AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 2000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

USA NETWORKS, INC.
(Exact name of registrant as specified in its charter)

COMMISSION FILE NO. 0-20570

DELAWARE	59-2712887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

152 WEST 57TH STREET, NEW YORK, NEW YORK, 10019
(Address of Registrant's principal executive offices)

(212) 314-7300
(Registrant's telephone number, including area code):

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

As of April 20, 2000, the following shares of the Registrant's capital stock were outstanding:

Common Stock	298,478,782
Class B Common Stock	63,033,452
Total	361,512,234
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,846
Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	722,665,080

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of April 20, 2000 was $4,159,224,189. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of April 20, 2000, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 722,665,080 shares of Common Stock with an aggregate market value of $13,098,304,575.

All share numbers set forth above give effect to the two-for-one stock split which became effective on February 24, 2000 for holders of record as of the close of business on February 10, 2000.

PART I--FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USA NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
NET REVENUES		
Networks and television production	$ 378,953	$331,544
Electronic retailing	379,058	275,510
Ticketing operations	127,961	99,723
Hotel reservations	55,263	--
Interactive	23,063	12,322
Filmed entertainment	30,307	1,695
Electronic commerce and services	4,564	3,206
Broadcasting	3,634	901
Other	--	4,046
Total net revenues	1,002,803	728,947
Operating costs and expenses:		
Cost of sales and services	408,791	248,442
Program costs	165,864	167,282
Selling and marketing	126,630	89,703
General and administrative	93,516	66,825
Amortization of non cash distribution and marketing expense	763	--
Other operating costs	23,694	19,161
Amortization of cable distribution fees	8,223	6,090
Depreciation and amortization	107,992	70,237
Total operating costs and expenses	935,473	667,740
Operating profit	67,330	61,207
Other income (expense):		
Interest income	9,732	10,086
Interest expense	(18,372)	(20,450)
Gain on sale of securities	--	47,300
Gain on sale of subsidiary stock	3,718	--
Miscellaneous	(4,334)	9,965
	(9,256)	46,901
Earnings before income taxes and minority interest	58,074	108,108
Income tax expense	(31,505)	(26,500)
Minority interest	(45,441)	(74,065)
NET EARNINGS (LOSS)	$ (18,872)	$ 7,543
Basic and diluted earnings (loss) per common share	$ (.06)	$ .02

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 480,449	$ 424,239
Marketable securities, available for sale	49,684	--
Accounts and notes receivable, net of allowance of $51,071 and $41,993, respectively	512,266	454,341
Inventories, net	478,093	470,844
Investment held for sale	18,656	11,512
Other current assets, net	57,472	27,519
Total current assets	1,596,620	1,388,455
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	348,687	324,412
Buildings and leasehold improvements	115,184	110,403
Furniture and other equipment	85,384	85,487
Land	13,944	16,094
Projects in progress	39,090	41,438
	602,289	577,834
Less accumulated depreciation and amortization	(230,000)	(221,203)
	372,289	356,631
OTHER ASSETS		
Intangible assets, net	7,001,883	6,831,487
Cable distribution fees, net ($33,532 and $35,181, respectively, to related parties)	149,442	130,988
Long-term investments	77,182	121,383
Notes and accounts receivable, net of current portion ($2,562 from related parties)	25,428	26,248
Advance to Universal	151,222	163,814
Inventories, net	154,103	166,477
Deferred charges and other, net	76,310	67,669
	$9,604,479	$9,253,152

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 23,432	$ 10,801
Accounts payable, trade	195,656	188,343
Accounts payable, client accounts	102,680	98,586
Obligations for program rights and film costs	292,426	272,945
Amount due under acquisition agreement	43,000	17,500
Cable distribution fees payable ($18,559 and $18,733, respectively, to related parties)	51,355	43,993
Deferred revenue	107,420	83,811
Deferred income taxes	9,893	4,050
Other accrued liabilities	361,396	311,724
Total current liabilities	1,187,258	1,031,753
LONG-TERM OBLIGATIONS (net of current maturities)	575,452	574,979
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	246,321	262,810
OTHER LONG-TERM LIABILITIES	106,251	116,695
DEFERRED INCOME TAXES	9,768	5,120
MINORITY INTEREST	4,745,632	4,492,066
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Preferred stock--$.01 par value; authorized 15,000,000 shares; no shares issued and outstanding	--	--
Common stock--$.01 par value; authorized 800,000,000 shares; issued and outstanding, 273,804,950 and 274,013,418 shares, respectively	2,738	2,740
Class B--convertible common stock--$.01 par value; authorized, 200,000,000 shares; issued and outstanding, 63,033,452 shares	630	630
Additional paid-in capital	2,848,823	2,830,506
Accumulated deficit	(73,230)	(54,358)
Accumulated other comprehensive income	3,801	4,773
Treasury stock	(43,967)	(9,564)
Unearned compensation	--	--
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
Total stockholders' equity	2,733,797	2,769,729
	$9,604,479	$9,253,152

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDIT. PAID-IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMP. INCOME	TREASURY STOCK	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE
				(IN THOUSANDS)				
BALANCE AT DECEMBER 31, 1999	$2,769,729	$2,740	$630	$2,830,506	$(54,358)	$4,773	$ (9,564)	$(4,998)
Comprehensive income:								
Net loss for the three months ended March 31, 2000	(18,872)	--	--	--	(18,872)	--	--	--
Decrease in unrealized gains in available for sale securities	(910)	--	--	--	--	(910)	--	--
Foreign currency translation	(62)	--	--	--	--	(62)	--	--
Comprehensive loss	(19,844)							
Issuance of common stock upon exercise of stock options	5,788	10	--	5,778	--	--	--	--
Income tax benefit related to stock options exercised	3,846	--	--	3,846	--	--	--	--
Issuance of stock in connection with other transactions	8,697	4	--	8,693	--	--	--	--
Purchase of treasury stock in connection with stock repurchase program	(34,419)	(16)	--	--	--	--	(34,403)	--
	--	--	--	--	--	--	--	
BALANCE AT MARCH 31, 2000	$2,733,797	$2,738	$630	$2,848,823	$(73,230)	$3,801	$(43,967)	$(4,998)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2000	1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net earnings (loss)	$ (18,872)	$ 7,543
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	107,992	70,237
Amortization of cable distribution fees	8,223	6,090
Amortization of program rights and film costs	164,572	161,254
Amortization of non-cash distribution and marketing costs	763	--
Amortization of deferred financing costs and non-cash interest	935	--
Deferred income taxes	(3,151)	(459)
Equity in (earnings) losses of unconsolidated affiliates	4,658	126
Gain on sale of subsidiary stock	(3,718)	--
Gain on sale of securities	--	(47,300)
Non-cash interest income	(2,482)	--
Non-cash stock compensation	3,131	1,386
Minority interest	45,441	74,065
Changes in current assets and liabilities:		
Accounts receivable	(27,217)	10,111
Inventories	21,677	(10,854)
Accounts payable	632	(33,873)
Accrued liabilities and deferred revenue	57,835	(4,441)
Payment for program rights and film costs	(191,511)	(162,335)
Increase in cable distribution fees	(18,591)	(6,981)
Other, net	7,549	(4,146)
NET CASH PROVIDED BY OPERATING ACTIVITIES	157,866	60,423
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(21,594)	(4,421)
Capital expenditures	(26,790)	(15,472)
Recoupment of advance to Universal	15,074	
Advance to Styleclick for promissory note	(5,000)	--
Increase in long-term investments and notes receivable	962	(11,384)
Purchase of marketable securities	(49,684)	--
Proceeds from sale of securities	--	58,110
Proceeds from long-term notes receivable	--	3,691
Payment of merger and financing costs	(881)	--
Other, net	(2,004)	(1,950)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(89,917)	28,574
Cash flows from financing activities:		
Borrowings	19,514	--
Principal payments on long-term obligations	(17,012)	(7,780)
Purchase of treasury stock	(34,419)	(4,938)
Payment of mandatory tax distribution to LLC partners	(68,065)	(28,830)
Proceeds from sale of subsidiary stock	89,976	--
Proceeds from issuance of common stock and LLC shares	5,788	17,153
Other, net	(7,459)	--
NET CASH USED IN FINANCING ACTIVITIES	(11,677)	(24,395)
Effect of exchange rate changes on cash and cash equivalents	(62)	(1,131)
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,210	63,471
Cash and cash equivalents at beginning of period	424,239	445,356
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 480,449	$ 508,827

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

USA Networks, Inc. (the "Company" or "USAi") is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses.

On May 10, 1999, the Company acquired substantially all of the assets and assumed substantially all of the liabilities of two entities which operate Hotel Reservations Network (the "Hotel Reservations Network Transaction"). See Note 3.

On May 28, 1999, the Company acquired October Films, Inc. ("October Films"), in which Universal owned a majority interest, and the domestic film distribution and development business of Universal previously operated by Polygram Filmed Entertainment, Inc. ("PFE") (the "October Films/PFE Transaction"). See Note 3.

As of March 31, 2000, the Company engages in eight principal areas of business:

- NETWORKS AND TELEVISION PRODUCTION, which includes Networks and Studios USA. Networks operates the USA Network and Sci-Fi Channel cable networks and Studios USA produces and distributes television programming.

- ELECTRONIC RETAILING, consisting primarily of the Home Shopping Network and America's Store, which are engaged in the electronic retailing business.

- TICKETING OPERATIONS, which primarily represents Ticketmaster, the leading provider of automated ticketing services in the United States, and Ticketmaster.com, Ticketmaster's exclusive agent for online ticket sales.

- HOTEL RESERVATIONS, consisting of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States.

- INTERACTIVE, which includes Internet Shopping Network, the Company's online retailing networks business, and local city guide business.

- ELECTRONIC COMMERCE & SERVICES, which primarily represents the Company's customer and e-care businesses.

- FILMED ENTERTAINMENT, which primarily represents the Company's domestic theatrical film distribution and production businesses.

- BROADCASTING, which owns and operates television stations.

On January 20, 2000, the Board of Directors declared a two-for-one stock split of USAi's common stock and Class B common stock, payable in the form of a dividend to stockholders of record as of the close of business on February 10, 2000. The 100% stock dividend was paid on February 24, 2000. All share data and earnings per share amounts presented have been adjusted to reflect this stock split.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 1999. Certain amounts in the Condensed

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)
Consolidated Financial Statements for the quarter ended March 31, 1999 have been reclassified to conform to the 2000 presentation.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the "1999 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

HOTEL RESERVATIONS NETWORK TRANSACTION

On May 10, 1999, the Company completed its acquisition of substantially all of the assets and the assumption of substantially all of the liabilities of two entities which operate Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States. The assets acquired and liabilities assumed comprise Hotel Reservations Network, Inc. ("HRN"), a wholly owned subsidiary of USAi. The initial purchase price was $149.2 million, net of a working capital adjustment of $0.8 million, plus contingent payments based on operating performance during the year ended December 31, 1999 and for the twelve month periods ended March 31, 2000, 2001 and 2002. The purchase price was paid in the form of a cash payment of $145.0 million on May 11, 1999 and a promissory note of $5.0 million which was paid on January 30, 2000 and which bore interest at 4.75% per annum. In addition, the Company paid $50.0 million related to HRN's performance during the year ended December 31, 1999.

Furthermore, in conjunction with HRN's initial public offering (see below), USAi issued to the sellers the number of shares of HRN class A common stock equal to 10% of the aggregate value of the equity of HRN immediately prior to a transaction, as defined. USAi issued the sellers approximately 4.9 million shares of HRN class A common stock valued at $78.4 million. Pursuant to an amendment of the asset purchase agreement with the sellers of HRN's predecessor business entered into in contemplation of the initial public offering, HRN agreed to issue HRN class A common stock to the sellers in exchange for releasing the obligation to make additional performance-based payments covering the twelve month periods ending March 31, 2001 and 2002. HRN issued the sellers approximately 5.1 million shares of HRN class A common stock valued at $81.6 million. The contingent payment for the twelve month period ending March 31, 2000 is currently being finalized and is estimated to be approximately $43.0 million. This estimated amount is reflected as a liability and resulted in additional goodwill which will be amortized over the remaining life of the goodwill.

The acquisition has been accounted for under the purchase method of accounting. The purchase price, including the initial contingent payments of $50 million for the year ended December 31, 1999, the stock issued to the sellers in conjunction with the initial public offering, and the estimated contingent payment for the twelve months ended March 31, 2000 has been allocated to the assets acquired and

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

liabilities assumed based on their respective fair values at the date of purchase, resulting in goodwill of approximately $403.3 million which is being amortized over a ten year life.

On March 1, 2000, HRN completed an initial public offering for approximately 6.2 million shares of its class A common stock, resulting in net cash proceeds of approximately $90.0 million. At the completion of the offering, USAi owned approximately 70.6% of the outstanding shares of HRN. USAi recorded a gain related to the initial public offering of approximately $3.7 million in the three months ended March 31, 2000.

OCTOBER FILMS/PFE TRANSACTION

In connection with the acquisition of October Films, Inc., as of May 28, 1999, the Company issued 600,000 shares of Common Stock to Universal and paid cash consideration of approximately $12 million to October Films shareholders (other than Universal) for total consideration of $23.6 million. To fund the cash consideration portion of the transaction, Universal purchased from USAi 600,000 additional shares of Common Stock at $20.00 per share. In addition, the Company assumed $83.2 million of outstanding debt under October Films' credit agreement which was repaid from cash on hand on August 20, 1999.

Also on May 28, 1999, USAi acquired from Universal the domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses. The acquisition included PFE's domestic production assets such as Interscope Communications and Propaganda Films, as well as the following distribution assets: PolyGram Video, Polygram Filmed Entertainment Canada, Gramercy Pictures, and PolyGram Films. In connection with the transaction, USAi agreed to assume certain liabilities related to the PFE businesses acquired. In addition, USAi advanced $200.0 million to Universal pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement pursuant to which USAi will distribute, in the U.S. and Canada, certain Polygram theatrical films which were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through March 31, 2000, approximately $58.0 million had been offset against the advance and $9.2 million of interest had accrued.

The October Films/PFE Transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $164.7 million has been allocated to goodwill, which is being amortized over 20 years.

The following unaudited pro forma condensed consolidated financial information for the three months ended March 31, 1999, is presented to show the results of the Company, as if the Hotel Reservations Network Transaction and the October Films/ PFE Transaction had occurred on January 1, 1999. The pro forma results include certain adjustments, including increased amortization related to goodwill and other intangibles, changes in programming and film costs amortization and an increase in

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)
interest expense, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	THREE MONTHS ENDED MARCH 31, 1999 (IN THOUSANDS, EXCEPT PER SHARE DATA)
Net revenues	$756,868
Net earnings	1,282
Basic and diluted earnings (loss) per common share	$ --

NOTE 4--STOCK-BASED WARRANTS

In January 2000, HRN entered into an exclusive affiliate distribution and marketing agreement with Travelocity and issued to Travelocity a performance warrant at the completion of the initial public offering. The performance warrant is subject to vesting based on achieving certain performance targets. If the performance warrant becomes fully vested and exercisable it will entitle the holder to acquire 2,447,955 shares of HRN class A common stock at the initial public offering price. The Company also entered into other exclusive affiliate distribution and marketing agreements and issued 1,428,365 warrants to purchase HRN class A common stock at the initial public offering price at the completion of the public offering.

All stock warrants were accounted for in accordance with EITF 96-18. In relation to warrants to purchase 1,428,365 shares of class A common stock, the Company recorded an asset of approximately $14.7 million based on the fair market value of the warrants at the initial public offering price of $16.00 per share. The asset will be amortized ratably as non-cash distribution and marketing expense over the terms of the exclusive affiliation agreements, which range from two to five years.

The performance warrant, which will be subject to vesting based on the achievement of defined performance targets will be valued at the time the award is probable of being earned. The portion of the value related to the completed term of the related affiliation agreement will be expensed, and the remaining non-cash deferred distribution and marketing expense will be amortized over the remaining term of the affiliation agreement. The value of such related warrants may be subject to adjustment until such time that the warrant is nonforfeitable, fully vested and exercisable.

NOTE 5--INVESTMENTS

During the quarter ended March 31, 1999, the Company recognized a pre-tax gain of $47.3 million on the sale of securities in a publicly traded entity.

NOTE 6--STOCKHOLDERS' EQUITY

On January 20, 2000, the Board of Directors declared a two-for-one stock split of USAi's common stock and Class B common stock, payable in the form of a dividend to stockholders of record as of the close of business on February 10, 2000. The 100% stock dividend was paid on February 24, 2000.

NOTE 7--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

On January 31, 2000, TMCS completed its acquisition of 2b Technology, Inc. ("2b"), by issuing approximately 458,000 shares of TMCS Class B Common Stock for all the outstanding stock of 2b, for a total value of approximately $16.9 million.

As of January 1, 2000, the Company presents the operations of HOT Germany, an electronic retailer operating principally in Germany, on a consolidated basis, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

For the three months ended March 31, 2000, interest accrued on the $200.0 million advance to Universal amounted to $2.5 million.

For the three months ended March 31, 2000, the Company incurred non-cash distribution and marketing expense of $0.8 million.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 1999:

On March 29, 1999, TMCS completed its acquisition of City Auction, Inc. ("City Auction"), a person-to-person online auction community, by issuing approximately 800,000 shares of TMCS Class B Common Stock for all the outstanding stock of City Auction, for a total value of $27.2 million.

During the quarter ended March 31, 1999, the Company acquired post-production and other equipment through capital leases totaling $2.5 million.

NOTE 8--INDUSTRY SEGMENTS

For the three months ended March 31, 2000, the Company operated principally in eight industry segments: Networks and television production, Electronic retailing, Ticketing operations, Hotel reservations, Interactive, Filmed entertainment, Electronic commerce and services and Broadcasting. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists of Home Shopping Network and America's Store, which are engaged in the sale of merchandise through electronic retailing. The Ticketing operations segment provides automated ticketing services primarily in the United States. The Hotel reservations segment was formed on May 10, 1999 in conjunction with the acquisition of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States. The Interactive segment represents the Company's on-line retailing networks business and local city guide business. The Filmed entertainment segment represents USA Films, which consists of domestic theatrical film distribution and production businesses which were acquired May 28, 1999, and Savoy. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Broadcasting segment includes the

NOTE 8--INDUSTRY SEGMENTS (CONTINUED)

operations of broadcast television stations in twelve markets that principally transmit Home Shopping Network programming.

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS)	
Revenue		
Networks and television production	$ 378,953	$331,544
Electronic retailing	379,058	275,510
Ticketing operations	127,961	99,723
Hotel reservations	55,263	--
Interactive	23,063	12,322
Filmed entertainment	30,307	1,695
Electronic commerce and services	4,564	3,206
Broadcasting	3,634	901
Other	--	4,046
	$1,002,803	$728,947
Operating profit (loss)		
Networks and television production	$ 110,787	$ 81,270
Electronic retailing	36,378	21,340
Ticketing operations	17,065	8,203
Hotel reservations	866	--
Interactive	(64,489)	(29,531)
Filmed entertainment	88	(201)
Electronic commerce and services	(6,216)	(150)
Broadcasting	(14,769)	(11,382)
Corporate and other	(12,380)	(8,342)
	$ 67,330	$ 61,207

The Company operates principally within the United States.

NOTE 9--SAVOY SUMMARIZED FINANCIAL INFORMATION

The Company has not prepared separate financial statements and other disclosures concerning Savoy because management has determined that such information is not material to holders of the Savoy Debentures, all of which have been assumed by the Company as a joint and several obligor. The information presented is reflected at Savoy's historical cost basis.

NOTE 9--SAVOY SUMMARIZED FINANCIAL INFORMATION (CONTINUED)
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
Net sales	$1,605	$1,695
Operating expenses	615	1,763
Operating income	990	(68)
Net income (loss)	545	1,073

SUMMARY CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Current assets	$ 191	$ 191
Non-current assets	146,313	150,236
Current liabilities	10,580	12,273
Non-current liabilities	39,036	39,081

NOTE 10--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, the Company and USANi LLC as co-issuers completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of the Company, including Holdco, a non-wholly owned, direct subsidiary of the Company, and all of the subsidiaries of USANi LLC (other than subsidiaries that are, individually and in the aggregate, inconsequential to USANi LLC on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by the Company or USANi LLC, as the case may be.

The following tables present condensed consolidating financial information for the three months ended March 31, 2000 and 1999 for: (1) the Company on a stand-alone basis, (2) Holdco on a stand-alone basis, (3) USANi LLC on a stand-alone basis, (4) the combined Wholly Owned Subsidiary Guarantors (including Wholly Owned Subsidiary Guarantors that are wholly owned subsidiaries of USANi LLC), (5) the combined non-guarantor subsidiaries of the Company (including the non-guarantor subsidiaries of USANi LLC (collectively, the "Non-Guarantor Subsidiaries")), and (6) the Company on a consolidated basis.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities

NOTE 10--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

Exchange Act of 1934 because the Company's management has determined that the information contained in such documents would not be material to investors.

As of and for the Three Months Ended March 31, 2000

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
Current assets	$ --	$ --	$ 200,097	$ 871,305	$ 525,218	$ --	$ 1,596,620
Property and equipment net	--	--	24,889	249,985	97,415	--	372,289
Goodwill and other intangible assets, net	75,264	--	--	5,277,614	1,798,447	--	7,151,325
Investment in subsidiaries	2,681,416	2,044,117	5,201,180	19,717	--	(9,946,430)	--
Other assets	101,555	--	$ --	305,494	77,196	--	484,245
Total assets	$2,858,235	$2,044,117	$5,426,166	$6,724,115	$2,498,276	$(9,946,430)	$ 9,604,479
Current liabilities	$ --	$ --	$ --	$ 788,003	$ 399,255	$ --	$ 1,187,258
Long-term debt, less current portion	--	--	518,105	3,230	54,117	--	575,452
Other liabilities	124,438	--	311,715	93,553	281,719	(449,085)	362,340
Minority interest	--	--	--	259,657	525,136	3,960,839	4,745,632
Interdivisional equity	--	--	--	5,579,672	1,238,049	(6,817,721)	--
Stockholders' equity	2,733,797	2,044,117	4,596,346	--	--	(6,640,463)	2,733,797
Total liabilities and shareholders' equity	$2,858,235	$2,044,117	$5,426,166	$6,724,115	$2,498,276	$(9,946,430)	$ 9,604,479
Revenue	$ --	$ --	$ --	$ 709,455	$ 293,348	$ --	$ 1,002,803
Operating expenses	(3,393)	--	(8,835)	(596,304)	(326,941)	--	(935,473)
Interest expense, net	(4,500)	--	4,125	(7,300)	(965)	--	(8,640)
Other income (expense), net	(12,321)	36,813	137,180	(3,007)	(1,855)	(157,426)	(616)
Provision for income taxes	1,342	--	(27,351)	(1,480)	(4,016)	--	(31,505)
Minority interest	--	--	--	(69,162)	23,721	--	(45,441)
Net (loss) income	$ (18,872)	$ 36,813	$ 105,119	$ 32,202	$ (16,708)	$ (157,426)	$ (18,872)
Cash flows from operations	$ (6,614)	$ --	$ 3,891	$ 140,294	$ 20,295	$ --	$ 157,866
Cash flows used in investing activities	2,656	--	(6,061)	$ (15,682)	$ (70,830)	--	(89,917)
Cash flows from financing activities	3,958	--	(14,613)	(126,591)	125,569	--	(11,677)
Effect of exchange rate	--	--	--	--	(62)	--	(62)
Cash at the beginning of the period	--	--	276,678	(26,004)	173,565	--	424,239
Cash at the end of the period	$ --	$ --	$ 259,895	$ (27,983)	$ 248,537	$ --	$ 480,449

NOTE 10--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

For the Three Months Ended March 31, 1999

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
Revenue	0	0	0	612,789	116,158	0	728,947
Operating expenses	(2,455)	0	(5,159)	(529,142)	(130,984)	0	(667,740)
Interest expenses, net	(1,724)	0	(4,564)	(4,510)	434	0	(10,364)
Other income (expense), net	10,121	56,462	243,067	56,798	467	(309,650)	57,265
Provision for income taxes	1,601	0	(21,898)	(1,883)	(4,320)	0	(26,500)
Minority interest	0	0	(77,492)	(4,304)	7,731	0	(74,065)
Net (loss) income	7,543	56,462	133,954	129,748	(10,514)	(309,650)	7,543
Cash flow from (used in) operations	(9,789)	0	(2,812)	92,162	(19,138)	0	60,423
Cash flow provided (used in) investing activities	0	0	(10,620)	40,316	(1,122)	0	28,574
Cash flow from financing activities	9,789	0	184,302	(236,173)	17,687	0	(24,395)
Effect of exchange rate	0	0	0	0	(1,131)	0	(1,131)
Cash at beginning of period	0	0	151,160	102,308	191,888	0	445,356
Cash at end of period	0	0	322,030	(1,387)	188,184	0	508,827

NOTE 11--SUBSEQUENT EVENTS

ACQUISITION OF PRECISION RESPONSE CORPORATION

On April 5, 2000, the Company acquired Precision Response Corp. ("PRC") in a stock-for-stock transaction, issuing 24.3 million shares of USAi common stock valued at approximately $705 million in exchange for all outstanding equity of PRC.

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

On January 25, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, announced an agreement to form a new company by merging Internet Shopping Network ("ISN") and Styleclick.com. The new company, which will be named Styleclick, Inc., will own and operate the combined properties of Styleclick.com Inc. and ISN. Under the terms of the agreement, USAi will also invest $40 million in cash, contribute $10 million in dedicated media, and will receive warrants to purchase additional shares of the new company. Upon both the closing of the transaction and on a fully diluted basis, USAi will own approximately 75% of the new company and Styleclick.com stockholders will own approximately 25%. In the interim, USAi has agreed to extend a $10 million bridge loan to Styleclick.com. As of March 31, 2000, the amount outstanding under the loan is $5.0 million. The transaction is expected to close in the second quarter of 2000.

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

GENERAL

USAi is a holding company, with subsidiaries engaged in diversified media and electronic commerce businesses. USAi adopted its present corporate structure as part of the Universal transaction. USAi maintains control and management of Holdco and USANi LLC, and manages the businesses held by USANi LLC in substantially the same manner as they would be if USAi held them directly through wholly owned subsidiaries.

In May 1999, the Company acquired substantially all of the assets and assumed substantially all of the liabilities of two entities which operate Hotel Reservations Network ("HRN") (the "Hotel Reservations Network Transaction"), a leading consolidator of hotel rooms for resale in the consumer market in the United States. Also in May 1999, the Company acquired October Films, Inc. and the domestic film distribution and development business of Universal which was previously operated by Polygram Filmed Entertainment ("USA Films") (the "October Films/PFE Transaction"). In connection with these transactions, the Company established the Hotel reservations and Filmed entertainment business segments. On March 1, 2000, Hotel Reservations Network completed an initial public offering. The Hotel Reservation Network's class A common stock is quoted on the Nasdaq Stock Market under the symbol "ROOM".

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is defined as operating profit plus depreciation, amortization of intangibles, amortization of cable distribution fees and non-cash distribution and marketing expense. EBITDA is presented here as a management tool and as a valuation methodology for companies in the media, entertainment and communications industries. EBITDA does not purport to represent cash provided by operating activities. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

THIS REPORT INCLUDES FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, NEW DEVELOPMENTS, NEW MERCHANDISING STRATEGIES AND SIMILAR MATTERS. A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OPERATIONS, PERFORMANCE, DEVELOPMENT AND RESULTS OF THE COMPANY'S BUSINESS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING: MATERIAL ADVERSE CHANGES IN ECONOMIC CONDITIONS IN THE MARKETS SERVED BY THE COMPANY; FUTURE REGULATORY ACTIONS AND CONDITIONS IN THE COMPANY'S OPERATING AREAS; COMPETITION FROM OTHERS; SUCCESSFUL INTEGRATION OF THE COMPANY'S DIVISIONS' MANAGEMENT STRUCTURES; PRODUCT DEMAND AND MARKET ACCEPTANCE; THE ABILITY TO PROTECT PROPRIETARY INFORMATION AND TECHNOLOGY OR TO OBTAIN NECESSARY LICENSES ON COMMERCIALLY REASONABLE TERMS; AND OBTAINING AND RETAINING KEY EXECUTIVES AND EMPLOYEES.

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the past three years, we have augmented our media and electronic commerce businesses by acquiring and developing several new businesses. As a result, the changes resulting from the Hotel Reservations Network transaction and the October Films/PFE transaction should be considered when comparing the results of operations for the three months ended March 31, 2000 to March 31, 1999. To enhance comparability, the discussion of consolidated results of operations is supplemented, where appropriate, with separate pro forma financial information that gives effect to the above transactions as if they had occurred at the beginning of the respective periods presented.

The pro forma information is not necessarily indicative of the revenues and cost of revenues which would have actually been reported had the Hotel Reservations Network transaction and the October Films/ PFE transaction occurred at the beginning of January 1, 1999, nor is it necessarily indicative of future results.

Reference should be made to the Consolidated Financial Statements and Summary Financial Data included herein.

CONSOLIDATED RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 2000 VS. QUARTER ENDED MARCH 31, 1999

The Hotel Reservations Network transaction, the October Films/ PFE transaction and the consolidation of electronic retailing operations in Germany as of January 1, 2000, resulted in increases in net revenues, operating costs and expenses, other income (expense), minority interest and income taxes. However, no significant discussion of these fluctuations is presented.

NET REVENUES

For the three months ended March 31, 2000, revenues increased by $273.9 million, or 37.6%, to $1.0 billion from $728.9 million in 1999 primarily due to increases of $103.5 million, $55.3 million, $47.4 million, $28.6 million and $28.2 million from the Electronic retailing, Hotel reservations, Networks and television production, Filmed entertainment, and Ticketing operations businesses, respectively.

OPERATING COSTS AND EXPENSES

For the three months ended March 31, 2000, operating expenses increased by $267.7 million, or 40.1%, to $935.5 million from $667.7 million in 1999, primarily due to increases of $83.1 million, $47.5 million, $26.4 million, $20.7 million, $20.6 and $18.1 million from the Electronic retailing, Hotel reservations, Filmed entertainment, Ticketing operations, Interactive and Networks and television production businesses, respectively.

OTHER INCOME (EXPENSE)

For the three months ended March 31, 2000, net interest expense decreased by $1.7 million, compared to 1999 primarily due to lower borrowing levels as a result of the repayment of bank debt in 1999 from the proceeds of equity transactions involving Universal and Liberty Media Corporation, a subsidiary of AT&T Corporation ("Liberty").

In the three months ended March 31, 2000, the Company realized a gain of $3.7 million related to the initial public offering of its subsidiary, HRN. In the three months ended March 31, 1999, the Company realized gains of $47.3 million related to the sale of securities and $10.4 million from the reversal of equity losses which were recorded in 1998 as a result of the Universal transaction.

INCOME TAXES

USAi's effective tax rate of 54.2% for the three months ended March 31, 2000 was higher than the statutory rate due to the impact of non-deductible goodwill, no tax benefits for consolidated subsidiary losses which are not included in the Company's consolidated tax returns taxable income and state income taxes.

MINORITY INTEREST

For the three months ended March 31, 2000, minority interest primarily represented Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in TMCS, and the public's ownership interest in HRN since February 25, 2000.

PRO FORMA QUARTER ENDED MARCH 31, 2000
VS. PRO FORMA QUARTER ENDED MARCH 31, 1999

The following unaudited pro forma operating results of USAi present combined results of operations as if the Hotel Reservations Network transaction and the October Films/ PFE transaction all had occurred on January 1, 1999 and reflect the consolidation of HOT Germany operating results as if voting control was obtained on January 1, 1999.

The unaudited combined condensed pro forma statements of operations of USAi are presented below for illustrative purposes only and are not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 1999, nor are they necessarily indicative of future results of operations.

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	2000	1999
	(IN THOUSANDS)	
NET REVENUES:		
Networks and television production	$ 378,953	$331,544
Electronic retailing	379,058	311,867
Ticketing operations	127,961	99,723
Hotel reservations	55,263	22,921
Interactive	23,063	12,322
Filmed entertainment	30,307	6,695
Electronic commerce and services	4,564	3,206
Broadcasting and other	3,634	4,947
Total net revenues	1,002,803	793,225
Operating costs and expenses:		
Cost related to revenues	574,655	404,780
Other costs and expenses	243,840	244,859
Amortization of non cash distribution and marketing expense	763	--
Amortization of cable distribution fees	8,223	6,090
Depreciation and amortization	107,992	82,272
Total operating costs and expenses	935,473	738,001
Operating profit	$ 67,330	$ 55,224
EBITDA	$ 184,308	$143,586

Net revenues for the three months ended March 31, 2000 increased by $209.6 million, or 26.4%, to $1.0 billion from $793.2 million in 1999. Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $168.9 million, or 26%, to $818.5 million from $649.6 million in 1999. EBITDA for the three months ended March 31, 2000 increased by $40.7 million, or 28.4%, to $184.3 million from $143.6 million in 1999.

The following discussion provides an analysis of the pro forma revenues and costs related to revenues and other costs and expenses by significant business segment.

NETWORKS AND TELEVISION PRODUCTION

Net revenues for the three months ended March 31, 2000 increased by $47.4 million, or 14.3%, to $378.9 million from $331.5 million in 1999. The increase primarily resulted from an increase in advertising revenues at USA Network and a significant increase in advertising revenues and affiliate revenues at Sci-Fi Channel due to an increase in subscribers and higher ratings. Revenue of Studios USA also increased due to increased revenues from one-hour dramas and talk shows offset by fewer network pick-ups for comedy productions.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $18.1 million, or 8.2%, to $240.2 million from $222.1 million in 1999. This increase resulted primarily from marketing and development costs.

EBITDA for the three months ended March 31, 2000 increased by $29.3 million, or 26.8%, to $138.8 million from $109.5 million in 1999.

ELECTRONIC RETAILING

Net revenues for the three months ended March 31, 2000 increased by $67.2 million, or 21.5%, to $379.1 million from $311.9 million in 1999. The increase primarily resulted from Home Shopping Network's core domestic business, which generated increased sales of $47.9 million. Also, core international business increased $19.3 million due primarily to operations in Germany, which generated increased revenue of $17.7 million. Total units shipped increased by 6.5% to 8.2 million units compared to 7.7 million units in 1999. The increase in net revenues also reflected a decrease in the return rate to 21.4% from 22.8% in 1999.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $50.4 million, or 18.9%, to $317.2 million from $266.8 million in 1999. The increase resulted primarily from higher sales volume.

EBITDA for the three months ended March 31, 2000 increased by $16.8 million, or 37.2%, to $61.9 million from $45.1 million in 1999.

TICKETING OPERATIONS

Net revenues for the three months ended March 31, 2000 increased by $28.2 million, or 28.3%, to $127.9 million from $99.7 million in 1998. The increase resulted from an increase of 14.1% in the number of tickets sold, including an increase in the percentage of tickets sold online to 20.5% from 8.7% in 1999, and an increase in revenue per ticket to $4.96 from $4.18 in 1999.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $20.4 million, or 25.4%, to $100.6 million from $80.2 million in 1999. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume and increased secondary commissions.

EBITDA for the three months ended March 31, 2000 increased by $7.9 million, or 40.3%, to $27.4 million from $19.5 million in 1999.

INTERACTIVE

Net revenues for the three months ended March 31, 2000 increased by $10.7 million, or 87.2%, to $23.1 million from $12.3 million in 1999. The increase primarily resulted from an increase in online city guide and sponsorship revenue of $11.2 million, or 192%, due to expansion into new cities and expansion into the online personals business.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $20.6 million, or 71.9%, to $49.2 million from $28.6 million in 1999. The increase resulted primarily from increased costs of city guide revenue, costs to expand the local city guides into new markets and costs related to the online personal business.

EBITDA loss for the three months ended March 31, 2000 increased by $9.8 million, or 60.4%, to $26.1 million from $16.3 million in 1999.

HOTEL RESERVATIONS

Net revenues for the three months ended March 31, 2000 increased by $32.4 million, or 141.1%, to $55.3 million from $22.9 million in 1999. The increase resulted from expansion of affiliate marketing programs, an increase in the number of hotels for existing cities and expansion into 9 new cities in the three months ended March 31, 2000, which is an 81% increase over the comparable prior year period.

Internet generated sales for the three months ended March 31, 2000 increased to 91% in 2000 from 69% in 1999.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $27.6 million, or 141.4%, to $47.1 million from $19.5 million in 1999. The increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agent sales (for which commissions are paid), increased credit card charge backs, and increased staffing levels and systems to support increased operations, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings.

EBITDA for the three months ended March 31, 2000 increased by $4.8 million, or 139.4%, to $8.2 million from $3.4 million in 1999.

FILMED ENTERTAINMENT

Net revenues for the three months ended March 31, 2000 increased by $23.6 million, or 352.7%, to $30.3 million from $6.7 million in 1999. The increase resulted primarily from increased theatrical, foreign and television revenues of $7.4 million, home entertainment video of $13.8 million and distribution fees of $3.1 million from the distribution of product for Universal. Revenues also include revenue generated from the distribution of films from the Savoy library.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $20.4 million or 263.4%, to $28.1 million from $7.7 million in 1999 due to the amortization of costs of increased theatrical releases and costs related to the home entertainment.

EBITDA for the three months ended March 31, 2000 increased by $3.2 million to $2.2 million from a loss of $1.0 million in 1999.

ELECTRONIC COMMERCE AND SERVICES

Net revenues for the three months ended March 31, 2000 increased by $1.4 million, or 42.4%, to $4.6 million compared to $3.2 million in 1999. The increase resulted from an increase in ECS teleservices of $0.7 million and Short Shopping of $0.6 million.

Cost related to revenues and other costs and expenses for the three months ended March 31, 2000 increased by $6.7 million, or 201.8%, to $10.1 million from $3.4 million in 1999. The increase resulted primarily from start-up costs incurred to launch the business initiatives.

EBITDA loss for the three months ended March 31, 2000 increased by $5.4 million, to $5.6 million from $0.2 million in 1999.

BROADCASTING

Net revenues increased by $2.7 million, or 303.3%, to $3.6 million from $0.9 million in 1999 due to increased advertising revenue at the television station in the Miami/Ft. Lauderdale market and the launch of stations in the Dallas and Atlanta markets in November 1999. Cost related to revenue increased by $5.3 million, due to increased program costs and operating expenses. An increased loss is expected in the broadcasting segment in 2000 as costs are incurred to launch more local television stations.

OTHER

Other revenue relates to a business that was sold in 1999, which resulted in decreased revenue of $4.0 million compared to 1999.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $157.9 million for the three months ended March 31, 2000 compared to $60.4 million for the three months ended March 31, 1999. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $21.6 million, to make capital expenditures of $26.8 million, and to make mandatory tax distribution payments to the LLC partners of $68.1 million.

On February 12, 1998, USAi and USANi LLC, as borrower, entered into a credit agreement that provided for a $1.6 billion credit facility. $1.0 billion was permanently repaid in prior years. The $600.0 million revolving credit facility expires on December 31, 2002. As of March 31, 2000, there was $599.0 million available for borrowing after taking into account outstanding letters of credit.

On March 1, 2000, HRN completed an initial public offering for approximately 6.2 million shares of its class A common stock, resulting in net cash proceeds of approximately $90.0 million. USAi recorded a gain related to the initial public offering of approximately $3.7 million in the three months ended March 31, 2000.

Pursuant to an agreement between USAi and HRN, USAi made a contingent payment of $12.5 million in the three months ended March 31, 2000. Furthermore, USAi is required to make a contingent cash payment to the sellers of the two entities which operated HRN based on the results of HRN for the twelve month period ending March 31, 2000, which payment is expected to be paid around June 2000. The amount is estimated to be approximately $43.0 million. The obligation for contingent payments for the twelve month periods ending March 31, 2001 and 2002 was released by the sellers in exchange for 5.1 million shares of HRN common stock.

USAi implemented its plan to disaffiliate its television stations in the Miami/Ft. Lauderdale, Dallas and the Atlanta markets in prior years. USAi has incurred and will continue to incur expenditures to develop programming for these stations, which during the development and transitional stage, may not be offset by sufficient advertising revenues. USAi believes that the process of disaffiliation can be successfully managed so as not to have a material adverse effect but rather to maximize the value of the broadcasting stations.

On February 29, 2000, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $68.1 million.

In connection with the 1999 acquisition of Universal's domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses transaction, USAi advanced $200.0 million to Universal in 1999 pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement, under which USAi will distribute, in the United States and Canada, certain Polygram Filmed Entertainment, Inc. theatrical films that were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through March 31, 2000, approximately $58.0 million has been offset against the advance.

In July 1999, USAi announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USAi's common stock over the next 12 months, on the open market or in negotiated transactions. The amount and timing of purchases, if any, will depend on market conditions and other factors, including USAi's overall capital structure. Funds for these purchases will come from cash on hand or borrowings under the Company's credit facility. During the three months ended March 31, 2000, the Company purchased 1,500,000 shares of its common stock for aggregate consideration of $34.4 million.

On April 5, 2000, the Company acquired Precision Response Corp. ("PRC") in a stock-for-stock transaction, issuing 24.3 million shares of USAi common stock in exchange for all outstanding equity of PRC.

Under the investment agreement relating to the Universal Transaction, USAi has granted to Universal and Liberty preemptive rights with respect to future issuances of USAi's common stock and Class B common stock. These preemptive rights generally allow Universal and Liberty the right to maintain an ownership percentage in USAi equal to the ownership percentage that entity held, on a fully converted basis, immediately prior to the issuance. On May 3, 2000, Liberty notified USAi of its intention to exercise its preemptive right for approximately 7.9 million shares related principally to the PRC transaction, which will result in proceeds of approximately $179.1 million to USAi.

On January 25, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, announced an agreement to form a new company by merging Internet Shopping Network ("ISN") and Styleclick.com. The new company, which will be named Styleclick, Inc., will own and operate the combined properties of Styleclick.com Inc. and ISN. Under the terms of the agreement, USAi will also invest $40 million in cash, contribute $10 million in dedicated media, and will receive warrants to purchase additional shares of the new company. Upon both the closing of the transaction and on a fully diluted basis, USAi will own approximately 75% of the new company and Styleclick.com stockholders will own approximately 25%. In the interim, USAi has agreed to extend a $10 million bridge loan to Styleclick.com. As of March 31, 2000, the amount outstanding under the loan is $5.0 million. The transaction is expected to close in the second quarter of 2000.

USAi anticipates that it will need to invest working capital towards the development and expansion of its overall operations. Due primarily to the expansion of its Internet businesses and the roll-out of new television stations, future capital expenditures may be higher than current amounts.

In management's opinion, available cash, internally generated funds and available borrowings will provide sufficient capital resources to meet USAi's foreseeable needs.

During the three months ended March 31, 2000, USAi did not pay any cash dividends, and none are permitted under USAi's existing credit facility. USAi's subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

SEASONALITY

USAi's businesses are subject to the effects of seasonality.

Networks and Television Production revenues are influenced by advertiser demand and the seasonal nature of programming, and generally peak in the spring and fall.

USAi believes seasonality impacts its Electronic Retailing segment but not to the same extent it impacts the retail industry in general.

Ticketing Operations revenues are occasionally impacted by fluctuation in the availability of events for sale to the public.

Hotel reservations revenues are influenced by the seasonal nature of holiday travel in the markets it serves, and has historically peaked in the fall. As the business expands into new markets, the impact of seasonality is expected to lessen.

ITEM 2(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term investment portfolio and issuance of debt. The Company does not use derivative financial instruments in its investment portfolio. The Company has a prescribed methodology whereby it invests its excess cash in debt instruments of government agencies and high quality corporate issuers. To further mitigate risk, the vast majority of the securities have a maturity date within 60 days. The portfolio is reviewed on a periodic basis and adjusted in the event that the credit rating of a security held in the portfolio has deteriorated.

At March 31, 2000, the Company's outstanding debt approximated $599 million, substantially all of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on the current market rate.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts business in certain foreign markets. However, the level of operations in foreign markets is insignificant to the consolidated results.

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of a publicly-traded Company. This investment, as of March 31, 2000, was considered available-for-sale, with the unrealized gain deferred as a component of stockholders' equity. It is not customary for the Company to make investments in equity securities as part of its investment strategy.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Jovon litigation, previously reported in the Company's 1999 Form 10-K, the briefing of the appeal has been completed.

In the Urban litigation, previously reported in the Company's 1999 Form 10-K, on April 21, 2000, the Virginia Supreme Court denied Urban's petition for rehearing. On April 20, 2000, Urban filed a motion in U.S. Bankruptcy Court seeking to have that Court reopen Urban's prior chapter 11 case and clarify certain factual and legal matters contained within the Court's September 30, 1996 confirmation order. In addition, Amresco Funding Corporation, the entity that provided Urban with bankruptcy exit financing, has joined in Urban's motion. The Company believes that Urban and Amresco's bankruptcy motions are devoid of merit and HSC is in the process of vigorously opposing both motions. The motions and related oppositions were heard by the Court on May 2, 2000.

In the ETM Entertainment litigation, previously reported in the Company's 1999 Form 10-K, the parties have agreed to a settlement for an amount that will not have a material adverse effect upon the financial condition of the Company. Such settlement represents the final resolution of this matter, and accordingly, it will not be reported in future filings.

In the Ticketmaster Cash Discount litigation entitled ADRIANA GARZA, ET AL. V. SOUTHWEST TICKETING, INC., D/B/A TICKETRON, TICKETMASTER AND RAINBOW TICKETMASTER, TICKETMASTER TEXAS MANAGEMENT, TICKETMASTER LLC, TICKETMASTER GROUP, INC., TICKETMASTER ON-LINE CITYSEARCH, INC. AND THE MAY DEPARTMENT STORES COMPANY, previously reported in the Company's 1999 Form 10-K, on March 8, 2000, the federal court granted the plaintiff's motion to remand the case to state court. Plaintiff filed a motion for partial summary judgment on March 24, 2000 and this is set for a hearing on May 8, 2000. On April 3, 2000, plaintiff amended her petition. The amended petition includes allegations by the plaintiff of her desire to represent a class of plaintiffs from the States of Texas, Oklahoma, Kansas, New York, Florida, Connecticut, Maine, Massachusetts and Colorado. In addition, plaintiff also stated her desire for the proposed class to include not only credit card purchasers of tickets at outlets but also credit card purchasers of tickets over the telephone and the Internet. Plaintiff has alleged that the potential class includes tens of thousands of persons and goes back three to six years (depending on the applicable statute of limitations) and involves damages of tens or hundreds of millions of dollars. Plaintiff filed her Motion for Class Certification on April 11, 2000. Hearing is scheduled on this motion on May 17, 2000.

In the Ticketmaster Cash Discount litigation entitled KAREN AND JOE NEWTON ON BEHALF OF THEMSELVES AND ALL THOSE SIMILARLY SITUATED V. TICKETMASTER LLC, previously reported in the Company's 1999 Form 10-K, plaintiffs filed a motion to remand the case to state court, which was denied on March 14, 2000. On March 14, 2000, Ticketmaster filed a counterclaim asking for a declaration that its cash discounts did not violate any Texas law or, in the alternative, for a declaration that Texas law was invalid and unenforceable pursuant to the Supremacy Clause of the United States Constitution. On March 16, 2000, plaintiffs filed a motion for statewide class certification. Plaintiffs proposed a class comprised of credit card purchasers from Texas outlets who had not received a cash discount. On March 30, 2000, Ticketmaster filed a cross-motion for certification of a counter-defendant class comprised of the same class proposed by plaintiffs. On the same date, plaintiffs filed a notice of withdrawal of their class certification motion as well as a motion to dismiss the entire case. On April 3, 2000, plaintiffs filed a motion for leave to amend their complaint to withdraw their original allegations by which they sought to represent a class. Ticketmaster opposed plaintiffs' motions to amend their complaint and to dismiss the case. On April 26, 2000, the court entered a judgment dismissing the case.

In the First Jewelry litigation, previously reported in the Company's 1999 Form 10-K, the parties have settled the litigation between them. Under the settlement, Internet Shopping Network has obtained from plaintiffs any and all of the rights asserted by plaintiffs in the name and mark "First Jewellery." The performance of the Company's obligations under such settlement should not have a material adverse effect upon the financial condition of the Company. Such settlement represents the final resolution of this matter, and accordingly, it will not be reported in future filings.

In the Polygram Filmed Entertainment litigation, previously reported in the Company's 1999 Form 10-K, the parties are actively discussing settlement of the dispute, and the Company is hopeful that the entire case will be favorably resolved shortly. The Company believes that the claims in this matter are not material to its financial condition, and that full litigation would result either in complete vindication of the Company's position or a substantial reduction in the value of the RSVP claims.

On April 12, 2000, USA Cable filed an action entitled USA CABLE V. WORLD WRESTLING FEDERATION ENTERTAINMENT INC., ET AL., INDEX NO. 17893, in Delaware Court of Chancery for Newcastle County. USA Cable broadcasts four wrestling entertainment programs (the "Series") produced by World Wrestling Federation Enterprises ("WWFE") pursuant to two contracts that expire in September 2000. The contracts give USA Cable rights of first refusal as to any third-party offers WWFE intends to accept for future distribution of the Series for the period subsequent to the expiration of the contracts. On April 3, 2000, WWFE notified USA Cable that it intended to accept an offer from Viacom Inc. and CBS Corporation that includes exploitation rights to properties that are beyond the scope of the rights of first refusal as to the four Series, and includes such matters as broadcast rights to XFL football programming being developed by WWFE and a commitment to fund motion picture development. On April 12, 2000, USA Cable gave notice to WWFE that it was exercising its rights of first refusal as to the Series upon terms that match the terms set forth by Viacom/CBS for the Series. That same day, USA Cable filed an action against WWFE, CBS and Viacom in Delaware Chancery Court seeking a declaration that USA Cable properly exercised its rights of first refusal as to the Series and specific performance of the agreement by the exercise of its right of first refusal, and requesting an injunction restraining the defendants from engaging in actions inconsistent with USA Cable's contractual rights. A trial of the action is scheduled to commence on June 12, 2000.

On November 4, 1998, Ticketmaster Ticketing Co. filed an action entitled TICKETMASTER TICKETING CO. V. N2K, INC, CASE NO. BC 200194, in Los Angeles Superior Court against N2K, Inc. ("N2K") for breach of contract. The Complaint seeks damages of not less than $8 million. On or about February 5, 1999, N2K filed a cross-complaint alleging breach of contract, breach of the implied covenant of good faith and fair dealing, intentional misrepresentation, negligent misrepresentation, fraudulent concealment and rescission. On April 4, 2000, the Court granted N2K leave to file a First Amended Cross-complaint adding new factual allegations to N2K's claim of intentional misrepresentation. N2K's First Amended Cross-complaint seeks compensatory damages of $4 million, plus an unspecified amount of punitive damages. Ticketmaster believes that the First Amended Cross-complaint is without merit and has filed a motion for summary adjudication seeking to dismiss all of N2K's tort claims. The motion is set to be heard on June 20, 2000. Trial is currently scheduled to commence on June 28, 2000.

The Company is engaged in various other lawsuits either as plaintiff or defendant. In the opinion of management, the ultimate outcome of these various lawsuits should not have a material impact on the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
10.1*	Letter Agreement, dated February 25, 2000, between USA Networks,Inc. and Thomas J. Kuhn.
27.1	Financial Data Schedule (for SEC use only)
27.2	Financial Data Schedule (for SEC use only)

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* Reflects management contracts and compensatory plans.

(b) Forms 8-K

USAi filed a report on Form 8-K, dated January 12, 2000, reporting items 5 and 7, announcing that USAi had entered into a definitive agreement to acquire Precision Response Corporation.

USAi filed a report on Form 8-K, dated January 20, 2000, reporting items 5 and 7, announcing a two-for-one stock split with respect to USAi's common stock and Class B common stock.

USAi filed a report on Form 8-K, dated January 25, 2000, reporting items 5 and 7, announcing that USANI Sub LLC, a subsidiary of USAi, had entered into an Agreement and Plan of Merger with Styleclick.com Inc.

USAi filed a report on Form 8-K, dated February 24, 2000, reporting item 5, announcing the completion of USAi's two-for-one stock split with respect to its common stock and Class B common stock.

USAi filed a report on Form 8-K and a report on Form 8-K/A, dated March 23, 2000, in each case reporting items 5 and 7, containing the audited consolidated financial statements of Precision Response Corporation as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999, and the unaudited pro forma condensed combined financial statements, giving effect to the acquisition by USAi of Precision Response Corporation as well as other transactions completed by USAi in 1999.

SIGNATURES

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

USA NETWORKS, INC.
(REGISTRANT)

SIGNATURE	TITLE	DATE
/S/ BARRY DILLER Barry Diller	Chairman of the Board and Chief Executive Officer	May 15, 2000
/S/ MICHAEL SILECK Michael Sileck	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	May 15, 2000
/S/ WILLIAM J. SEVERANCE William J. Severance	Vice President and Controller (Chief Accounting Officer)	May 15, 2000

CONSOLIDATED FINANCIAL STATEMENTS

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS)	
NET REVENUES		
Networks and television production	$378,953	$331,544
Electronic retailing	379,058	275,510
Interactive	6,088	6,516
Electronic commerce and services	898	273
Other	--	4,046
Total net revenues	764,997	617,889
OPERATING COSTS AND EXPENSES:		
Cost of sales and services	238,411	176,086
Program costs	165,864	170,067
Selling and marketing	88,894	62,631
General and administrative	72,159	56,036
Other operating costs	25,724	22,129
Amortization of cable distribution fees	8,223	6,090
Depreciation and amortization	47,738	43,007
Total operating costs and expenses	647,013	536,046
Operating profit	117,984	81,843
Other income (expense):		
Interest income	13,829	10,615
Interest expense	(16,907)	(20,378)
Gain on sale of securities	--	47,300
Miscellaneous	(2,479)	9,616
	(5,557)	47,153
Earnings before income taxes	112,427	128,996
Minority interest benefit	(66,010)	(77,306)
Income tax expense	(24,627)	(20,192)
NET EARNINGS	$ 21,790	$ 31,498

The accompanying notes are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 241,778	$ 247,474
Accounts and notes receivable, net of allowance of $41,200 and $33,317, respectively	389,562	381,175
Inventories, net	440,116	432,520
Investments held for sale	12,000	--
Deferred income taxes	5,443	12,077
Other current assets, net	20,551	8,542
Total current assets	1,109,450	1,081,788
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	152,077	123,606
Buildings and leasehold improvements	60,725	59,074
Furniture and other equipment	66,669	67,246
Land	10,246	10,246
Projects in progress	28,377	31,736
	318,094	291,908
Less accumulated depreciation and amortization	(92,620)	(79,350)
	225,474	212,558
OTHER ASSETS		
Intangible assets, net	5,028,458	5,029,769
Cable distribution fees, net ($33,532 and $35,181, respectively, to related parties)	149,442	130,988
Long-term investments	53,597	93,742
Notes and accounts receivable, net	19,370	19,506
Inventories, net	142,891	154,497
Advances to USAI and Subsidiaries	420,971	410,107
Deferred income taxes	57,006	61,755
Deferred charges and other, net	39,558	36,934
	$7,246,217	$7,231,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 16,335	$ 3,758
Accounts payable, trade	148,915	147,864
Obligations for program rights and film costs	280,920	265,235
Cable distribution fees payable ($18,559 and $18,733, respectively, to related parties)	51,355	43,993
Deferred revenue	48,643	47,536
Other accrued liabilities	306,449	271,846
Total current liabilities	852,617	780,232
LONG-TERM OBLIGATIONS (net of current maturities)	528,203	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	237,429	256,260
OTHER LONG-TERM LIABILITIES	74,772	81,156
MINORITY INTEREST	4,305,373	4,244,114
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Common Stock	1,221,408	1,221,408
Additional paid-in capital	70,312	70,312
Retained (deficit) earnings	(45,556)	50,823
Accumulated other comprehensive income	1,659	--
Total stockholders' equity	1,247,823	1,342,543
	$7,246,217	$7,231,644

The accompanying notes are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME
			(IN THOUSANDS)		
Balance at December 31, 1999	$1,342,543	$1,221,408	$70,312	$ 50,823	$ --
Comprehensive Income:					
Net earnings for the year ended December 31, 1999	21,790	--	--	21,790	--
Foreign currency translation	(299)				(299)
Increase in unrealized gains in available for sale securities	1,958	--	--	--	1,958
Comprehensive income	23,449				
Mandatory tax distribution to LLC partners	(118,169)	--	--	(118,169)	--
Balance at March 31, 2000	$1,247,823	$1,221,408	$70,312	$(45,556)	$1,659

The accompanying notes are an integral part of these statements.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2000	1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 21,790	$ 31,498
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	47,738	43,007
Amortization of cable distribution fees	8,223	6,090
Amortization of program rights and film costs	143,468	159,261
Gain on sale of securities	--	(47,300)
Amortization of deferred financing costs	935	--
Equity in (earnings) losses of unconsolidated affiliates	2,788	443
Minority interest	66,010	77,306
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(767)	11,477
Inventories	21,921	5,332
Accounts payable	(9,225)	(44,110)
Accrued liabilities and deferred revenue	33,999	10,137
Payment for program rights and film costs	(166,028)	(161,939)
Increase in cable distribution fees	(18,591)	(6,981)
Other, net	19,634	(1,185)
NET CASH PROVIDED BY OPERATING ACTIVITIES	171,895	83,036
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(3,997)	(7,500)
Capital expenditures	(17,010)	(10,011)
Increase in long-term investments and notes receivable	(1,853)	(11,385)
Advance to Styleclick	(5,000)	--
Proceeds from sale of securities	--	58,110
Proceeds from long-term notes receivable	--	3,691
Other, net	(4,458)	--
NET CASH (USED) IN PROVIDED BY INVESTING ACTIVITIES	(32,318)	32,905
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	19,514	--
Intercompany	(2,673)	4,311
Payment of mandatory tax distribution to LLC partners	(118,169)	(52,755)
Principal payments on long-term obligations	(16,162)	(6,965)
Repurchase of LLC shares	(34,419)	--
Proceeds from issuance of LLC shares	14,485	--
Other	(7,550)	--
NET CASH USED IN FINANCING ACTIVITIES	(144,974)	(55,409)
Effect of exchange rate changes on cash and cash equivalents	(299)	--
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,696)	60,532
Cash and cash equivalents at beginning of period	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 241,778	$ 295,435

The accompanying notes are an integral part of these statements.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Home Shopping Network, Inc. (the "Company" or "Home Shopping"), is a holding company, whose subsidiary USANi LLC is engaged in diversified media and electronic commerce businesses. In December 1996, the Company consummated a merger with USA Networks, Inc. ("USAi"), formerly known as HSN, Inc., and became a subsidiary of USAi (the "Home Shopping Merger").

On February 12, 1998, USAi acquired USA Networks, a New York general partnership, consisting of cable television networks, USA Network and Sci-Fi Channel ("Networks"), as well as the domestic television production and distribution businesses of Universal Studios ("Studios USA") from Universal Studios, Inc. ("Universal"), an entity controlled by The Seagram Company Ltd. ("Seagram") (the "Universal Transaction").

In connection with the Universal Transaction, the Company formed a new subsidiary, USANi LLC, and contributed the operating assets of the Home Shopping Network services ("HSN") to USANi LLC. Furthermore, USAi contributed Networks and Studios USA to USANi LLC on February 12, 1998.

As of March 31, 2000, the Company engages in four principal areas of business:

- Networks and television production, which includes Networks and Studios USA. Networks operates the USA Network and Sci-Fi Channel cable networks and Studios USA produces and distributes television programming.

- Electronic retailing, consisting primarily of the Home Shopping Network and America's Store, which are engaged in the electronic retailing business.

- Internet services, which represents Internet Shopping Network, the Company's on-line retailing networks business.

- Electronic commerce and services which primarily represent the Company's customer and e-care business.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the three months ended March 31, 2000. Certain amounts in the Condensed Consolidated Financial Statements for the quarter ended March 31, 1999 have been reclassified to conform to the 2000 presentation.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the "1999 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--INVESTMENTS

During the quarter ended March 31, 1999, the Company recognized a pre-tax gain of $47.3 million on the sale of securities in a publicly traded entity.

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

As of January 1, 2000 the Company began to consolidate the accounts of HOT Germany, an electronic retailer in Germany, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 1999:

During the quarter ended March 31, 1999, the Company acquired post-production and other equipment through capital leases totaling $2.0 million.

NOTE 5--INDUSTRY SEGMENTS

For the three months ended ended March 31, 2000 and 1999, the Company operated principally in four industry segments: Networks and television production, Electronic retailing, Interactive and Electronic commerce and services. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists of Home Shopping Network and America's Store, which are engaged in the sale of merchandise through electronic retailing. The Interactive segment

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

represents the Company's on-line retailing networks business. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses.

	THREE MONTHS ENDED MARCH 31, 2000	1999
	(IN THOUSANDS)	
REVENUE		
Networks and television production	$378,953	$331,544
Electronic retailing	379,058	275,510
Interactive	6,088	6,516
Electronic commerce and services	898	273
Other	--	4,046
	$764,997	$617,889
OPERATING PROFIT (LOSS)		
Networks and television production	$110,787	$ 81,270
Electronic retailing	30,012	14,686
Electronic commerce and services	(3,923)	(426)
Interactive	(10,057)	(7,801)
Corporate and other	(8,835)	(5,886)
	$117,984	$ 81,843

NOTE 6--GUARANTEE OF NOTES

USAi issued $500.0 million 6 3/4% Senior Notes due 2005 (the "Notes"). USANi LLC is a co-issuer and co-obligor of the Notes. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USAi, including the Company and all of the subsidiaries of USANi LLC (other than subsidiaries that are, individually and in the aggregate, inconsequential to USANi LLC on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than the Company) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by the Company or USANi LLC, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because the Company's management has determined that the information contained in such documents would not be material to investors.

NOTE 7--SUBSEQUENT EVENTS

ACQUISITION OF PRECISION RESPONSE CORPORATION

On April 5, 2000, USAi acquired Precision Response Corp. ("PRC") in a stock-for-stock transaction, issuing 24.3 million shares of USAi common stock valued at approximately $705 million in exchange for all outstanding equity of PRC.

NOTE 7--SUBSEQUENT EVENTS (CONTINUED)

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

On January 25, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, announced an agreement to form a new company by merging Internet Shopping Network ("ISN") and Styleclick.com. The new company, which will be named Styleclick, Inc., will own and operate the combined properties of Styleclick.com Inc. and ISN. Under the terms of the agreement, USAi will also invest $40 million in cash, contribute $10 million in dedicated media, and will receive warrants to purchase additional shares of the new company. Upon both the closing of the transaction and on a fully diluted basis, USAi will own approximately 75% of the new company and Styleclick.com stockholders will own approximately 25%. In the interim, USAi has agreed to extend a $10 million bridge loan to Styleclick.com. As of March 31, 2000, the amount outstanding under the loan is $5.0 million. The transaction is expected to close in the second quarter of 2000.

CONSOLIDATED FINANCIAL STATEMENTS

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS)	
NET REVENUES		
Networks and television production	$378,953	$331,544
Electronic retailing	379,058	275,510
Interactive	6,088	6,516
Electronic commerce and services	898	273
Other	--	4,046
Total net revenues	764,997	617,889
OPERATING COSTS AND EXPENSES:		
Cost of sales and services	238,411	176,086
Program costs	165,864	170,067
Selling and marketing	88,894	62,631
General and administrative	72,159	56,036
Other operating costs	25,724	22,129
Amortization of cable distribution fees	8,223	6,090
Depreciation and amortization	47,738	43,007
Total operating costs and expenses	647,013	536,046
Operating profit	117,984	81,843
Other income (expense):		
Interest income	13,829	10,615
Interest expense	(16,907)	(20,378)
Gain on sale of securities	--	47,300
Miscellaneous	(2,479)	9,616
	(5,557)	47,153
Earnings before income taxes	112,427	128,996
Minority interest (expense) benefit	(2,296)	186
Income tax expense	(5,012)	(1,883)
NET EARNINGS	$105,119	$127,299

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

USANI LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 241,778	$ 247,474
Accounts and notes receivable, net of allowance of $41,200 and $33,317, respectively	389,562	381,175
Inventories, net	440,116	432,520
Investments held for sale	12,000	--
Other current assets, net	20,551	8,542
Total current assets	1,104,007	1,069,711
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	152,077	123,606
Buildings and leasehold improvements	60,725	59,074
Furniture and other equipment	66,669	67,246
Land	10,246	10,246
Projects in progress	28,377	31,736
	318,094	291,908
Less accumulated depreciation and amortization	(92,620)	(79,350)
	225,474	212,558
OTHER ASSETS		
Intangible assets, net	5,104,199	5,105,510
Cable distribution fees, net ($33,532 and $35,181, respectively, to related parties)	149,442	130,988
Long-term investments	53,597	93,742
Notes and accounts receivable, net	19,370	19,506
Inventories, net	142,891	154,497
Advances to USAI and Subsidiaries	656,244	649,480
Deferred charges and other, net	39,558	36,934
	$7,494,782	$7,472,926

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(UNAUDITED)

	MARCH 31, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 16,335	$ 3,758
Accounts payable, trade	148,915	147,864
Obligations for program rights and film costs	280,920	265,235
Cable distribution fees payable ($18,559 and $18,733, respectively, to related parties)	51,355	43,993
Deferred revenue	48,643	47,536
Other accrued liabilities	292,892	257,575
Total current liabilities	839,060	765,961
LONG-TERM OBLIGATIONS (net of current maturities)	528,203	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	237,429	256,260
OTHER LONG-TERM LIABILITIES	74,772	81,156
MINORITY INTEREST	4,964	531
COMMITMENTS AND CONTINGENCIES	--	--
MEMBERS' EQUITY		
Class A (245,393,314 and 245,601,782 shares, respectively)	1,892,580	1,912,514
Class B (282,161,532 shares)	2,978,635	2,978,635
Class C (45,774,708 shares)	466,252	466,252
Retained earnings	471,228	484,278
Accumulated other comprehensive income	1,659	--
Total members' equity	5,810,354	5,841,679
	$7,494,782	$7,472,926

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(UNAUDITED)

	TOTAL	CLASS A LLC SHARES	CLASS B LLC SHARES	CLASS C LLC SHARES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
				(IN THOUSANDS)		
BALANCE AT DECEMBER 31, 1999	$5,841,679	$1,912,514	$2,978,635	$466,252	$484,278	$ --
COMPREHENSIVE INCOME:						
Net earnings for the three months ended March 31, 2000	105,119	--	--	--	105,119	--
Foreign currency translation	(299)					(299)
Increase in unrealized gains in available for sale securities	1,958	--	--	--	--	1,958
Comprehensive income	106,778					
Issuance of LLC shares	14,485	14,485	--	--	--	--
Repurchase of LLC shares	(34,419)	(34,419)	--	--	--	--
Mandatory tax distribution to LLC partners	(118,169)	--	--	--	(118,169)	--
BALANCE AT MARCH 31, 2000	$5,810,354	$1,892,580	$2,978,635	$466,252	$471,228	$1,659

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 105,119	$ 127,299
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	47,738	43,007
Amortization of cable distribution fees	8,223	6,090
Amortization of program rights and film costs	143,468	159,261
Gain on sale of securities	--	(47,300)
Amortization of deferred financing costs	935	--
Equity in (earnings) losses of unconsolidated affiliates	2,788	443
Minority interest	2,296	(186)
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(767)	11,477
Inventories	21,921	5,332
Accounts payable	(9,225)	(44,110)
Accrued liabilities and deferred revenue	14,384	(8,172)
Payment for program rights and film costs	(166,028)	(161,939)
Increase in cable distribution fees	(18,591)	(6,981)
Other, net	19,634	(1,185)
NET CASH PROVIDED BY OPERATING ACTIVITIES	171,895	83,036
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(3,997)	(7,500)
Capital expenditures	(17,010)	(10,011)
Increase in long-term investments and notes receivable	(1,853)	(11,385)
Advance to Styleclick	(5,000)	--
Proceeds from sale of securities	--	58,110
Proceeds from long-term notes receivable	--	3,691
Other, net	(4,458)	--
NET CASH USED IN INVESTING ACTIVITIES	(32,318)	32,905
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	19,514	--
Intercompany	(2,673)	4,311
Payment of mandatory tax distribution to LLC partners	(118,169)	(52,755)
Principal payments on long-term obligations	(16,162)	(6,965)
Repurchase of LLC shares	(34,419)	--
Proceeds from issuance of LLC shares	14,485	--
Other	(7,550)	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(144,974)	(55,409)
Effect of exchange rate changes on cash and cash equivalents	(299)	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,696)	60,532
Cash and cash equivalents at beginning of period	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 241,778	$ 295,435

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

USANi LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

COMPANY FORMATION

USANi LLC (the "Company" or "LLC"), a Delaware limited liability company, was formed on February 12, 1998 and is a subsidiary of Home Shopping Network, Inc. ("Home Shopping" or "Holdco"), which is a subsidiary of USA Networks, Inc. ("USAi"), formerly known as HSN, Inc. At its formation, USAi and Home Shopping contributed substantially all of the operating assets and liabilities of Home Shopping to the Company in exchange for Class A LLC Shares of the Company.

On February 12, 1998, the Company acquired USA Networks, a New York general partnership, consisting of cable television networks, USA Network and Sci-Fi Channel ("Networks"), as well as the domestic television production and distribution businesses of Universal Studios ("Studios USA") from Universal Studios, Inc. ("Universal"), an entity controlled by The Seagram Company Ltd. ("Seagram").

On January 20, 2000, the Board of Directors declared a two-for-one stock split of USANi LLC's members' equity interests, payable in the form of a dividend to shareholders of record as of the close of business on February 10, 2000. The stock dividend was paid on February 24, 2000. All share numbers give effect to such stock split.

COMPANY BUSINESS

The Company is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses.

The four principal areas of business are:

- Networks and television production, which includes Networks and Studios USA. Networks operates the USA Network and Sci-Fi Channel cable networks and Studios USA produces and distributes television programming.

- Electronic retailing, which consists primarily of the Home Shopping Network and America's Store which are engaged in the electronic retailing business.

- Interactive, which represents Internet Shopping Network, the Company's on-line retailing networks business.

- Electronic commerce and services, which primarily represents the Company's customer and e-care businesses.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the three months ended March 31, 2000. Certain amounts in the Condensed Consolidated Financial Statements for the quarter ended March 31, 1999 have been reclassified to conform to the 2000 presentation.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the "1999 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--INVESTMENTS

During the quarter ended March 31, 1999, the Company recognized a pre-tax gain of $47.3 million on the sale of securities in a publicly traded entity.

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

As of January 1, 2000 the Company began to consolidate the accounts of HOT Germany, an electronic retailer operating principally in Germany, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USAi common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 1999:

During the quarter ended March 31, 1999, the Company acquired post-production and other equipment through capital leases totaling $2.0 million.

NOTE 5--INDUSTRY SEGMENTS

For the three months ended ended March 31, 2000 and 1999, the Company operated principally in four industry segments: Networks and television production, Electronic retailing, Interactive and Electronic commerce and services. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists of Home Shopping Network and America's Store, which are engaged in the sale of merchandise through electronic retailing. The Interactive segment

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

represents the Company's on-line retailing networks business. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses.

	THREE MONTHS ENDED MARCH 31, 2000	1999
	(IN THOUSANDS)	
REVENUE		
Networks and television production	$378,953	$331,544
Electronic retailing	379,058	275,510
Interactive	6,088	6,516
Electronic commerce and services	898	273
Other	--	4,046
	$764,997	$617,889
OPERATING PROFIT (LOSS)		
Networks and television production	$110,787	$ 81,270
Electronic retailing	30,012	14,686
Electronic commerce and services	(3,923)	(426)
Interactive	(10,057)	(7,801)
Corporate and other	(8,835)	(5,886)
	$117,984	$ 81,843

NOTE 6--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, USAi and the Company completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USAi, including Holdco, a non-wholly owned, direct subsidiary of USAi, and all of the subsidiaries of the Company (other than subsidiaries that are, individually and in the aggregate, inconsequential to the Company on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by USAi or the Company, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because USAi's and the Company's management has determined that the information contained in such documents would not be material to investors. USANi LLC and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

NOTE 7--SUBSEQUENT EVENTS

ACQUISITION OF PRECISION RESPONSE CORPORATION

On April 5, 2000, USAi acquired Precision Response Corp. ("PRC") in a stock-for-stock transaction, issuing 24.3 million shares of USAi common stock valued at approximately $705 million in exchange for all outstanding equity of PRC.

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

On January 25, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, announced an agreement to form a new company by merging Internet Shopping Network ("ISN") and Styleclick.com. The new company, which will be named Styleclick, Inc., will own and operate the combined properties of Styleclick.com Inc. and ISN. Under the terms of the agreement, USAi will also invest $40 million in cash, contribute $10 million in dedicated media, and will receive warrants to purchase additional shares of the new company. Upon both the closing of the transaction and on a fully diluted basis, USAi will own approximately 75% of the new company and Styleclick.com stockholders will own approximately 25%. In the interim, USAi has agreed to extend a $10 million bridge loan to Styleclick.com. As of March 31, 2000, the amount outstanding under the loan is $5.0 million. The transaction is expected to close in the second quarter of 2000.

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	PAGE
10.1*	Letter Agreement, dated February 25, 2000, between USA Networks, Inc. and Thomas J. Kuhn............................	
27.1	Financial Data Schedule (for SEC use only)..................	
27.2	Financial Data Schedule (for SEC use only)..................	

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* Reflects management contracts and compensatory plans.

EXHIBIT 10.1

USA NETWORKS, INC.
152 WEST 57(TH) STREET
NEW YORK, NEW YORK 10019

February 25, 2000

MR. THOMAS J. KUHN
325 East 57th Street
New York, New York 10022

Dear Tom:

This Letter Agreement sets out the agreements and understandings of Thomas J. Kuhn ("you") and USA Networks, Inc. ("USAi") with regard to your separation from USAi, and (i) confirms that, effective on the Termination Date (as defined herein), you will no longer serve as an officer or director of USAi or any of its subsidiaries or affiliates, (ii) except as otherwise expressly provided herein, terminates, effective upon execution of this Letter Agreement, the Employment Agreement, dated as of February 9, 1998 (the "Employment Agreement"), between you and USAi, and (iii) confirms certain agreements between you and USAi concerning, among other matters:

(a) your continued role with USAi through the Termination Date;

(b) the cash payment to you of $800,000, as described below;

(c) the exercise (and sale of shares incident to such exercise) of your remaining options to purchase (i) 170,000 shares of the Common Stock of USAi (the "Initial Options") granted to you pursuant to Section 3(c) of the Employment Agreement and to the Stock Option Agreement, dated as of February 9, 1998, between USAi and you (the "February Stock Option Agreement," and collectively with Section 3(c) of the Employment Agreement, the "Initial Option Agreements") and (ii) 50,000 shares of the Common Stock of USAi (collectively with the Initial Options, the "Options") granted to you pursuant to the Stock Option Agreement, dated as of December 15, 1998 between USAi and you (the "December Stock Option Agreement," and collectively with the Initial Option Agreements, the "Stock Option Agreements");

(d) the 7,500 restricted shares of USAi Common Stock (the "Restricted Stock") granted to you pursuant to the Restricted Stock Agreement dated as of December 15, 1998 (the "Restricted Stock Agreement");

(e) the vesting of the 1,242 shares of USAi stock (the "Bonus Stock") purchased by you pursuant to the election made by you in January 2000 to defer $45,000 of your 1999 bonus pursuant to the USAi Bonus Stock Purchase Program (the "Bonus Stock Program"); and

(f) the continuation of your health insurance.

In the event of any ambiguity or conflict between the provisions of (x) this Letter Agreement and (y) the Employment Agreement, the Stock Option Agreements, or the Restricted Stock Agreement (such three Agreements, collectively the "Existing Agreements"), as the case may be, the provisions of this Letter Agreement shall control. USAi share amounts used in this Letter Agreement do not give effect to the 2-for-1 stock split paid to USAi stockholders on February 24, 2000. It is hereby agreed that the share amounts and exercise or other share prices of the Options, Restricted Stock and Bonus Stock referred to herein shall be adjusted to give effect to the split.

1. SERVICES. (a) Your service with USAi will terminate on June 30, 2000 or such earlier date as you and USAi may mutually agree (June 30, 2000 or such earlier agreed date, the "Termination Date"). Your last regular pay period ran through February 11, 2000.

(b) From the date hereof through the Termination Date, you shall continue to supervise the legal affairs of USAi (continuing to report to the Vice Chairman of USAi) and will assist in the transition to a new general counsel; provided, however, that USAi acknowledges and agrees that during this period you will spend a significant percentage of your available time seeking another position.

(c) USAi shall continue in effect, through the Termination Date, the medical, dental and other health and welfare benefits for you and your family as in effect prior to the date hereof.

(d) Notwithstanding the termination of your Employment Agreement, USAi's obligations under Section 3(d)(iii) (Reimbursement of Expenses) as it relates to expenses incurred prior to the Termination Date, Section 8 (Successors) and Section 14 (Indemnification) of the Employment Agreement, and your obligations under Section 5 (Confidentiality and Non-Solicitation of Employees) of the Employment Agreement, survive the Termination Date and are incorporated herein by reference.

(e) Between the date hereof and the Termination Date, you shall be entitled to take two weeks paid leave: one week to be taken after the birth of your expected child and one week in late May.

2. CASH PAYMENTS. (a) As promptly as practicable after execution of this Letter Agreement, USAi shall pay to you, by wire transfer to your account, number 967-547-814 at Chase Manhattan Private Bank, 1211 Avenue of the Americas, New York, New York 10036 ("your Chase Account") in immediately available funds, the sum of Two Hundred Thousand Dollars ($200,000), less amounts required to be withheld by USAi under applicable federal, state and local tax laws.

(b) USAi shall pay to you an additional Six Hundred Thousand Dollars ($600,000) in three equal installments of Two Hundred Thousand Dollars ($200,000) each, on each of (1) March 31, 2000; (2) April 28, 2000 and (3) May 31, 2000, in each case, by wire transfer to your Chase Account, in immediately available funds, less amounts required to be withheld by USAi under applicable federal, state and local tax laws.

3. OPTIONS. (a) On the date of this Letter Agreement, all Options under the Initial Option Agreements shall immediately vest and will be exercisable by you, in whole or any part, at any time prior to the first anniversary of the Termination Date.

(b) On the date of this Letter Agreement, all Options under the December Option Agreements shall immediately vest and will be exercisable by you, in whole or any part, at any time prior to the 90(th) day following the Termination Date.

(c) So long as any of your Options are exercisable, USAi shall make available to you the option exercise and share sale procedures generally made available to senior executives of USAi (currently including the broker loan/cashless exercise procedures available through Salomon Smith Barney). It is also hereby acknowledged and agreed that withholding for federal, state and local tax obligations arising in connection with your exercise of such Options shall be handled in the same manner as it is handled for other senior executives of USAi.

4. RESTRICTED STOCK. On the date of this Letter Agreement, the Restricted Stock shall immediately vest. USAi shall pay all required federal, state and local tax withholding related to the vesting of the Restricted Stock. You shall, as promptly as practicable after the date hereof, but in any event within 10 days following the date of this Letter Agreement, surrender to USAi the original legended certificate representing the 7,500 shares of Restricted Stock. USAi shall, as promptly as practicable after its receipt of such certificate, but in any event within 10 days after your surrender of such certificate, redeliver to you an unlegended share certificate (freely tradeable) representing that number of shares of USAi Common Stock as shall be equal to the number of shares of Restricted Stock less such number of shares as have a value equal to the amount withheld by USAi under the second sentence of this paragraph 4. The stock price used to calculate the number of shares to be withheld shall be the closing price of USAi Common Stock on the date of this Letter Agreement.

5. BONUS STOCK. On the Termination Date, the Bonus Stock shall immediately vest. USAi shall pay all required federal, state and local tax withholding related to the vesting of the Bonus Stock. USAi shall, as promptly as practicable after, but in any event within 10 days following, the Termination Date deliver to you an unlegended share certificate (freely tradeable) representing that number of shares of USAi Common Stock as shall be equal to the number of shares of Bonus Stock less such number of shares as

have a value equal to the amount withheld by USAi under the second sentence of this paragraph 5. The stock price used to calculate the number of shares to be withheld shall be the closing price of USAi Common Stock on the Termination Date.

6. POST-TERMINATION DATE MATTERS.

(a) LIMITATION ON SALES OF USA SHARES. With respect to the shares of USAi Common Stock owned by you on the date hereof (including the Restricted Shares and the Bonus Shares), and any shares acquired by you pursuant to any Options, you agree that you shall not sell in the public market on any one trading day more than 50,000 of such shares. Subject to compliance with law, you shall not from and after the date of this Letter Agreement be subject to USAi "window" period or similar restrictions or policies regarding option exercises and/or the sale of USAi Common Stock.

(b) HEALTH COVERAGE. Following the Termination Date, you shall make a COBRA election with respect to the continuation of health-related benefits for you and your family. The cost of such benefits (currently $1,292 per month) through February 2002 (the remainder of the otherwise applicable term of the Employment Agreement) shall be borne by USAi; provided that USAi's obligation to continue to bear the cost of such coverage shall cease when you obtain equivalent coverage from a subsequent employer. Thereafter, you shall be permitted to continue your health coverage at the then applicable COBRA rates (and at your sole expense) for an additional period of 17 months, through June 2003.

(c) 401(K) PLAN. With respect to your payout/rollover options under the USAi Retirement Savings Plan (401(k)), you shall in accordance with the applicable provisions of such plan advise USAi of your directions with respect to your account balances, and USAi shall comply therewith.

7. RELEASES. (a) For and in consideration of the payments and promises made by USAi herein and other good and valuable consideration, and recognizing that you are receiving certain benefits hereunder in excess of those provided under your Employment Agreement, you hereby waive, release and forever discharge USAi and its affiliates, and each of USAi's affiliates', divisions, branches, predecessors, successors, as signs, directors, officers, employees, agents, partners, members, stockholders, representatives and attorneys, in their individual and representative capacities (collectively, the "Releasees") of and from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law, admiralty or equity, whether known or unknown, suspected or unsuspected, of every kind and nature whatsoever, which may now exist or which may later arise (collectively, "Claims"), including without limitation under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section2000 ET SEQ.; the Fair Labor Standards Act, as amended, 29 U.S.C. Section201 ET SEQ.: the Age Discrimination in Employment Act, 29 U.S.C. Section621 ET SEQ. (the "ADEA"); the Americans With Disabilities Act, 42 U.S.C. Section1001 ET SEQ. and Section12,112 ET SEQ.; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section1001 ET SEQ.; the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. Section1981 ET SEQ.; and all other federal, state and local laws, statutes, rules or regulations of any type or description, including, without limitation, contract law, tort law, civil rights laws, express or implied covenants of good faith or fair dealing, and otherwise, regarding employment discrimination or the employment of labor, or otherwise, which you or your heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have against the Releasees or any of them for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Letter Agreement, except for Claims arising under or in connection with this Letter Agreement. Without limiting the generality of the foregoing, except as expressly referred to or set forth in this Letter Agreement, you expressly waive any right or claim for reinstatement of employment, backpay, interest, bonuses, damages, accidental death and dismemberment coverage, long term disability coverage, stock or other interests in USAi or any affiliate, life insurance benefits, severance pay and/or attorneys' fees or costs with respect to or derivative of such employment with USAi, or any predecessors or successors thereof, or the termination thereof.

(b) For and in consideration of the promises made by you herein and other good and valuable consideration, the Releasees and each of them hereby waive, release and forever discharge you and your heirs, successors and assigns, partners, representatives and attorneys, of and from all Claims, including, without limitation, under all federal, state and local laws, statutes, rules or regulations of any type or description, including, without limitation, contract law, tort law, civil rights laws, express or implied covenants of good faith or fair dealing, and otherwise, regarding employment discrimination or the employment of labor, or otherwise, which the Releasees or any of them ever had, now have or hereafter can, shall or may have against you and your heirs, successors and assigns, partners, representatives and attorneys, for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Agreement, except for Claims arising under or in connection with this Letter Agreement.

(c) Notwithstanding anything to the contrary set forth in this paragraph 7, neither you nor USAi release, waive or discharge the other from (i) any claims to seek to enforce this Letter Agreement or any provision hereof, including without limitation, the obligations of USAi or you, as the case may be, under the continuing provisions of the Employment Agreement specified in paragraph 1(d) of this Letter Agreement, or (ii) any claims for indemnification or contribution with respect to any liability or expense (A) incurred by you as a director or officer of USAi (or any affiliate thereof) or (B) of USAi as a result of any willful misconduct or material breach of fiduciary duties by you.

(d) For the purpose of implementing a full and complete release and discharge of the Releasees and you, your heirs, successors and assigns, partners, representatives and attorneys each party expressly acknowledges that the mutual releases set out in this Letter Agreement are intended to include in their effect, without limitation, all claims or other matters described in this paragraph 7 that such party does not know or suspect to exist in its favor at the time of execution hereof, and that the mutual releases set out in this Letter Agreement contemplate the extinguishment of any and all such claims or other such matters.

(e) On the Termination Date, the parties shall each execute and deliver to the other a release, in the form of the release contained in this paragraph 7, which shall release all Claims through the date of the Termination Date.

8. GOVERNING LAW; DISPUTES. This Letter Agreement and all matters or issues related hereto shall be governed by the laws of the State of New York applicable to contracts entered into and to be wholly performed therein, without reference to conflicts of laws principles. Whenever possible, each provision of this Letter Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Letter Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Letter Agreement. USAi hereby consents to, and you hereby submit your person to, the jurisdiction of the state courts of the State of New York sitting in New York County and the United States District Court for the Southern District of New York, for the purposes of the enforcement of this Letter Agreement. All disputes under this Letter Agreement will be determined in the Federal or State courts within the State of New York sitting in New York County.

9. INDEPENDENT OBLIGATIONS. The parties expressly understand and agree that the obligations of USAi under paragraphs 1 through 6, inclusive, of this Letter Agreement are independent of, and not contingent upon, your performance of your obligations under paragraph 1(b) hereof. Moreover, the parties hereto confirm and agree that, notwithstanding any provision in this Letter Agreement, or in any of the Existing Agreements, to the contrary, (i) your termination of employment for any reason after the date hereof is hereby deemed for all purposes to be a termination by USAi other than for cause (as term "cause" is defined and/or used in the Employment Agreement, the other Existing Agreements, or otherwise) and (ii) you shall not, for purposes of the Stock Option Agreements and the other Existing Agreements, at any time be deemed to have terminated your employment with USAi in violation of the Employment Agreement or any of the other Existing Agreements; provided that nothing herein shall relieve you of liability for any willful misconduct or material breach of fiduciary duties by you. As of date hereof, USAi is not aware of any willful misconduct, material breach of fiduciary duties or willful and gross neglect of material duties on your part in the past.

10. REPRESENTATIONS AND WARRANTIES. USAi hereby represents and warrants to you that its execution, delivery and performance of this Letter Agreement has been duly authorized by all necessary actions and approvals, including without limitation any action or approval by the Compensation Committee of the

Board of Directors of USAi, and constitutes the valid and binding obligation of USAi, enforceable in accordance with its terms.

11. MISCELLANEOUS.

(a) USAi shall provide you with the opportunity to review and comment on any press release or statement that refers to you or to your successor. You and USAi each hereby agrees that if any inquiry as to your employment with USAi, or the termination thereof, is received, each party shall state that you left the employ of USAi on the best of terms, you are assisting in the transition to the new general counsel, and that your reasons for leaving were to pursue entrepreneurial opportunities. You and USAi each hereby agrees not to disparage the other. USAi shall provide strong, positive referrals at your request in connection with your potential subsequent employment.

(b) Upon reasonable request by USAi, you shall cooperate with the prosecution or defense of any litigation or other matters with respect to which you have personal knowledge, involving USAi or its affiliates, including by way of making yourself available for interviews by company counsel, and as a witness, at deposition or trial. USAi hereby agrees and confirms that with respect to any and all matters arising out of or in connection with your employment by or service to USAi that you shall be entitled to receive the benefits of all indemnification provisions contained in the charter or by-laws of USAi, to the fullest extent permitted by applicable law at the time of the assertion of any claim or liability against you. Without limiting the foregoing, USAi shall pay promptly as incurred, to the fullest extent permitted by applicable law, all legal fees and expenses incurred by you in connection with the defense of any claim covered by such indemnity (including without limitation any claim brought in the right of USAi or any subsidiary or affiliate) in advance of its final disposition, upon receipt of an undertaking by you to repay all amounts advanced if it should ultimately be determined that you are not entitled to be indemnified. In addition, you shall be entitled to reimbursement of any expenses reasonably incurred by you in connection with any assistance you may provide at USAi's request in connection with litigation or other matters with respect to which you have personal knowledge involving USAi or its affiliates.

(c) You are under no obligation to mitigate any payment to be made to you hereunder, nor shall the amount of any payment called for hereunder be reduced (except as otherwise provided in the proviso in paragraph 6(b) hereof) by any compensation or benefits hereafter earned by you.

(d) This Letter Agreement is personal in its nature and neither party shall, without the prior written consent of the other, assign or transfer this Letter Agreement or any rights or obligations hereunder; provided, however, the provisions hereof shall inure to the benefit of, and be binding upon, (i) each successor of USAi or any of its affiliates, whether by merger, consolidation, transfer of all or substantially all of its assets or similar transaction, and (ii) your heirs, legatees, executors, administrators and legal representatives.

(e) This Letter Agreement, together with the Stock Option Agreements and the Restricted Stock Agreement (as the same are modified hereby), contain the entire understanding of the parties hereto relating to the subject matter herein contained and supersede all prior agreements or understandings between the parties hereto with respect thereto, including, without limitation, the Employment Agreement (excluding the Sections thereof incorporated by reference into this Letter Agreement, as set out in paragraph 1(c) hereof), and can be changed only by a writing signed by both parties hereto. No waiver shall be effective against a party unless in writing and signed by the party against whom such waiver shall be enforced.

(f) All notices and other communications hereunder shall be deemed to be sufficient if in writing and delivered in person or by a nationally recognized courier service or duly sent by facsimile with receipt acknowledged and with a copy sent overnight delivery with a nationally recognized courier service, addressed, if to you, to the address set forth above; Facsimile No.: (212) 751-3418, and if to USAi, USA Networks, Inc., 152 West 57(th) Street; New York, NY 10019; Facsimile No.: (212) 314-7329; Attention: General Counsel, or such other address as you or USAi may have furnished to the other in writing. Each notice delivered in person or by overnight courier shall be deemed given when delivered or when delivery is attempted and refused. Each notice delivered by facsimile transmission, shall be deemed delivered on the date on which the sender receives confirmation that such was received by the addressee.

(g) This Letter Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement.

(h) You acknowledge and agree that, in deciding to execute this Letter Agreement, you have relied entirely upon your own judgment, that you have read this Letter Agreement and have had adequate time to consider its terms and effects and to ask any question that you may have of anyone, including your legal counsel, Kramer Levin Naftalis & Frankel LLP, and that you have executed this Letter Agreement voluntarily and with full understanding of its terms and effects on you, and that no fact, evidence, event or transaction currently unknown to you but which may later become known to you will affect in any way or manner the final and unconditional nature of this Letter Agreement. You further acknowledge that (a) you were advised to consult with an attorney before you executed this Letter Agreement; (b) you were afforded sufficient opportunity to and did consult with an attorney; (c) you had 21 days from your receipt of this Letter Agreement to consider this Letter Agreement before executing and delivering this Letter Agreement; and (d) you may revoke your release of any Claims under the ADEA set forth in paragraph 7 by delivering written notice to USAi within a period of seven days following the day on which you execute this Letter Agreement (the "Revocation Period"), and your release of any Claims under the ADEA set forth in paragraph 7 shall not become effective or enforceable until after the Revocation Period has expired. For this revocation to be effective, written notice from you must be received by USAi at the address set forth and as provided in paragraph 10(f) no later than the close of business on the seventh day after you sign this Letter Agreement. If you revoke your release of any claims under the ADEA set forth in paragraph 7, such release will be of no force or effect.

BY SIGNING THIS LETTER AGREEMENT, YOU STATE THAT:

(a) YOU HAVE READ THIS LETTER AGREEMENT AND HAVE HAD SUFFICIENT TIME TO CONSIDER ITS TERMS;

(b) YOU UNDERSTAND ALL OF THE TERMS AND CONDITIONS OF THIS LETTER AGREEMENT AND KNOW THAT YOU ARE GIVING UP IMPORTANT RIGHTS;

(c) YOU AGREE WITH EVERYTHING IN THIS LETTER AGREEMENT;

(d) YOU ARE AWARE OF YOUR RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS LETTER AGREEMENT AND HAVE BEEN ADVISED OF SUCH RIGHT;

(e) YOU HAVE SIGNED THIS LETTER AGREEMENT KNOWINGLY AND VOLUNTARILY; AND

(f) THIS LETTER AGREEMENT INCLUDES A RELEASE BY YOU OF ALL KNOWN AND UNKNOWN CLAIMS, EXCEPT AS OTHERWISE PROVIDED HEREIN.

If the foregoing correctly sets forth our understanding, please sign one copy of this Letter Agreement and return it to the undersigned, whereupon this letter shall constitute a binding agreement between us.

Sincerely,

USA NETWORKS, INC.

By: /s/ VICTOR KAUFMAN

Name: Victor Kaufman
Title: VICE CHAIRMAN

ACCEPTED AND
AGREED TO:

/s/ THOMAS J. KUHN

Thomas J. Kuhn

3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000
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