --	\$ --	\$ --	\$ 261,418
Broadcasting.....	12,294	--	--	--	--	12,294
Ticket operations....	--	60,664	6,638	--	67,302	67,302
Other.....	5,839	8,303	--	--	8,303	14,142
	-----	-----	-----	-----	-----	-----
Total net revenues...	279,551	68,967	6,638	--	75,605	355,156
	-----	-----	-----	-----	-----	-----
Operating costs and expenses:						
Cost of sales....	158,614	4,168	--	--	4,168	162,782
Selling, general and administrative...	57,856	55,602	5,153	--	60,755	118,611
Engineering and programming...	18,713	--	--	--	--	18,713
Depreciation and amortization...	20,959	4,801	659	218(k)	5,678	28,177
	-----	-----	-----	-----	-----	-----
Total operating costs and expenses...	256,142	64,571	5,812	218	70,601	328,283
	-----	-----	-----	-----	-----	-----
Operating profit...	23,409	4,396	826	(218)	5,004	26,873
	-----	-----	-----	-----	-----	-----
Interest Income (expense), net.....	(5,681)	(2,051)	(12)	(168)(m)	(2,231)	--
Other income (expense).....	(3,229)	675	--	--	675	--
	-----	-----	-----	-----	-----	-----
	(8,910)	(1,376)	(12)	(168)	(1,556)	--
	-----	-----	-----	-----	-----	-----
Earnings (loss) before income taxes and minority interest.....						
	14,499	3,020	814	(386)	3,448	(1,540)
Income tax (expense) benefit.....	(11,129)	(1,612)	(601)	77(n)	(2,136)	--
Minority interest (expense) benefit.....	400	(11)	--	--	(11)	(649)(e)
	-----	-----	-----	-----	-----	-----
NET EARNINGS (LOSS).....	\$ 3,770	\$ 1,397	\$ 213	\$ (309)	\$ 1,301	\$ (2,189)
	=====	=====	=====	=====	=====	=====
Weighted average shares outstanding(p)...	50,623					59,864
	=====					=====
Net earnings per common share.....	\$.07					\$.05
	=====					=====

HSN, INC.
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE DATA)

- (a) Acquisition cost and the preliminary determination of the unallocated excess of acquisition cost over net assets acquired are set forth below:

Acquisition cost.....	\$208,306
Net assets acquired as of January 31, 1997, adjusted for the Ticketmaster Canadian Transaction (see notes b and g).....	18,797 -----
Unallocated excess of acquisition cost over 50.1% of the Ticketmaster net assets ("goodwill").....	\$189,509 =====

Acquisition cost is based on an assumed price of \$28.44 per share of HSNi stock and the 7,238,507 shares to be issued pursuant to the Exchange Agreement, plus the assumed purchase price of the anticipated purchase of additional shares (see note c) and estimated transaction costs of \$825.

- (b) Ticketmaster acquired (by purchase, redemption or otherwise) various joint venture partners', minority shareholders and licensees' interests ("Acquired Businesses") during fiscal 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Ticketmaster" for further description of the separate pro forma statement of operations for the year ended January 31, 1997. Ticketmaster pro forma financial statements and notes reflecting the fiscal 1997 acquisitions are included herein for the three months ended January 31, 1997. In addition, pursuant to an agreement dated May 13, 1997, Ticketmaster acquired all the issued and outstanding shares of capital stock of its Canada licensee (the "Canadian Transaction," see note g.) The Canadian Transaction column in the pro forma combined condensed statement of operations for the three months ended March 31, 1997 include the operations of the Canadian subsidiary for the three months ended April 30, 1997.
- (c) Reflects the acquisition of an additional 111,583 shares of Ticketmaster Common Stock in open market transactions to increase HSNi's ownership percentage to 50.1% of the outstanding Ticketmaster Common Stock in accordance with HSNi's stated intention to acquire additional Ticketmaster Common Stock and consolidate the operations of Ticketmaster. The additional Ticketmaster Common Stock purchases are calculated using an assumed price based the closing price of the Ticketmaster Common Stock on the date of the Exchange Agreement (\$14.50 per share).
- (d) Reflects 2,002,591 Contingent Rights Shares issued to Liberty HSN at an assumed price of \$28.44 per share.
- (e) Reflects the minority interest in the net assets and earnings of Ticketmaster.
- (f) HSNi pro forma for the year ended December 31, 1996 have been prepared to give effect to the Savoy Merger and Home Shopping Merger as if these transactions had occurred January 1, 1996. See the HSNi audited financial statements for additional information regarding the HSNi Mergers and the HSNi pro forma results for the year ended December 31, 1996.
- (g) Reflects the adjustment to record the Ticketmaster Canadian Transaction. The Canadian Transaction purchase price was Cdn. \$44,650 (approximately U.S. \$32,350) consisting of approximately U.S. \$16,175 (U.S. \$10,000 was borrowed) and 1,115,531 shares of non-voting, non-participating Class B Common Stock of Ticketmaster's new Canadian subsidiary, which track the Ticketmaster Common Stock and are exchangeable into Ticketmaster Common Stock at anytime, valued at approximately U.S. \$16,175.
- (h) Represents excess of purchase price over the fair value of net tangible assets acquired in the Canadian Transaction. The amount has been preliminarily allocated to purchase user agreements (\$6,400) and goodwill (\$21,016).

- (i) Reflects the elimination of licensing fees paid by Ticketmaster Canada to, and profit on equipment sold to Ticketmaster Canada by, Ticketmaster during the applicable period.
- (j) Represents the elimination of shareholder bonuses paid by Ticketmaster Canada during the year under previous employment agreements.
- (k) Represents amortization arising from the purchased user agreements and goodwill related to the Ticketmaster Canadian Transaction. The purchased user agreements are being amortized using a discounted cash flow method through the expiration date of the underlying contracts generally ranging from 3 to 10 years. Goodwill is being amortized over a 30 year period.
- (l) Represents the elimination of net income on unconsolidated affiliates, as the unconsolidated affiliates were not acquired in the Ticketmaster Canadian Transaction.
- (m) Represents the increase in interest expense resulting from indebtedness incurred in connection with the Ticketmaster Canadian Transaction, at rates of interest incurred by Ticketmaster during the first quarter of fiscal 1998, approximately 6.7%. In addition, the adjustment also reflects the reduction in interest expense resulting from debt not acquired. Rates of interest used represent Ticketmaster Canada's rate on the respective debt, approximately 10%.
- (n) Represents the related income tax effect of the pro forma adjustments utilizing a statutory Federal rate of 34% and a statutory rate for state and foreign taxes based on the rate in the applicable jurisdiction.
- (o) Reflects additional amortization expense resulting from the increase in intangible assets of \$246,463 (see notes a and d). The excess of acquisition cost over net assets acquired has preliminarily been allocated to goodwill to be amortized over 40 years. The final allocation and amortization period are subject to adjustment upon completion of the acquisition and review of Ticketmaster operations.
- (p) Pro forma weighted average shares outstanding include the HSNi historical weighted average shares outstanding for the applicable period plus 7,238,507 shares to be issued in connection with the Acquisition and 2,002,591 shares to be issued in connection with Liberty HSN Contingent Rights (see note d). Pro forma weighted average shares outstanding does not include any Adjustment Shares or shares issuable in connection with Ticketmaster Shareholder Agreement Tag-Along Rights because these shares are not currently estimatable.