SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE YEAR ENDED DECEMBER 31, 1997

COMMISSION FILE NO. 0-20570

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM_____TO_____

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

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
(Address of registrant's principal executive offices)

10019
(Zip Code)

(212) 247-5810
(Registrant's telephone number, including area code):

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, $.01 PAR VALUE

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 [ ]

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

As of March 13, 1998, there were outstanding 102,210,704 shares of Common Stock and 32,013,616 shares of Class B Common Stock. The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 13, 1998 was $2,103,696,164.

Assuming the conversion, as of March 13, 1998, of all equity securities of the registrant and its affiliates convertible into or exchangeable for Common Stock, the registrant would have had outstanding 259,486,974 shares of Common Stock with an aggregate market value of $6,843,968,939.

ALL SHARE NUMBERS SET FORTH ABOVE GIVE EFFECT TO THE TWO-FOR-ONE STOCK SPLIT WHICH BECAME EFFECTIVE FOR HOLDERS OF RECORD AS OF THE CLOSE OF BUSINESS ON MARCH 12, 1998.

USA NETWORKS, INC.

FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

GENERAL

CORPORATE HISTORY

USA Networks, Inc. (the "Company" or "USAi"), formerly known as HSN, Inc., is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses. The Company was incorporated in July 1986 in Delaware as Silver King Broadcasting Company, Inc. ("SKBC") as part of a strategy to broaden the viewership of Home Shopping Network, Inc. ("Home Shopping"). SKBC subsequently changed its name to HSN Communications, Inc. and thereafter, to Silver King Communications, Inc. ("Silver King"). On December 28, 1992, Home Shopping, the sole shareholder, distributed the capital stock of Silver King to Home Shopping's stockholders in the form of a pro-rata tax free stock dividend.

On December 19 and 20, 1996, the Company consummated mergers with Savoy Pictures Entertainment, Inc. ("Savoy") (the "Savoy Merger") and Home Shopping (the "Home Shopping Merger"), respectively (collectively, the "Mergers"). Concurrently with the Mergers, the Company changed its name to HSN, Inc. At December 31, 1997, the Company owned a controlling interest in Ticketmaster Group, Inc. ("Ticketmaster"). On March 20, 1998, the Company entered into a merger agreement with Ticketmaster regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for .563 of a share of Common Stock (1.126 shares after giving effect to the Company's two-for-one stock split as of March 12, 1998). On February 12, 1998, as described below, the Company acquired USA Networks, a New York general partnership, consisting of cable television networks USA Network and Sci-Fi Channel, as well as the domestic television production and distribution businesses of Universal Studios ("USA Networks Studios") from Universal Studios, Inc. ("Universal"), and the Company changed its name to USA Networks, Inc. (the "Universal Transaction"). Simultaneously with the Universal transaction, the Company renamed its broadcast television division "USA Broadcasting" (formerly "HSNi Broadcasting"), and its primary television station group "USA Station Group" (formerly "Silver King"). Following the Universal Transaction, the Company engages in five principal areas of business:

- Home Shopping, which primarily engages in the electronic retailing business.

- USA Networks, which operates the USA Network and Sci-Fi Channel cable networks.

- USA Networks Studios, which produces and distributes television programming.

- USA Broadcasting, which owns and operates television stations.

- Ticketmaster, which is the leading provider of automated ticketing services in the U.S.

Unless the context otherwise requires (such as information that is dated as of a date prior to February 12, 1998), references herein to the Company are to the Company after giving effect to the Universal Transaction. Share numbers reflect the Company's two-for-one stock split of the Company's Common Stock and Class B Common Stock to holders of record as of the close of business on March 12, 1998, unless otherwise specified.

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.

UNIVERSAL TRANSACTION

On February 12, 1998, the Company completed its previously announced acquisition of USA Networks and USA Networks Studios from Universal, an entity controlled by The Seagram Company Ltd. ("Seagram"). The consideration paid to Universal included a cash payment of approximately $1.63 billion, a portion of which ($300 million) has been deferred until no later than June 30, 1998, and an effective 45.8% interest in the Company (assuming completion of the Liberty transaction described below) through shares of common stock, par value $.01 per share, of the Company (the "Common Stock") and Class B common stock, par value $.01 per share, of the Company (the "Class B Common Stock") and shares ("LLC Shares") of a newly formed limited liability company ("USANi LLC") which are exchangeable into shares of Common Stock and Class B Common Stock.

The Investment Agreement, as amended and restated as of December 18, 1997, among the Company, Home Shopping, Universal and Liberty Media Corporation ("Liberty") (the "Investment Agreement"), relating to the Universal Transaction also contemplates that, on or prior to June 30, 1998, the Company and Liberty, a subsidiary of Tele-Communications, Inc. ("TCI"), will complete, prior to June 30, 1998, a transaction that involves a $300 million cash investment by Liberty in the Company through the purchase of LLC Shares. The Investment Agreement also provides that the Company, Liberty and Universal, may agree prior to that date on the acquisition by the Company of as-yet unspecified assets owned or controlled by Liberty in exchange for LLC Shares, which transaction would reduce Liberty's cash purchase obligation by 45% of the value of the asset acquisition.

CORPORATE STRUCTURE OF THE COMPANY AND ITS SUBSIDIARIES

USANi LLC. In connection with the Universal Transaction, the Company has transferred substantially all of its businesses, other than the USA Broadcasting business and the Company's controlling interest in Ticketmaster, to USANi LLC, in exchange for LLC Shares. The Company maintains control and management of USANi LLC, and the businesses held by USANi LLC are managed by the Company in substantially the same manner as they would be if the Company held them directly through wholly owned subsidiaries. Universal and Liberty, directly or indirectly, are the only other beneficial owners of LLC Shares. As long as Barry Diller continues as the Chief Executive Officer of the Company, these arrangements will remain in place. After Mr. Diller is no longer Chief Executive Officer or if Mr. Diller becomes disabled (as defined), Universal and Liberty will have certain additional rights regarding, among other things, the management of USANi LLC and the ability to cause the Company to effect a spinoff or sale of its broadcast assets. These arrangements are set forth in the Amended and Restated Limited Liability Company Agreement of USANi LLC and the Spinoff Agreement, each of which is filed as an exhibit to this Report.

Pursuant to an exchange agreement among the parties, dated as of February 12, 1998 (the "LLC Exchange Agreement"), the LLC Shares received by Universal and Liberty are exchangeable for shares of Common Stock and Class B Common Stock (in the case of Universal) or Common Stock only (in the case of Liberty). The Company has the right, subject to certain conditions, to require Liberty to exchange such shares when, under applicable law (including the regulations of the Federal Communications Commission (the "FCC")), it is legally permitted to do so. Universal retains the option, and the Company may not require (other than in connection with a sale of the Company as provided in the LLC Exchange Agreement) Universal, to exchange its LLC Shares. In connection with an exchange, Universal is entitled to elect to receive no more than 73,620,000 shares of Class B Common Stock, with the remaining LLC Shares received at the closing of the Universal Transaction exchangeable for Common Stock. As discussed below under "Regulation," because Universal is controlled by a foreign entity (Seagram), FCC rules and regulations limit the amount of Common Stock and Class B Common Stock that Universal may own.

Home Shopping Network, Inc. Pursuant to the Home Shopping Merger, Liberty HSN, Inc., ("Liberty HSN"), an indirect, wholly owned subsidiary of Liberty retained a 19.9% equity interest (9.2% of the voting power) in Home Shopping, a subsidiary of the Company in which the Company owns the remaining equity and voting interests. As of the date hereof, Home Shopping owns a 45.8% interest in USANi LLC which now holds Home Shopping's former subsidiaries and the new businesses acquired from Universal. Home Shopping

has a dual-class common stock structure similar to the Company's. Pursuant to an exchange agreement, dated as of December 20, 1996 (the "Liberty Exchange Agreement"), between the Company and Liberty HSN, at such time or from time to time as Liberty HSN or its permitted transferee is allowed under applicable FCC regulations to hold additional shares of the Company's stock, Liberty HSN or its permitted transferee will exchange its Home Shopping Common Stock and its Home Shopping Class B Common Stock for shares of Common Stock and Class B Common Stock, respectively, at the applicable conversion ratio. Liberty HSN, however, is obligated to effect an exchange only after all of its LLC Shares have been exchanged for shares of Common Stock pursuant to the LLC Exchange Agreement. Upon completion of the exchange of Liberty HSN's Home Shopping shares, Home Shopping would become a wholly owned subsidiary of the Company.

OUTSTANDING SHARES AND CONTROLLING STOCKHOLDERS

USAi Capitalization. At March 13, 1998, 102,210,704 shares of Common Stock and 32,013,616 shares of Class B Common Stock were outstanding. Of these shares, Liberty HSN owned directly 123,260 shares of Common Stock and 378,322 shares of Class B Common Stock. At the same date, Mr. Diller, Chairman of the Board and Chief Executive Officer of the Company, through BDTV INC., BDTV II INC., BDTV III INC., BDTV IV, INC., his own holdings and a stockholders agreement with Universal, Liberty, the Company and Seagram (the "Stockholders Agreement"), has the right to vote approximately 8% or 8,217,236 shares of USAi's outstanding Common Stock, and approximately 97% or 31,181,726 shares of USAi's outstanding Class B Common Stock, including shares held by BDTV IV INC., which Mr. Diller controls. Each share of Class B Common Stock is entitled to ten votes per share with respect to matters on which Common and Class B stockholders vote as a single class. As a result, at March 13, 1998, Mr. Diller controls approximately 76% of the outstanding total voting power of the Company. Mr. Diller, subject to the Stockholders Agreement, is effectively able to control the outcome of nearly all matters submitted to a vote of the Company's stockholders. Liberty HSN holds substantially all of the economic interest in, and Mr. Diller holds all of the voting power in, the shares of USAi stock held by the BDTV entities listed above.

In connection with the Universal Transaction, certain additional shares issuable to Liberty HSN pursuant to the Home Shopping Merger were issued. The Company has no further obligations with respect to such contingent shares.

In the Investment Agreement, the Company granted to Universal and Liberty certain preemptive rights at $40 per share with respect to future issuances of Company stock, which rights generally provide that each of Universal and Liberty may elect to purchase a number of shares of Common Stock (or LLC Shares convertible into shares of Common Stock or Class B Common Stock, as the case may be) so that the percentage equity interest such entity owned of the Company after the Universal Transaction will be the same as before such transaction (in each case, assuming the exchange of Universal's and Liberty's LLC Shares and of the Liberty HSN Home Shopping shares). As of the closing of the Universal Transaction, Universal's preemptive right is exercisable based on a 45% ownership interest, and Liberty's purchase right is exercisable based on a 21% ownership interest. The transaction agreements, including the Governance Agreement and the Stockholders Agreement, contain other limitations on the ability of Universal and Liberty to take certain actions with respect to the Company or acquire additional voting securities.

USAi Stock Split. On February 20, 1998, the Board of Directors declared a two-for-one stock split of the Company'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 March 12, 1998. The 100% stock dividend was paid on March 26, 1998. All share numbers in this Report give effect to such stock split unless otherwise noted.

USANi LLC Capitalization. In connection with the Universal Transaction, USANi LLC issued 15,617,500 Class A LLC Shares to USAi, 105,097,938 Class A LLC Shares to Home Shopping, 108,654,340 Class B LLC Shares to Universal and 10 Class C LLC Shares to Liberty.

Home Shopping Debentures. On January 23, 1998, Home Shopping called for redemption of all of its outstanding 5.875% Convertible Subordinated debentures (the "HSN Debentures"), which were convertible until redemption on March 1, 1998 into shares of Common Stock at a price per share of $13.335, as adjusted for the two-for-one stock split to holders of record as of the close of business on March 12, 1998. Effective

March 1, 1998, all such outstanding debentures ($100 million principal amount) were converted into shares of Common Stock, in connection with which the Company issued 7,499,022 shares of Common Stock. These actions have terminated the Company's and Home Shopping's obligations under the indenture, as supplemented, relating to the HSN Debentures, other than with respect to the conversion.

Savoy Debentures. At the effective time of the Savoy Merger, Savoy and the Company entered into a supplemental indenture with the trustee under the indenture governing Savoy's outstanding 7% Convertible Subordinated Debentures, due July 1, 2003 (the "Savoy Debentures"), providing for the assumption by the Company as joint and several obligor of the Savoy Debentures and that each $1,000 principal amount of the Savoy Debentures is convertible into the amount of shares of Common Stock that the holder thereof would have been entitled to receive had such Savoy Debenture been converted into shares of common stock of Savoy immediately prior to consummation of the Savoy Merger, or 15.05 shares at $66.43 per share, as adjusted for the two-for-one stock split to holders of record as of the close of business on March 12, 1998.

PENDING TICKETMASTER MERGER

Ticketmaster Group, Inc. At December 31, 1997, the Company owned a controlling interest in Ticketmaster. On March 20, 1998, the Company and Ticketmaster entered into a merger agreement regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for .563 of a share of Common Stock (1.126 shares after giving effect to the Company's two-for-one stock split as of March 12, 1998.). The merger agreement was entered into based upon the recommendation of the Special Committee of the Ticketmaster Board that had been appointed to consider USAi's merger proposal in October 1997. Consummation of the merger is subject to customary conditions, including the approval of the merger by Ticketmaster's shareholders. The Company expects that the merger will be completed in the third quarter of 1998. Based on the number of shares of Ticketmaster Common Stock outstanding as of March 9, 1998, USAi expects to issue approximately 15.4 million shares of Common Stock to Ticketmaster stockholders in connection with the proposed merger. Universal and Liberty have certain pre-emptive rights which will be exercisable if the merger with Ticketmaster is consummated.

DESCRIPTION OF BUSINESSES

HOME SHOPPING NETWORK

Home Shopping, through Home Shopping Club LP ("HSC"), sells a variety of consumer goods and services by means of live, customer-interactive electronic retail sales programs which are transmitted via satellite to cable television systems, affiliated broadcast television stations and satellite dish receivers. Home Shopping operates two retail sales programs, The Home Shopping Network ("HSN") and America's Store, each 24 hours a day, seven days a week (collectively the "HSN Services"). The HSN Services are carried by cable television systems and broadcast television stations throughout the country. America's Store is available in one-hour segments, which enables broadcast and cable affiliates to air America's Store in available time slots that would not otherwise produce revenue for the affiliate.

Home Shopping's retail sales and programming are intended to promote sales and customer loyalty through a combination of product quality, price and value, coupled with product information and entertainment. The HSN Services are divided into segments which are televised live with a host who presents the merchandise, sometimes with the assistance of a guest representing the product vendor, and conveys information relating to the product, including price, quality, features and benefits. Hosts engage callers in live on-air discussions regarding the currently featured product or the caller's previous experience with Home Shopping's products. Viewers purchase products by calling a toll-free telephone number. Home Shopping attempts to stimulate customer loyalty by providing, among other things, marketing materials such as The Home Shopping Magazine, which offers discounts on Home Shopping purchases, and features articles on products, programming and schedules of upcoming shows.

The following table highlights the changes in the estimated unduplicated television household reach of HSN, Home Shopping's primary service, by category of access for the year ended December 31, 1997:

	CABLE*	BROADCAST	SATELLITE*	TOTAL
	(In thousands of households)			
Households -- December 31, 1996	47,864	19,042	3,788	70,694
Net additions/(deletions)	3,002	(1,291)	(1,688)	23
Shift in classification	496	(496)	--	--
Change in Nielsen household counts	--	(610)	--	(610)
Households -- December 31, 1997	51,362	16,645	2,100	70,107

* Households capable of receiving both broadcast and cable transmissions are included under cable and therefore are excluded from broadcast to present unduplicated household reach. Cable households included 4.0 million and 2.3 million direct broadcast satellite ("dbs") households at December 31, 1997 and 1996, respectively, and therefore are excluded from satellite.

According to industry sources, as of December 31, 1997, there were 98.0 million homes in the United States with a television set, 65.7 million basic cable television subscribers and 2.1 million homes with satellite dish receivers, excluding dbs.

As of December 31, 1997, America's Store reached approximately 10.3 million cable television households of which 3.8 million were on a part-time basis. Of the total cable television households receiving America's Store, 8.9 million also receive HSN.

CUSTOMER SERVICE AND RETURN POLICY

Home Shopping believes that satisfied customers will be loyal and will purchase merchandise on a regular basis. Accordingly, Home Shopping has customer service personnel and computerized voice response units (the "VRU") available to handle calls relating to customer inquiries 24 hours a day, seven days a week. Generally, any item purchased from Home Shopping may be returned within 30 days for a full refund of the purchase price, including the original shipping and handling charges.

DISTRIBUTION, DATA PROCESSING AND TELECOMMUNICATIONS

Home Shopping's fulfillment subsidiaries store, service and ship merchandise from warehouses located in Salem, Virginia and Waterloo, Iowa. During 1997, Home Shopping moved its St. Petersburg, Florida fulfillment operations and national returns center to Salem, Virginia. Generally, merchandise is delivered to customers within seven to ten business days of the receipt by Home Shopping of the customer's payment for an order.

Home Shopping currently operates several Unisys main frame computers and has extensive computer systems which track purchase orders, inventory, sales, payments, credit authorization, and delivery of merchandise to customers. During 1997, Home Shopping took steps to upgrade many of its computer systems which will continue through 1998.

Home Shopping has digital telephone and switching systems and utilizes the VRU, which allows callers to place their orders by means of touch tone input or to be transferred to an operator.

PRODUCT PURCHASING AND LIQUIDATION

Home Shopping purchases merchandise made to its specifications, merchandise from manufacturers' lines, merchandise offered under certain exclusive rights and overstock inventories of wholesalers. During 1997, Home Shopping continued to change its purchasing strategy to emphasize price point, variety, newness, continuity sales, product sourcing and events. The mix of products and source of such merchandise depends upon a variety of factors including price and availability. Home Shopping generally does not have long-term commitments with its vendors, and there are various sources of supply available for each category of merchandise sold.

Home Shopping's product offerings include: jewelry; hardgoods, which include fitness products, consumer electronics, collectibles, housewares, and consumables; health and beauty, which consists primarily of cosmetics; softgoods, which consist primarily of apparel; and fashion accessories. For 1997, jewelry, hardgoods, health and beauty, softgoods and fashion accessories accounted for approximately 36.1%, 34.6%, 13.7%, 11.5% and 4.1%, respectively, of Home Shopping's net sales.

Home Shopping liquidates short lot and returned merchandise through its liquidation center and three outlet stores located in the Tampa Bay and Orlando areas. Damaged merchandise is liquidated by Home Shopping through traditional channels. Since January 1997, Home Shopping has closed three outlet stores and one liquidation center.

TRANSMISSION AND PROGRAMMING

Home Shopping produces the HSN Services in its studios located in St. Petersburg, Florida. The Services are distributed to cable television systems, broadcast television stations, dbs and satellite antenna owners by means of Home Shopping's satellite uplink facilities to satellite transponders leased by Home Shopping. Any cable television system, broadcast television station or individual satellite dish owner in the United States and the Caribbean Islands equipped with standard satellite receiving facilities is capable of receiving the HSN Services.

Home Shopping has lease agreements securing full-time use of three transponders on three domestic communications satellites, although one of those transponders has been subleased as described below. Each of the transponder lease agreements grants Home Shopping "protected" rights. When the carrier provides services to a customer on a "protected" basis, replacement transponders (i.e., spare or unassigned transponders) on the satellite may be used in the event the "protected" transponder fails. Should there be no replacement transponders available, the "protected" customer will displace a "preemptible" transponder customer on the same satellite. The carrier also maintains a protection satellite and should a satellite fail completely, all "protected" transponders would be moved to the protection satellite which is available on a "first fail, first served" basis.

Use of the transponder which Home Shopping subleases may, however, be preempted in order to satisfy the owner's obligations to provide the transponder to another lessee on the satellite in the event that the other lessee cannot be restored to service through the use of spare or reserve transponders (the "Special Termination Right"). As of June 5, 1995, Home Shopping discontinued use of this satellite transponder for which it has a non-cancelable operating lease calling for monthly payments of approximately $150,000 through December 31, 2006. In 1996, Home Shopping subleased this satellite transponder for a term of 10 years with an option to cancel after four years. The monthly sublease rental is in excess of the monthly payment.

A transponder failure that would necessitate a move to another transponder on the same satellite would not result in any significant interruption of service to the cable systems and/or television stations which receive the HSN Services. However, a failure that would necessitate a move to another satellite may temporarily affect the number of cable systems and/or television stations which receive the HSN Services (as well as all other programming carried on the failed satellite) because of the need to install equipment or to reorient earth stations.

The terms of two of the satellite transponder leases utilized by Home Shopping are for the life of the satellites, which are projected through 2004. The term of the third subleased satellite is through December 31, 2006, subject to earlier implementation of the Special Termination Right.

Home Shopping's access to two transponders pursuant to long-term agreements would enable it to continue transmission of HSN should either one of the satellites fail. Although Home Shopping believes it is taking every reasonable measure to ensure its continued satellite transmission capability, there can be no assurance that termination or interruption of satellite transmissions will not occur. Such a termination or interruption of service by one or both of these satellites could have a material adverse effect on the operations and financial condition of the Company.

The availability of replacement satellites and transponder time beyond current leases is dependent on a number of factors over which Home Shopping has no control, including competition among prospective users for available transponders and the availability of satellite launching facilities for replacement satellites.

The FCC grants licenses to construct and operate satellite uplink facilities which transmit signals to satellites. These licenses are generally issued without a hearing if suitable frequencies are available. Home Shopping has been granted two licenses for operation of C-band satellite transmission facilities and two licenses for operation of KU-band satellite transmission facilities on a permanent basis in Clearwater and St. Petersburg, Florida.

AFFILIATION AGREEMENTS WITH CABLE OPERATORS

Home Shopping has entered into affiliation agreements with cable system operators to carry HSN, America's Store, or both services. The agreements have terms ranging from 3 to 14 years, and obligate the cable operator to assist with the promotional efforts of Home Shopping by carrying commercials promoting HSN and America's Store and by distributing Home Shopping's marketing materials to the cable operator's subscribers. All cable operators receive a commission of 5 percent of the net merchandise sales within the cable operator's franchise area, regardless of whether the sale originated from a cable or a broadcast household. With larger, multiple system operators, Home Shopping has agreed to provide additional compensation, e.g., by purchasing advertising availabilities from cable operators on other programming networks, by establishing commission guarantees for the operator, or by making an upfront payment to the operator in return for commitments to deliver a minimum number of HSN subscribers for a certain number of years.

AFFILIATION AGREEMENTS WITH TELEVISION STATIONS

Home Shopping has entered into affiliation agreements with television stations to carry HSN or America's Store. In addition to the 12 owned and operated full power and 26 low power television stations owned by the Company as of December 31, 1997, the Company has affiliation agreements with 13 full-time,

full power stations, 38 part-time, full power stations and 22 low power stations. The Company has a minority ownership interest in 7 of the full-time, full power stations. The affiliation agreements have terms ranging from four weeks to fourteen years. All television station affiliates other than stations owned by the Company receive an hourly or monthly fixed rate for airing the HSN services. Full power television signals are carried by cable operators within a station's coverage area. See "Regulation -- Must-Carry Retransmission Consent" below. Low power station signals are rarely carried by cable systems.

USA NETWORKS

Acquired by the Company on February 12, 1998 as part of the Universal Transaction, USA Networks ("USA Networks") operates two domestic advertiser-supported 24-hour cable television networks -- USA Network and Sci-Fi Channel.

The USA Network program service began as the MSG Sports Network in 1977. In 1980, it was reorganized into its present form under the USA Network name. Since that time, it has grown into one of the nation's most widely distributed and viewed satellite-delivered television networks. According to A.C. Nielsen, as of December 1997, USA Network is available in approximately 72.3 million U.S. households (73.7% of the total U.S. homes with televisions). USA Network is a general entertainment network featuring original series and movies, theatrical movies, off-network television series and major sporting events, designed to appeal to the available audiences during particular dayparts. In general, USA Network's programming is targeted at viewers between the ages of 18 to 54. Sci-Fi Channel was acquired and launched in 1992. It has been one of the fastest-growing satellite-delivered networks since its inception. According to A.C. Nielsen, as of December 1997, Sci-Fi Channel is available in 46.7 million U.S. households (47.6% of the total U. S. households with televisions). Sci-Fi Channel features science fiction, horror, fantasy and science-fact oriented programming. The network's programming is designed to appeal to viewers between the ages of 18 to 49.

PROGRAMMING AND TRANSMISSION

Presently, USA Network's program line-up features original series, produced exclusively for USA Network, including the following: La Femme Nikita, Silk Stalkings and Pacific Blue. USA Network also exhibits approximately 22 movies produced exclusively for it each year. USA Network's programming includes off-network series such as Baywatch and Walker, Texas Ranger and major theatrically-released feature films. USA Network is home to exclusive midweek coverage of the U.S. Open Tennis Championships and early round coverage of The Masters and major PGA Tour golf events.

USA Network typically enters into long-term agreements for its major off-network series programming. Its original series commitments usually start with less than a full year's commitment, but contain options for further production over several years. USA Network acquires theatrical films in both their "network" windows and "pre-syndication" windows. Under these arrangements, the acquisition of such rights is often concluded many years before the actual exhibition of the films begins on the network. USA Network's original films start production less than a year prior to their initial exhibition. USA Network typically obtains the right to exhibit both its acquired theatrical films and original films numerous times over multiple year periods.

Sci-Fi Channel's program lineup includes original programs produced specifically for it, such as Sightings and Mystery Science Theater 3000, as well as science fiction movies and classic science fiction series, such as The Twilight Zone, Lost in Space and Quantum Leap. Beginning in September 1998, Sci-Fi Channel will have the exclusive right to carry the original Star Trek series. Sci-Fi Channel's programming arrangements for off-network series, original series, theatrical movies and original movies are similar to those entered into by USA Network.

USA Network and Sci-Fi Channel each distribute their programming service on a 24-hour per day, seven day per week basis. Both networks are distributed in all 50 states and Puerto Rico via satellite for distribution by cable television operators and other distributors (e.g., direct-to-home satellite distributors).

USA Network and Sci-Fi Channel are distributed to cable television systems, dbs and satellite antenna owners by means of satellite transponders owned and leased by Networks. Any cable television system or

individual satellite dish owner in the United States and its territories and possessions equipped with standard satellite receiving facilities is capable of receiving Networks' programs.

Networks has the full-time use of four transponders on two domestic communications satellites, although one of those transponders has been subleased. Like Home Shopping, each of the transponders is a "protected" transponder.

A transponder failure that would necessitate a move to another transponder on the same satellite would not result in any significant interruption of service to those that receive Networks' programs. However, a failure that would necessitate a move to another satellite temporarily may affect the number of cable systems which receive Networks programs (as well as other programming carried on the failed satellite) because of the need to install equipment or to reorient earth stations.

The projected ends of life of the two satellites utilized by Networks are May, 2004 and March, 2006, respectively.

Networks' control of two different transponders on each of two different satellites would enable it to continue transmission of its programs should either one of the satellites fail. Although Networks believes it is taking every reasonable measure to ensure its continued satellite transmission capability, there can be no assurance that termination or interruption of satellite transmission will not occur. Such a termination or interruption of service by one or both of these satellites could have a material adverse effect on the operations and financial condition of the Company. The availability of replacement satellites and transponders is dependent on a number of factors over which Networks has no control, including competition among prospective users for available transponders and the availability of satellite launching facilities for replacement satellites.

Each of the networks enters into agreements with cable operators and other distributors which agree to carry the programming service, generally as part of a package with other advertiser-supported programming services. These agreements are multi-year arrangements in which the distributor pays Networks a fee for each subscriber to the particular programming service.

CUSTOMERS

USA Network and Sci-Fi Channel derive virtually all of their revenues from two sources. The first is the per-subscriber fees paid by the cable operators and other distributors. The second is from the sale of advertising time within the programming carried on each of the networks. TCI and Time Warner together represent nearly 40% of USA Network's distribution and more than 30% of the Sci-Fi Channel's distribution. Networks is currently in negotiations with TCI to renew its affiliation agreement with respect to carriage of USA Network.

USA NETWORKS STUDIOS

Acquired by the Company on February 12, 1998 as part of the Universal Transaction, USA Networks Studios ("Studios") produces and distributes television programs and motion picture films intended for initial exhibition on television and home video in both domestic and international markets. These productions include original programming for network television, first-run syndication through local television stations, pay television, basic cable and home video and made-for-television movies. Studios also is the exclusive domestic distributor of the extensive Universal television library. The domestic distribution operations are headquartered in Los Angeles. Domestic sales offices are also located in New York, Chicago, Atlanta and Dallas.

Studios' assets include shows currently in production for domestic airing, including previously aired episodes, and all current development projects. As part of the Universal Transaction, Universal retained the shows which are currently being produced for initial airing in international markets and also retained its feature film and television libraries and its international distribution operations. Pursuant to a domestic television distribution agreement, Studios will generally be the exclusive distributor in the U.S. of television programs with respect to which Universal is retaining, or acquires, distribution rights. Pursuant to an

international television distribution agreement, the Company granted Universal a similar exclusive right regarding the distribution outside the U.S. of programming owned or controlled by the Company. In both cases, the distributor receives a distribution fee based on revenues generated. These agreements have an initial 15-year term.

Studios has produced programming for network television since the early 1950s and remains a major supplier of network programming today. Studios is a leader in the first-run syndication market, producing in 1997 Hercules: The Legendary Journeys and Xena: Warrior Princess, both highly-rated programs in this market. In December 1996, Studios acquired Sally Jessy Raphael and The Jerry Springer Show when it purchased substantially all of the production assets of Multimedia Entertainment, Inc. Studios generally retains foreign and off-network distribution rights for programming originally produced for television networks. In addition, Studios distributes original television programming in domestic markets for first-run syndication as well as exhibition on basic cable and other media.

PRODUCTION

Production generally includes four steps: development, pre-production, principal photography and post-production. The production/distribution cycle represents the period of time from development of the property through distribution and varies depending upon such factors as type of product and primary form of exhibition. Pursuant to a facilities lease agreement, Studios' production activities are centered on the Universal production lot. Some television programs and films are produced, in whole or in part, at other locations both inside and outside the United States.

Development of television programs and films begins with ideas and concepts of producers and writers, which form the basis of a television series or film. Producers and writers are signed to term agreements generally providing Studios with exclusive use of their services for a term ranging from one to five years in the case of producers and one to two years in the case of writers. Term agreements are signed with such talent to develop network comedy and drama and first-run syndication programming. Term agreements are also signed with actors, binding them to Studios for a period of time during which Studios attempts to attach them to a series under development. These term agreements represent a significant investment for Studios.

In the case of network development, the ideas and concepts developed by producers and writers are presented to broadcast networks to receive their approval to develop a "pilot" that could possibly become a commitment from the network to license a minimum number of episodes based on the pilot. In general, the production cycle for network programming begins with the presentation of pilots to network broadcasters in the fall of each year. Each May, networks release their fall schedules, committing to the series production of pilots, renewing existing programs and canceling others. Networks typically commit to seven to thirteen episodes for such new series with options to acquire additional episodes for a negotiated license fee and twenty-two episodes for a renewed series. Production on these series begins in June and continues through March, depending upon the network commitment. The network broadcast season runs from September through May. Studios incurs production costs throughout the production cycle up through completion of an episode while networks remit a portion of the license fees to Studios upon commencement of episodic production and a portion upon delivery of episodes.

Several of Studios' subsidiary companies are individually and separately engaged in the development and/or production of television programs. Certain of these subsidiaries are also signatories to various collective bargaining agreements within the entertainment industry. The most significant of these are the agreements with the Writers Guild of America ("WGA"), the Directors Guild of America ("DGA") and the Screen Actors Guild ("SAG"), which agreements typically have a term of several years and then require re-negotiation. The current WGA Agreement expires May 1, 1998, while the current SAG Agreement expires June 30, 1998. Through their labor relations counsel, the affected subsidiaries are accordingly now involved in industry-wide negotiations with both the WGA and SAG in order to avoid or minimize any interruptions in those production activities which are subject to these collective bargaining agreements.

CUSTOMERS

Studios produces television films for the U.S. broadcast networks for prime time television exhibition. Certain television films are initially licensed for network television exhibition in the U.S. and are simultaneously syndicated outside the U.S. Historically, Studios' customers for network television film product have been concentrated with the three established major U.S. television networks -- ABC, CBS and NBC. In recent years, Fox Broadcasting, UPN and the WB Network have created new networks, decreasing to some extent Studios' dependence on ABC, CBS and NBC and expanding the outlets for its network product. Revenue from licensing agreements is recognized in the period that the films are first available for telecast. Programming consists of various weekly series and "made for television" feature length films. 1997 network programming includes returning productions Law & Order, New York Undercover and Something So Right and initial year productions of Players and The Tom Show. In the initial telecast season, the network license provides for the production of a minimum number of episodes, with the network having the option to order additional episodes for both the current and future television seasons. Network licenses give the networks the exclusive right to telecast a given series for a period of time, generally four to five years. The success of any one series may be influenced by the time period in which the network airs the series, the strength of the programs against which it competes, promotion of the series by the network and the overall commitment of the network to the series.

In addition to the broadcast networks, Studios has had a long-standing relationship with USA Network, Sci-Fi Channel, and Sci-Fi Europe (which is to be contributed to the joint venture between Universal and the Company), producing original programming and licensing off-network and off-syndication product. Studios licenses seven to ten made-for-television movies per year to USA Network and has produced the original series Weird Science and Campus Cops for the network. Studios is currently producing the original series Sliders for Sci-Fi Channel and has licensed 48 previously developed episodes of Sliders that had originally aired on the Fox Network. Studios has licensed to USA Network off-syndication episodes of Hercules: The Legendary Journeys and Xena: Warrior Princess and off-network episodes of New York Undercover that will become available for broadcast in the fall of 1998.

Studios also produces television film product that is initially syndicated directly to independent television stations for airing throughout the broadcast day and to network affiliated stations for non-primetime airing. 1997 first-run syndication programming includes one hour weekly series including returning productions of Hercules: The Legendary Journeys and Xena: Warrior Princess as well as the initial year production of Team Knight Rider and talk shows including returning productions of Sally Jessy Raphael and The Jerry Springer Show. Additionally, Studios has entered into an agreement with talk show veteran Maury Povich to host a talk show that will premiere in the fall of 1998.

Studios licenses television film product to independent stations and directly to network affiliated stations in return for either a cash license fee, barter or part-barter and part-cash. Barter syndication is the process whereby Studios obtains commitments from television stations to broadcast a program in certain agreed upon time periods. Studios retains advertising time in the program in lieu of receiving a cash license fee, and sells such retained advertising time for its own account to national advertisers at rates based on the projected number of viewers. By placing the program with television stations throughout the United States, an "ad hoc" network of stations is created to carry the program. The creation of this ad hoc network of stations, typically representing a penetration of at least 80% of total U.S. television households, enables Studios to sell the commercial advertising time through advertising agencies for sponsors desiring national coverage. The rates charged for this advertising time are typically lower than rates charged by U.S. broadcast networks for similar demographics since the networks' coverage of the markets is generally greater. In order to create this ad hoc network of stations and reach 80% of total U.S. television households, Studios must syndicate its programming with stations that are owned and operated by the major broadcast networks and station groups, which are essentially entities which own many stations in the major broadcast markets across the United States. Without commitments from broadcast network stations and station groups, the necessary market penetration may not be achieved which may adversely affect the chances of success in the first-run syndication market.

Generally, television films produced for broadcast or cable networks or barter syndication provide license fees and/or advertising revenues that cover only a portion of the anticipated production costs. The recoverability of the balance of the production costs and the realization of profits, if any, is dependent upon the success of other exploitation including international syndication licenses, subsequent basic cable and domestic syndication licenses, releases in the home video market, merchandising and other uses. Pursuant to an agreement with Universal, Studios has the right to include eligible product in Universal's international free television output and volume agreements with television broadcasters in major international territories. These agreements represent a substantial revenue source for Studios.

DISTRIBUTION

In general, during a series' initial production years (i.e., seasons one to four), domestic network and international revenues fall short of production costs. As a result, the series will likely remain in a deficit position until sold in the domestic syndication market. The series will be available for airing in the off-network syndication market after a network's exclusivity period ends, typically the September following the completion of the fourth network season or the fifth season if the series was a mid-season order. For a successful series, the syndication sales process generally begins during the third network season. The price that a series will command in syndication is a function of supply and demand. Studios syndicated series are sold for cash and/or bartered services (i.e., advertising time) for a period of at least five years. Barter transactions have played an increasingly important role in the syndication process as they can represent a majority of the distributor's syndication revenue.

Studios will distribute its current programming domestically. In addition, the Company and Universal have agreed that Studios will have the exclusive right to distribute domestically Universal's large television library, with programming dating back to the 1950s and including such series as Alfred Hitchcock Presents; The Virginian; Marcus Welby, M.D.; Dragnet; Columbo; Kojak; The Rockford Files; Murder She Wrote; Magnum P.I.; Miami Vice; Coach and Northern Exposure. Studios also has the exclusive right, with limited exceptions, to distribute domestically television programming produced by Universal during the next 15 years.

In addition, the Company and Universal have agreed that Universal will have the exclusive right to distribute all Studios programming internationally. In that regard, Universal has recently signed several output and volume agreements with international television broadcasters that include programming produced by Studios. In May 1996, Universal signed a free television output and co-production agreement with Germany's RTL. The ten-year agreement covers all new and existing product distributed by Universal to RTL, UFA and CLT broadcasting outlets in Germany and other German-speaking territories and provides that RTL will co-produce a minimum number of series from Universal and Studios over the term of the agreement, providing a portion of each series' production costs. With regard to the output arrangement, RTL has exclusive first-run free television rights in its territories to carry every series and television movie made by Universal and Studios during the term of the agreement. In 1997, Universal signed similar volume agreements in France, Spain, Italy and the United Kingdom in which the licensor generally committed to license a minimum number per year of first-run series and first-run television movies during a specified term in the territory. Pursuant to the terms of the international distribution agreement between the Company and Universal, the Company's eligible programming will have the first right to participate in Universal's international output and volume agreements with international television broadcasters, including in Germany, France, Spain, Italy and the United Kingdom.

Studios also produces "direct to video" programming. Studios has licensed a third party to sell a video of The Jerry Springer Show that contains portions of previously produced programs that had been edited out when the episodes aired on television.

USA BROADCASTING

Through subsidiaries described below, the Company controlled, as of December 31, 1997, 16 full power television broadcast stations, including three satellite stations. Twelve of the full-power stations comprise the USA Station Group (formerly "Silver King") and four comprise SF Broadcasting. Additionally, the

Company controlled 26 low power ("LPTV") television stations (the "LPTV Stations") and two low power translators.

USA STATION GROUP

As of December 31, 1997, the USA Station Group served ten of the 16 largest metropolitan television markets in the United States, and reached approximately 28.3 million television households, which is one of the largest audience reaches of any owned and operated independent television broadcasting group in the United States.

As of December 31, 1997, USA Broadcasting wholly owned the following stations as part of the USA Station Group:

SUMMARY OF USA STATION GROUP MARKETS

TELEVISION STATION	CITY OF LICENSE	CHANNEL NO.	METROPOLITAN AREA SERVED	HOUSEHOLDS IN DESIGNATED MARKET AREA ("DMA")(1)	DMA RANK(1)	LICENSE EXPIRATION DATE
WHSE-TV(2).....	Newark, NJ	68	New York, NY	6,755,510	1	6/1/99
WHSI-TV(2).....	Smithtown, NY	67	New York, NY	6,755,510	1	6/1/99
KHSC-TV.....	Ontario, CA	46	Los Angeles, CA	5,009,230	2	12/1/98
WEHS-TV.....	Aurora, IL	60	Chicago, IL	3,140,460	3	12/1/05
WHSP-TV.....	Vineland, NJ	65	Philadelphia, PA	2,659,260	4	6/1/99
WHSH-TV.....	Marlborough, MA	66	Boston, MA	2,174,300	6	4/1/99
KHSX-TV.....	Irving, TX	49	Dallas, TX	1,899,330	8	8/1/98
KHSH-TV.....	Alvin, TX	67	Houston, TX	1,624,340	11	8/1/98
WQHS-TV.....	Cleveland, OH	61	Cleveland, OH	1,469,010	13	10/1/05
WBHS-TV.....	Tampa, FL	50	Tampa/St. Petersburg, FL	1,435,520	15	2/1/05
WYHS-TV.....	Hollywood, FL	69	Miami, FL	1,385,940	16	2/1/05
WHSW-TV(3).....	Baltimore, MD	24	Baltimore, MD	988,040	23	10/1/04

(1) Estimates by Nielsen Marketing Research ("Nielsen") as of January 1998. For multiple ownership purposes, the FCC attributes only 50% of a market Area of Dominant Influence ("ADI") reach to UHF stations. Arbitron ADI's, like Nielsen DMA's, are measurements of television households in television markets throughout the country. For the Company's purposes, ADI and DMA measurements do not materially differ.
(2) WHSI-TV operates as a satellite of WHSE-TV and primarily rebroadcasts the signal of WHSE-TV. Together, the two Stations serve the metropolitan New York City television market and are considered one station for FCC multiple ownership purposes.
(3) The Baltimore station was sold in January 1998 for $80 million.

On March 19, 1998, a definitive asset purchase agreement was entered into by certain entities controlled by the Company and Paxson Communications of Atlanta-14, Inc. whereby certain entities controlled by the Company have agreed to buy for $50 million the assets of Television Station WNGM-TV, Channel 34, Athens, Georgia which serves the Atlanta metropolitan area. Concurrently, in exchange for a payment to Home Shopping of $15 million, Home Shopping agreed with Paxson Communications Corporation to consent to the sale by Blackstar L.L.C. of Station KBSP, Salem, Oregon, and to terminate the Home Shopping Affiliation Agreement for that station, together with the HSC Affiliation Agreements for WCCL, New Orleans, Louisiana, and WFBI, Memphis, Tennessee.

As of December 31, 1997, USA Broadcasting and its affiliates held minority interests in several television stations as described below:

USA Broadcasting owned a 33.44% membership interest in Blackstar L.L.C. ("Blackstar"), the parent company of the licensees of Stations WBSF(TV), Melbourne, Florida; KBSP-TV, Salem, Oregon; and WBSX(TV), Ann Arbor, Michigan, which serve all or portions of the metropolitan areas of Orlando, Florida; Portland, Oregon; and Detroit, Flint and Lansing, Michigan, respectively. All of these television stations were

affiliates of Home Shopping and carried Home Shopping programming on a substantially full-time basis. Blackstar also is the parent company of the licensee of Station KEVN-TV, Rapid City, South Dakota, and its satellite station, KIVV-TV, licensed to Lead-Deadwood, South Dakota, both of which are affiliated with, and carry the programming of, Fox Broadcasting Company ("Fox"). In addition, a member of USA Station Group owns 1,000 shares of nonvoting preferred stock in Blackstar Communications, Inc., a subsidiary of Blackstar. Blackstar sold the assets of its Ann Arbor, Michigan station to a third party effective as of January 28, 1998. Upon the closing of the sale, the Home Shopping affiliation agreement terminated. Following the termination, USA Broadcasting has a 45.88% equity interest in Blackstar. Blackstar also has entered into an agreement to sell the Salem, Oregon station to Paxson Communications Corporation.

On February 13, 1998, USA Broadcasting entered into a letter of intent with the other members of Blackstar to acquire all of the membership interests of Blackstar other than those currently owned by USA Broadcasting for $17 million, plus $1.5 million as consideration for consulting agreements by two of the selling members. It is anticipated that a definitive agreement will be entered into shortly and that the acquisition will close later this year. Upon closing, USA Broadcasting will have sole ownership of the aforementioned television stations serving Orlando, Florida and Rapid City, South Dakota.

An affiliate of USA Broadcasting owns a 45% nonvoting common stock interest in the following entities: Roberts Broadcasting Company, which owns Station WHSL(TV), East St. Louis, Illinois, serving the St. Louis, Missouri metropolitan area; Urban Broadcasting Corporation ("Urban"), which owns Station WTMW(TV), Arlington, Virginia, serving the Washington, D.C. metropolitan area; and Roberts Broadcasting Company of Denver, which owns Station KTVJ(TV), Boulder, Colorado, serving the Denver, Colorado metropolitan area. All of these stations carry Home Shopping programming. Various court actions are pending among various subsidiaries of the Company involving, among other things, performance issues concerning the affiliation agreements for each of the aforementioned stations.

On April 26, 1996, Channel 66 of Vallejo, California, Inc. ("Channel 66"), an entity in which an affiliate of USA Broadcasting holds a 49% nonvoting common stock interest, consummated the acquisition of Station KPST-TV, Vallejo, California which serves the San Francisco market.

A subsidiary of USA Broadcasting has an option to purchase a 45% nonvoting common stock interest in Jovon Broadcasting Company ("Jovon"), the licensee of Station WJYS(TV), Hammond, Indiana, serving the Chicago, Illinois television market. Jovon has contested the validity of the option. See "Item 3. Proceedings." The licensee of WJYS(TV) has filed a petition with the FCC as to whether the FCC, in a 1996 ruling, intended to rewrite the option to permit a partial exercise. The Company has opposed that petition. In addition, the Company is seeking, in a Florida court, action to enforce its rights under the option.

The Company's 26 LPTV Stations are located in the New York, New York; Atlanta, Georgia; St. Petersburg, Florida; St. Louis, Missouri; Knoxville, Tennessee; Minneapolis, Minnesota; New Orleans, Louisiana; Roanoke, Virginia; Tucson, Arizona; Tulsa, Oklahoma; Wichita, Kansas; Columbus, Ohio; Kansas City, Missouri; Springfield, Illinois; Huntington, West Virginia; Champaign, Illinois; Toledo, Ohio; Portsmouth, Virginia; Raleigh, North Carolina; Des Moines, Iowa; Shreveport, Louisiana; Spokane, Washington; Pensacola, Florida; Birmingham, Alabama; Mobile, Alabama; and Jacksonville, Florida areas. The Company's LPTV Stations, for the most part, carry America's Store. The LPTV Stations have an average coverage radius of 10-12 miles and an average transmitter power of 1,000-2,000 watts. This contrasts with the Company's full-power UHF television stations, which cover an average radius of 45-55 miles and have an average transmitter power of 120,000 watts. Each of the LPTV Stations are regarded by the FCC as having secondary status to full power stations and are subject to being displaced by changes in full power stations resulting from digital television allotments.

PROGRAMMING

Each of the USA Station Group stations ("USA Stations"), through the applicable subsidiaries, has entered into a Television Affiliation Agreement with Home Shopping pursuant to which each station broadcasts Home Shopping for approximately 164 hours per week. Available advertising time on the USA Stations is utilized to promote various Home Shopping subsidiaries and is also sold to outside commercial

clients on a per unit fixed rate. Advertising time also is bartered in exchange for non-Home Shopping programming. Time is available in units of 30 seconds, 60 seconds, 120 seconds, half-hours and hours. As part of its efforts to maximize the value of the USA Station Group, the Company is continuing to evaluate the status of the Affiliation Agreements. The Company intends over time, subject to consideration of the possible impact on Home Shopping on a market by market basis, to disaffiliate the USA Stations from Home Shopping and develop and program the stations independently.

The Company is implementing its plans to disaffiliate its station in the Miami, Florida market in 1998. It intends to replace Home Shopping with city-centric news, sports and entertainment programming that is a competitive alternative to the national affiliations of virtually all of the other commercial television stations in the market. Current plans call for programming that relates specifically to Southern Florida as well as programming that ties into the overall sensibility of Miami. Programming agreements already reached include: a television-rights agreement under which the station will become the local broadcast television partner of the Miami Heat; a programming agreement with the Miami Herald for a weekly news/reality series; a programming agreement with Ocean Drive, an internationally distributed magazine based in Miami; and a daily live, in-studio children's variety program featuring the exclusive broadcast in the Miami market of several of the top-ranked Fox Kids Network programs.

Upon disaffiliation, substantial expenditures would be required to develop USA Broadcasting programming and promotions on the USA Stations, which, during this developmental and transitional stage, would not be offset by sufficient advertising revenues. Additionally, the Company may also incur additional expenses and cash outflows (including the making of up-front payments), which could be substantial, in connection with entering into cable distribution agreements for the purpose of securing carriage of Home Shopping programming and/or the USA Stations' programming. Furthermore, disaffiliation will disrupt Home Shopping's ability to reach some of its existing customers which may cause a reduction in the Company's revenues. The Company believes that the process of disaffiliation can be successfully managed to minimize these adverse consequences while maximizing the value of the USA Stations.

There can be no assurance that, if Home Shopping and the USA Stations disaffiliate, the Company will be successful in its strategy to develop and broadcast new programming formats, whether on a local or national basis, or that the Company will be able to find other means of distributing its Home Shopping programming on favorable terms to the households in the broadcast areas currently served by USA Stations. The consequences of any of the foregoing decisions will impact the business, financial condition and results of operations of the Company.

SF BROADCASTING

SF Broadcasting consists of SF Multistations, Inc. ("SF Multistations"), and its wholly owned subsidiaries, which own KHON-TV (together with satellite stations KAII and KHAW, hereafter collectively referred to as "KHON"), WALA-TV and WVUE-TV, and SF Broadcasting of Wisconsin, Inc. ("SF Wisconsin") and its wholly owned subsidiaries, which own WLUK. Savoy Stations, Inc. ("Savoy Stations"), an indirect wholly owned subsidiary of the Company, owns 50% of the common equity and 100% of the voting stock of each of SF Wisconsin and SF Multistations. A subsidiary of Fox Television Stations, Inc. owns 50% of the common equity of SF Multistations and SF Wisconsin and also owns options, subject to certain conditions, to convert its non-voting interest into voting interests. The following table sets forth certain information regarding the stations owned and operated by SF Broadcasting (the "SF Stations") and the markets in which they operate:

SUMMARY OF SF BROADCASTING STATION MARKETS

TELEVISION STATION	METROPOLITAN AREA SERVED	AFFILIATION/ CHANNEL	HOUSEHOLDS IN DMA(1)	DMA RANK(1)	LICENSE EXPIRATION DATE
WVUE-TV.....	New Orleans, LA	FOX/8	622,760	41	6/1/05
KHON-TV(2).....	Honolulu, HI(3)	FOX/2	380,380	71	2/1/99
KAII-TV(2).....	Wailuku, HI				
KHAW-TV(2).....	Hilo, HI				
WALA-TV.....	Mobile-Pensacola, AL	FOX/10	449,950	62	4/1/05
WLUK-TV.....	Green Bay, WI(3)	FOX/11	381,100	70	12/1/05

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(1) Estimated by Nielsen as of January 1998. Rankings are based on the relative size of a station's market among the 211 generally recognized Designated Market Areas.
(2) KAII and KHAW operate as satellite stations of KHON-TV and primarily re-broadcast the signal of KHON. The stations are considered one station for FCC multiple ownership purposes.
(3) Low power television translators K55D2 and W40AN retransmit stations KHON-TV and WLUK-TV, respectively.

The SF Stations have long term affiliation agreements with Fox. The Company is considering its options with respect to the SF Stations, including a possible sale of the stations.

TICKETMASTER

Unless the context requires, references to "Ticketmaster" include Ticketmaster Group, Inc., its predecessors and its subsidiaries. References to the "Managed Businesses" include Ticketmaster's wholly and majority owned subsidiaries together with Ticketmaster's interest in those unconsolidated joint ventures in which it acts as managing partner. At March 20, 1997, the Company and Ticketmaster entered into a merger agreement regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for .563 of a share of Common Stock. (1.126 shares after giving effect to the Company's two-for-one stock split as of March 12, 1998). The merger agreement was entered into based upon the recommendation of the Special Committee of the Ticketmaster Board that had been appointed to consider USA1's merger proposal in October 1997. Consummation of the merger is subject to customary conditions, including the approval of the merger by Ticketmaster's shareholders. The Company expects that the merger will be completed in the third quarter of 1998.

Ticketmaster, through the Managed Businesses, is the leading provider of automated ticketing services in the U.S. with over 3,500 clients, including many of the country's foremost entertainment facilities and promoters and 77 professional sports franchises. Ticketmaster has established its market position by providing these clients with comprehensive ticket inventory control and management, a broad distribution network and dedicated marketing and support services. Ticket orders are received and fulfilled through operator-staffed call centers, independent sales outlets remote to the facility box office and Ticketmaster's World Wide Web site. Revenue is generated principally from convenience charges received by Ticketmaster for tickets sold on its

clients' behalf. Ticketmaster generally serves as an exclusive agent for its clients and typically has no financial risk for unsold tickets. Ticketmaster, through the Managed Businesses, sold 60.0 million tickets in fiscal 1997, while generating revenues of $298.5 million.

Ticketmaster plans to continue to broaden its client base to include such venues as museums, zoos, amusement parks, state and county fairs, and other locations such as golf courses, ski resorts and trade shows.

Ticketmaster also believes that significant opportunities exist internationally to attract additional venues in a historically under-penetrated market for automated ticketing services.

Ticketmaster is continuing to leverage its widely recognized brand name and logo and extensive distribution capabilities by developing new opportunities in related areas, such as entertainment information and publishing, merchandising, advertising, promotional services, and direct marketing. Ticketmaster has also launched Ticketmaster Online (http://www.ticketmaster.com), its site on the World Wide Web, designed to promote ticket sales for live events, disseminate event information and offer transactional and merchandising services. Ticketmaster Online began transactional services in September 1996 and is currently processing retail transactions for Ticketmaster and ticketing transactions for its entire clientele.

Ticketmaster believes that the Ticketmaster System and its extensive distribution capabilities provide a competitive advantage that enhances Ticketmaster's ability to attract new clients and maintain its existing client base.

Through its Managed Businesses, Ticketmaster has a comprehensive domestic distribution system that includes approximately 2,700 remote sales outlets in 44 states covering many of the major metropolitan areas in the U.S. and 16 domestic call centers with approximately 1,750 operator positions. Ticketmaster provides the public with convenient access to tickets and information regarding entertainment events. Ticket purchasers are assessed a convenience charge for each ticket sold offsite by Ticketmaster on behalf of its clients. These charges are negotiated and included in Ticketmaster's contracts with its clients. The versatility of the Ticketmaster System allows it to be customized to satisfy a full range of client requirements.

From fiscal 1991 through 1997, the number of tickets sold and revenues for the Managed Businesses have grown from 29.1 million tickets and $96.1 million of revenues to 60.0 million tickets and $298.5 million of revenues.

ADDITIONAL SUBSIDIARY BUSINESSES

In addition to diversified media and electronic commerce businesses, the Company's subsidiaries are involved in other businesses.

Internet Shopping Network LLC ("ISN"), at www.ISN.com, has grown to become a leading retailer of computer hardware and software on the Internet and offers over 40,000 products from major manufacturers. ISN is also engaged in exploring other new digital retailing vehicles. In June 1997, ISN launched First Auction, at www.firstauction.com, a new commerce site featuring computer, consumer electronics and Home Shopping merchandise in an online auction format.

National Call Center LP ("NCC") performs direct response telemarketing services using toll free 800 numbers and provides services on a contractual basis to third parties using inbound and outbound telemarketing. NCC can perform any number of related functions, including fulfillment and credit card clearing services.

Vela Research LP ("Vela") develops and markets high technology audio and video MPEG compression/decompression products to the cable, broadcast, computer and telecommunications industries.

INTERNATIONAL VENTURES

International TV Channel Joint Venture. In connection with the Universal Transaction, the Company entered into a joint venture agreement relating to the development of international general entertainment television channels, including the international versions of USA Network, Sci-Fi Channel and Universal's

action/adventure channel 13th Street. As part of the agreement, the Latin American operations of USA and Sci-Fi Channel, Sci-Fi Europe and the international operations of 13th Street have been contributed to the venture. Unless the Company elects to have Universal buy out the Company's interest in the venture, the Company and Universal will be 50-50 partners in the venture, which is managed by Universal. Under the joint venture agreement, the venture generally has the exclusive right to develop the international version of domestic general entertainment channels that are owned or controlled by the Company or Universal, excluding, for example, channels that feature HSN Services and local USA Station Group channels. USANi LLC and Universal have each committed to contribute $100 million in capital to the venture over a number of years. Additional capital contributions are subject to the Company's election to maintain its 50% interest or to be diluted based on additional contributions from Universal. Pursuant to the joint venture agreement, each party is obligated to present certain international opportunities relating to general entertainment channel development to the venture, so that the partners may elect whether to pursue such opportunity in the venture. Under certain circumstances, a "passed" international opportunity that is subject to these "first offer" provisions may be pursued by the venture partner outside the venture.

Home Shopping Ventures.

Germany. Home Shopping acquired a 29% interest in Home Order Television GmbH & Co. KG ("HOT"), a venture based in Munich. HOT broadcasts television shopping 24 hours per day, 12 of which are devoted to live shopping Monday through Friday and 16 hours of which are devoted to live shopping on Saturday and Sunday. HOT is carried via cable and satellite to approximately 12.7 million full-time equivalent households in Germany and Austria as of December 31, 1997.

Japan. Home Shopping acquired a 30% interest in Jupiter Shop Channel Co;. Ltd. ("Shop Channel") a venture based in Tokyo. Shop Channel broadcasts televised shopping 24 hours a day, 18 hours per week of which are devoted to live shopping. Shop Channel has reached agreements to be available in approximately 1.5 million full-time equivalent households as of December 31, 1997. Tele-Communications International, Inc., a subsidiary of TCI ("TCI International") owns a 50% interest in Jupiter Programming Co. Ltd. ("JPC") which is the 70% shareholder in the venture.

Univision. Home Shopping has entered into an agreement with Univision Communication, Inc. to form a Spanish and Portuguese language live television shopping venture focused on North and South American and European markets. Home Shopping owns a 50.1% interest in the venture. The venture intends to commence broadcasting three hours per day to East Coast and West Coast markets in the United States on March 30, 1998.

REGULATION

CURRENT FCC REGULATION -- GENERAL

A substantial portion of the Company's businesses is subject to various statutes, rules, regulations and orders relating to communications and generally administered by the FCC. The communications industry, including the operation of broadcast television stations, cable television systems, satellite distribution systems and other multichannel distribution systems and, in some respects, vertically integrated cable programmers, is subject to substantial federal regulation, particularly pursuant to the Communications Act of 1934, as amended (the "1934 Act"), the Telecommunications Act of 1996 (the "Telecommunications Act") and the rules and regulations promulgated thereunder by the FCC. Cable television systems are also subject to regulation at the state and local level. The 1934 Act prohibits the operation of television broadcasting stations except under a license issued by the FCC and empowers the FCC, among other matters, to issue, renew, revoke and modify broadcast licenses, to determine the location of stations, to establish areas to be served and to regulate certain aspects of broadcast and cable programming. The 1934 Act prohibits the assignment of a broadcast license or the transfer of control of a licensee without prior FCC approval. If the FCC determines that violations of the 1934 Act or any FCC rule have occurred, it may impose sanctions ranging from admonishment of a licensee to license revocation.

BROADCAST TELEVISION LICENSE GRANT AND RENEWAL

The 1934 Act provides that a broadcast license, including the licenses controlled by USA Broadcasting, may be granted to any applicant if the public interest, convenience and necessity would be served thereby, subject to certain limitations. Television stations operate pursuant to broadcasting licenses that are usually granted by the FCC for terms of eight years. Television station licenses are subject to renewal upon application to the FCC, which is required under the Telecommunications Act to grant the renewal application if it finds that (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the 1934 Act or the rules and regulations of the FCC; and (iii) there have been no other violations by the licensee of the 1934 Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

ALIEN OWNERSHIP OF BROADCAST TELEVISION STATIONS

The 1934 Act prohibits the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation of which more than 20% of the capital stock is beneficially or nominally owned or voted by non-U.S. citizens or their representatives or by a foreign government or a representative thereof, or by any corporation organized under the laws of a foreign country (collectively, "Aliens"). The 1934 Act also authorizes the FCC, if the FCC determines that it would be in the public interest, to prohibit the issuance of a broadcast license to, or the holding of a broadcast license by, any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is beneficially or nominally owned or voted by Aliens. The FCC has issued interpretations of existing law under which these restrictions in modified form apply to other forms of business organizations, including partnerships. Under the relevant provision of the 1934 Act. Universal is regarded to be an Alien, since it is owned 84% by Seagram, a Canadian corporation, and 16% by Matsushita Electric Industrial Co. Ltd., a Japanese corporation. At the Annual Meeting of Stockholders held in February 1998, the Company's stockholders approved amendments to the Company's certificate of incorporation to ensure that the Company will continue to be in compliance with the Alien ownership limitation of the 1934 Act. Universal's equity interest in the Company to the extent held through the ownership of LLC Shares relating to USANi LLC, which does not hold any broadcast licenses, is not regarded as an equity interest in USAi for purposes of the statutory provision regarding Alien ownership.

MULTIPLE AND CROSS OWNERSHIP

Current FCC regulations impose significant restrictions on certain positional and ownership interests in broadcast television stations, cable systems and other media. As a general matter, officers, directors and stockholders who own 5% or more of the outstanding voting stock of a media company (except for certain institutional shareholders, who may own up to 10%) are deemed to have "attributable" interests in the company. Nonvoting stockholders, minority voting stockholders in companies controlled by a single majority stockholder, and holders of options, warrants and debt instruments are generally exempt from attribution under the current rules.

Under the FCC's rules, an individual or entity may hold attributable interests in an unlimited number of television stations nationwide, subject to the restriction that no individual or entity may have an attributable interest in television stations reaching more than 35% of the national television viewing audience (subject to a 50% discount in the number of television households attributed to any UHF station). Locally, unless applicable waiver standards are met, an individual or entity may not hold attributable interests in (i) two television stations (the "Duopoly Rule"), (ii) radio and television stations, (iii) broadcast television stations and cable television systems, and (iv) newspapers and radio or television stations. In addition, the FCC's "cross-interest" policy generally prohibits the common ownership of an attributable interest in one media company and certain non-attributable, but "meaningful" interests, including substantial non-attributable equity interests, in another media company serving "substantially the same area."

The FCC is conducting a rulemaking proceeding to consider, among other things, (i) the relaxation, under certain circumstances, of the Duopoly Rule, and (ii) the codification of the cross-interest policy to the extent it was applied to limit Liberty's beneficial equity interest in the Company. Specifically in this regard,

the FCC has proposed to prohibit the common ownership of an attributable interest in a media company and a greater than 33% non-attributable equity interest in another media company in the same market, but has requested comment on whether a higher or a lower non-attributable equity benchmark would be more appropriate. It is not possible to predict the extent to which the Duopoly Rule may be modified or the timing or effect of changes in the cross-interest policy pursuant to the rulemaking proceeding. The outcome of that proceeding could have a material effect on the Company.

Liberty's ownership interests in the Company, including its non-voting ownership interest in the BDTV entities, have been structured to comply with these regulations, which apply to Liberty because of its other interests in cable and broadcast assets. In a June 14, 1996 "Memorandum Opinion and Order," the FCC concluded that Liberty's beneficial interest in the Company through its ownership of convertible non-voting common stock of the BDTV entities, as augmented by an imputed 50% "control" premium, is subject to the cross-interest policy. The FCC subjected Liberty's ownership interest in the Company to certain conditions, including that (i) the prior approval of the FCC be obtained for any increase in Liberty's interest, and (ii) the FCC be notified prior to consummation of any transaction whereby the aggregate percentage of television households served by cable systems owned or controlled by TCI in any of USA Broadcasting's television markets would exceed 50 percent.

On March 12, 1998, acting pursuant to the requirements of the Telecommunications Act, the FCC commenced a formal inquiry to review all of its broadcast ownership rules which are not otherwise under review, including the national audience limitation, the associated 50% discount for UHF stations and the cable/television cross-ownership rule. It is not possible at this time to predict what action the FCC may take and how it may affect the Company.

DIGITAL TELEVISION

The FCC has taken a number of steps to implement digital television ("DTV") service (including high-definition television) in the United States. On February 17, 1998, the FCC adopted a final table of digital channel allotments and rules for the implementation of DTV. The table of digital allotments provides each existing television station licensee or permittee with a second broadcast channel to be used during the transition to DTV, conditioned upon the surrender of one of the channels at the end of the DTV transition period. The implementing rules permit broadcasters to use their assigned digital spectrum flexibly to provide either standard- or high-definition video signals and additional services, including, for example, data transfer, subscription video, interactive materials, and audio signals, subject to the requirement that they continue to provide at least one free, over-the-air television service. The FCC has set a target date of 2006 for expiration of the transition period, subject to biennial reviews to evaluate the progress of DTV, including the rate of consumer acceptance. Conversion to DTV may reduce the geographic reach of the Company's stations or result in increased interference, with, in either case, a corresponding loss of population coverage. DTV implementation will impose additional costs on the Company, primarily due to the capital costs associated with construction of DTV facilities and increased operating costs both during and after the transition period. In addition, the Telecommunications Act requires the FCC to assess and collect a fee for any use of a broadcaster's DTV channel for which it receives subscription fees or other compensation other than advertising revenue. The FCC has pending a rulemaking proceeding to implement this requirement.

The Company continually reviews developments relating to the FCC's DTV proceedings, and the DTV industry generally. Material developments in this regard could have a material impact on the Company's businesses. For example, in the future, certain of the Company's 26 LPTV stations (as well as other LPTV affiliates of Home Shopping) are likely to be displaced and will have to cease business operations due to interference to or from new DTV allocations.

CHILDREN'S TELEVISION PROGRAMMING

Pursuant to legislation enacted in 1991, the amount of commercial matter that may be broadcast during programming designed for children 12 years of age and younger has been limited to 12 minutes per hour on weekdays and 10.5 minutes per hour on weekends. In addition, the FCC has adopted a guideline for processing

television station renewals under which stations are found to have complied with the Children's Television Act if they broadcast three hours per week of "core" children's educational programming, which, among other things, must have as a significant purpose serving the educational and informational needs of children 16 years of age and under. A television station found not to have complied with the "core" programming processing guideline could face sanctions, including monetary fines and the possible non-renewal of its broadcasting license, if it has not demonstrated compliance with the Children's Television Act in other ways.

TELEVISION VIOLENCE

The Telecommunications Act of 1996 (the "Telecommunications Act") directed the broadcast and cable television industries to develop and transmit an encrypted rating in all video programming that, when used in conjunction with so-called "V-Chip" technology, would permit the blocking of programs with a common rating. On March 12, 1998, the FCC voted to accept an industry proposal providing for a voluntary ratings system of "TV Parental Guidelines" under which all video programming will be designated in one of six categories in order to permit the electronic blocking of selected video programming. The FCC has begun a separate proceeding to address technical issues related to the "V-Chip." The FCC has directed that all television receiver models with picture screens 13 inches or greater be equipped with "V-Chip" technology under a phased implementation beginning on July 1, 1999. The Company cannot predict how changes in the implementation of the ratings system and "V-Chip" technology will affect the Company's business.

CLOSED CAPTIONING

The FCC's closed captioning rules, which became effective January 1, 1998, provide for the phased implementation of a universal on-screen captioning requirement with respect to the vast majority of video programming. The rules divide programming into two groups: pre-rule programming (which is defined to be programming that was first published or exhibited on or before January 1, 1998 by any distribution method) and new programming (programming that was first published or exhibited after that date). Pre-rule programming is subject to no specific requirements until the first calendar quarter of 2008. In that quarter, 75% of all pre-rule programming actually aired is required to be captioned. Beginning in the first calendar quarter of 2000, new programming that is not otherwise exempt from captioning requirements is subject to a series of quarterly benchmarks, until by January 1, 2006, 95% of all new, non-exempt programming is to be captioned. These captioning requirements apply to programming carried on broadcast television stations and cable programming networks. Although the FCC has provided for exceptions to or exemptions from the rules under certain circumstances, none applies to any of the current broadcast or cable programming services of USA Broadcasting, USA Networks or Home Shopping Network. The FCC will entertain requests for waivers of the rules upon a showing that compliance would impose an "undue burden".

MUST-CARRY/RETRANSMISSION CONSENT

Pursuant to the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Act"), television broadcasters are required to make triennial elections to exercise either certain "must-carry" or "retransmission consent" rights in connection with their carriage by cable systems in each broadcaster's local market. By electing must-carry rights, a broadcaster demands carriage on a specified channel on cable systems within its Area of Dominant Influence ("ADI"), in general as defined by the Arbitron 1991-92 Television Market Guide. Alternatively, if a broadcaster chooses to exercise retransmission consent rights, it can prohibit cable systems from carrying its signal or grant the appropriate cable system the authority to retransmit the broadcast signal for a fee or other consideration. Home Shopping Network, USA Broadcasting and USA Networks are affected by the must-carry rules, which were upheld in a 1997 U.S. Supreme Court ruling. A material change in the must-carry rules, or their repeal, could have a material impact on the Company's businesses.

CABLE TELEVISION RATE REGULATION

The Telecommunications Act phases out cable rate regulation, except with respect to the "basic" tier (which must include all local broadcast stations and public, educational, and governmental access channels

and must be provided to all subscribers). Both of the HSN services, the USA Network and the Sci-Fi Channel are "basic" services. Rate regulation of all non-basic services (including the "expanded basic" tiers that commonly include satellite-delivered programming networks) will be completely eliminated on March 31, 1999. In the interim, the Telecommunications Act liberalizes the 1992 Act's definition of "effective competition" to expand the circumstances under which systems are exempted from rate regulation. The local franchising authorities ("LFAs") remain primarily responsible for regulating the basic tier of cable service. Furthermore, the Telecommunications Act eliminates the right of an individual subscriber to bring a rate complaint, providing that any rate complaint must be filed by an LFA, and then only after the LFA has received multiple subscriber complaints regarding the rate adjustment in question. Thus, beyond the basic tier of cable service, which continues to be regulated by the LFAs, rate regulation of other cable services between now and 1999 will be triggered only by a valid rate complaint by an LFA, and only in an area where no effective competition exists. Because the Company's revenues are, to some degree, affected by changes in cable subscriber rates, increased regulation of cable subscriber rates, or a reduction in the rates that cable service providers may charge customers could have a significant impact on the Company's revenues.

REGULATION OF CABLE SYSTEM OPERATORS AFFILIATED WITH VIDEO PROGRAMMING VENDORS

The 1992 Act prohibits a cable operator from engaging in unfair methods of competition that prevent or significantly hinder competing multichannel video programming distributors ("MVPD") from providing satellite-delivered programming to their subscribers. The FCC has adopted regulations to prevent a cable operator that has an attributable interest (including voting or non-voting stock ownership of at least 5%) in a programming vendor from exercising improper influence over the programming vendor in the latter's dealings with competitors to cable, and to prevent a programmer in which a cable operator has an attributable interest from discriminating between cable operators and other MVPDs, including other cable operators.

The FCC's rules may have the effect, in some cases, of requiring vertically integrated programmers to offer their programming to MVPD competitors of cable television, and of prohibiting certain exclusive contracts between such programmers and cable system operators. The rules also permit MVPDs to bring complaints before the FCC if they are unable to obtain cable programming on non-discriminatory terms because of "unfair practices" by the programmer.

Pursuant to the 1992 Act, the FCC set a 40% limit on the number of programming channels on a cable system that may be occupied by video programmers in which the cable operator has an attributable interest. The Company could be affected by the 1992 Act as a consequence of Liberty's ownership interests, directly and through its affiliates, in both cable systems and cable programming services.

STATE AND LOCAL REGULATION

Cable television systems are generally constructed and operated under non-exclusive franchises granted by a municipality or other state or local governmental entity. Franchises are granted for fixed terms and are subject to periodic renewal. The Cable Communications Policy Act of 1984 places certain limitations on an LFA's ability to control the operations of a cable operator, and the courts from time to time have reviewed the constitutionality of several franchise requirements, often with inconsistent results. The 1992 Act prohibits exclusive franchises, and allows LFAs to exercise greater control over the operation of franchised cable television systems, especially in the areas of customer service and rate regulation. The 1992 Act also allows LFAs to operate their own multichannel video distribution systems without having to obtain franchises. Moreover, LFAs are immunized from monetary damage awards arising from their regulation of cable television systems or their decisions on franchise grants, renewals, transfers, and amendments.

The terms and conditions of franchises vary materially from jurisdiction to jurisdiction. Cable franchises generally contain provisions governing time limitations on the commencement and completion of construction, and governing conditions of service, including the number of channels, the types of programming (but not the actual cable programming channels to be carried), and the provision of free service to schools and certain other public institutions. The specific terms and conditions of a franchise and the laws and regulations under which it is granted directly affect the profitability of the cable television system, and thus the cable television

system's financial ability to carry programming. Local governmental authorities also may certify to regulate basic cable rates. Local rate regulation for a particular system could result in resistance on the part of the cable operator to the amount of subscriber fees charged by the Company for its programming.

Various proposals have been introduced at the state and local level with regard to the regulation of cable television systems, and a number of states have enacted legislation subjecting cable television systems to the jurisdiction of centralized state governmental agencies. It is not possible to predict the impact such regulation could have on the businesses of the Company.

PROPOSED CHANGES

The Congress and the FCC have under consideration, and in the future may consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of the Company's broadcast stations and broadcast and cable programming networks. In addition to the changes and proposed changes noted above, such matters include, for example, the extension of rate regulation for upper tiers of service past the March 1999 sunset, spectrum use fees, political advertising rates, potential restrictions on the advertising of certain products (beer, wine and hard liquor, for example), and the rules and policies to be applied in enforcing the FCC's equal employment opportunity regulations. Other matters that could affect the Company's regulated media businesses include technological innovations and developments generally affecting competition in the mass communications industry, such as direct radio and television broadcast satellite service, the continued establishment of wireless cable systems, digital television and radio technologies, and the advent of telephone company participation in the provision of video programming service.

OTHER REGULATORY CONSIDERATIONS

The foregoing summary does not purport to be a complete discussion of all provisions of the Communications Act or other congressional acts or of the regulations and policies of the FCC. For further information, reference should be made to the Communications Act, other congressional acts, and regulations and public notices promulgated from time to time by the FCC. There are additional regulations and policies of the FCC and other federal agencies that govern political broadcasts, public affairs programming, equal opportunity employment and other matters affecting the Company's business and operations.

TRADEMARKS, TRADENAMES AND COPYRIGHTS

The Company has registered and continues to register, when appropriate, its trade and service marks as they are developed and used, and the Company vigorously protects its trade and service marks. The Company believes that its marks are a primary marketing tool for promoting its identity. The Company also obtains copyrights with respect to its original programming as appropriate.

COMPETITION

HOME SHOPPING NETWORK

Electronic Retailing. The Company's Home Shopping business operates in a highly competitive environment. It is in direct competition with retail merchandisers, other electronic retailers, direct marketing retailers such as mail order companies, companies that sell from catalogs, other discount retailers and companies that market through computer technology.

Home Shopping and QVC, Inc. ("QVC") are currently the two leading electronic retailing companies. TCI, which indirectly holds a substantial equity interest in the Company, currently owns 43% of QVC but has entered into a stockholders agreement with Comcast Corporation (which owns 57% of QVC) pursuant to which Comcast Corporation controls the day to day operations of QVC. There are other companies, some having an affiliation or common ownership with cable operators, that now market merchandise by means of live television. A number of other entities are engaged in direct retail sales businesses which utilize television

in some form and which target the same markets in which the Company operates. Home Shopping's competitors are larger and more diversified than the Company, or are also affiliated with cable operators which have a substantial number of subscribers. The Company cannot predict the degree of success with which it will meet competition in the future.

Viewership. Home Shopping also competes for access to its customers and for audience share and revenue with broadcasters and conventional forms of entertainment and information, such as programming for network and independent broadcast television stations, basic and pay cable television services, satellite master antenna systems, home satellite dishes and home entertainment centers, newspapers, radio, magazines, outdoor advertising, transit advertising and direct mail. In particular, the price and availability of programming for cable television systems affect the availability of these channels for the Company's HSN Services and the compensation which must be paid to cable operators for carriage of the HSN Services.

Channel Capacity. In addition, Home Shopping believes that due to a number of factors, including the development of cable operator owned programming, the competition for channel capacity has substantially increased. With the advent of new compression technologies on the horizon, this competition for channel capacity may substantially decrease, although additional competitors may have the opportunity to enter the marketplace. No prediction can be made with respect to the viability of these technologies or the extent to which they will ultimately impact the availability of channel capacity. A substantial portion of the Company's businesses are affected by changes in channel capacity and competition among programming providers for available channel capacity.

USA NETWORKS

Viewership and Advertising Revenue. Networks also competes for access to its customers and for audience share and revenue with broadcasters and other forms of entertainment. See "Competition -- Home Shopping -- Viewership." Cable operators and other distributors only contract to carry a limited number of the available networks. Therefore, they may decide not to offer a particular network to their subscribers, or they may package a network with other networks in such a manner (for example, by charging an additional fee) that only a portion of their subscribers will receive the service. In addition, there has been increased consolidation among cable operators, so that USA Network and Sci-Fi Channel have become increasingly subject to the carriage decisions made by a small number of operators. This consolidation may reduce the per-subscriber fees received from cable operators in the future. The consolidation also means that the loss of any one or more of the major distributors could have a material adverse impact on the networks. The competition for advertising revenues also has become more intense as the number of television networks has increased. While many factors affect advertising rates, ultimately they are dependent on the numbers and types of viewers which a program attracts. As more networks compete for viewers, it becomes increasingly difficult to increase or even maintain a network's number of viewers. Moreover, to do so may require a network to expend significantly greater amounts of money on programming. Therefore, increased pressure may be placed on the networks' ability to generate advertising revenue increases consistent with the increases they have achieved in the past. Both Networks and USA Broadcasting are affected by competition for advertising revenues.

Third-Party Programming. The competition for third-party programming is likely to increase as more networks seek to acquire such programming. In addition, many networks, including USA Network and Sci-Fi Channel, are affiliated with companies which produce programming. As a result, non-affiliated networks may have a diminished capacity to acquire product from production companies affiliated with other networks. See "Competition -- USA Broadcasting -- Third-Party Programming" below.

USA BROADCASTING

Viewership and Advertising Revenue. The USA Stations, to the extent they do not air HSN Services, and the SF Stations also compete for a share of advertising dollars. A station's share is based in part upon the size of its viewing audience, in part upon the demographics of those viewers and in part upon the ability to deliver to an advertising "added" value audience share primarily on the basis of program popularity, which has a direct effect on advertising rates. A large amount of the SF Stations' prime time programming is supplied by

Fox and their results are totally dependent upon the performance of the Fox-supplied programs in attracting viewers. Other factors that are material to a television station's competitive position include signal coverage, local program acceptance, audience characteristics and assigned broadcast frequency. These factors will directly impact the USA Stations that develop local programming other than the HSN Services.

Third-Party Programming. SF Broadcasting also competes for programming, which involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Those stations compete for exclusive access to those programs against in-market broadcast station competitors for syndicated products. See "Competition -- Networks -- Third-Party Programming."

Local Markets. In addition to the above factors, the Company's ownership of and affiliation with broadcast television stations creates another set of competitive conditions. These stations compete for television viewers primarily within local markets. The Company's broadcast television stations are located in highly competitive markets and compete against both VHF and UHF stations. Due to technical factors, a UHF television station generally requires greater power and a higher antenna to secure substantially the same geographical coverage as a VHF television station. The Company also competes with new entertainment and shopping networks for carriage on broadcast television stations. The Company cannot quantify the competitive effect of the foregoing or any other sources of video programming on any of the Company's affiliated television stations, nor can it predict whether such competition will have a material adverse effect on its operations.

USA NETWORKS STUDIOS

Programming. Studios operates in a highly competitive environment. The production and distribution of television programming are highly competitive businesses. While television programs and films produced by Studios compete with all other forms of network and syndication programming, Studios essentially competes with all other forms of entertainment and leisure activities. Competition is also faced from other major television studios and independent producers for creative talent, writers and producers, essential ingredients in the filmed entertainment business. The profitability of Studios is dependent upon factors such as public taste that is volatile, shifts in demand, economic conditions and technological developments.

In 1995, the FCC repealed its financial interest and syndication rules ("fin-syn rules"). The fin-syn rules, which were adopted in 1970 to limit television network control over television programming and thereby foster the development of diverse programming sources, had restricted the ability of the three established, major U.S. televisions networks (i.e., ABC, CBS and NBC) to own and syndicate television programming. The repeal of the fin-syn rules has increased in-house production of television programming for the networks' own use. As a result of the repeal of the fin-syn rules, the industry has become vertically integrated, with four of the six major broadcast networks being aligned with a major studio. In addition, two major broadcast networks have formed their own in-house production units. Mergers and acquisitions of broadcast networks by studios (e.g., Disney-ABC) have altered the landscape of the industry. It is possible that this change will have a negative impact on Studios' business as its network customers are now able to choose between their own product and Studios' product in making programming decisions.

TICKETMASTER

Ticketmaster competes with facilities, promoters and other potential clients for the right to distribute their tickets at retail outlets, by telephone and on the Internet.

For those facilities and promoters which decide to utilize the services of an automated ticketing company, Ticketmaster competes with many international, national and regional ticketing systems, such as Telecharge Systems, which is a division of The Schubert Organization, Inc. and licenses the Ticketron software, Dillards Ticketing Systems, which is a division of Dillard's Department Stores, Inc. and which uses its own department stores as ticket outlets, and Destinet (formerly Mistix Corporation). Several of Ticketmaster's competitors have operations in multiple locations throughout the U.S., while others compete principally in one specific geographic location.

Other companies compete with Ticketmaster by selling stand-alone automated ticketing systems to enable the facilities to do their own ticketing, including companies that sell systems under the names Prologue, Artsoft and Lasergate in the U.S., Bocs in the U.K. and Softix in Australia, New Zealand and Pacific Rim countries. Ticketmaster has experienced substantial competition for new accounts. Accordingly, there can be no assurance that prospective clients will enter into contracts with Ticketmaster rather than Ticketmaster's competitors.

As an alternative to purchasing tickets through Ticketmaster, ticket purchasers generally may purchase tickets from the facility's box office at which an event will be held or by season, subscription or group sales directly from the venue or promoter of the event. Although processed through the Ticketmaster System, Ticketmaster derives no convenience charge revenue from the ticket purchasers with respect to those ticket purchases.

EMPLOYEES

As of the close of business on December 31, 1997, the Company employed approximately 4,750 employees with approximately 4,150 employees employed by Home Shopping, and approximately 600 employees employed by USA Broadcasting (129 by the USA Station Group and 471 by SF Broadcasting). As a result of the Universal Transaction, the Company employed approximately 880 additional employees, with approximately 515 employees employed by Networks and approximately 366 employees employed by Studios. The Company believes that it generally has good employee relationships, including in the case of employees represented by unions and guilds. As of January 31, 1997, Ticketmaster employed approximately 1,700 full-time employees, 130 part-time administrative employees and 3,500 part-time telephone operators.

ITEM 2. PROPERTIES

The Company's facilities for its management and operations are generally adequate for the Company's current and anticipated future needs. In connection with the Universal Transaction, the Company expects that it will be able to consolidate some of the facilities used by its different businesses, particularly in the Los Angeles area. The Company's facilities generally consist of executive and administrative offices, fulfillment facilities, warehouses, operations centers, television production and distribution facilities, satellite transponder sites and sales offices.

All of the Company's leases are at prevailing market (or "most favorable") rates and, except as noted, with unaffiliated parties, and the Company believes that the duration of each lease is adequate. The Company believes that its principal properties, whether owned or leased, are adequate for the purposes for which they are used and are suitably maintained for such purposes. Most of the office/studio space is substantially utilized, and where significant excess space exists, the Company leases or subleases such space to the extent possible. The Company anticipates no future problems in renewing or obtaining suitable leases for its principal properties.

CORPORATE

The Company maintains its principal executive offices at Carnegie Hall Tower, 152 West 57th Street, New York, New York which consist of approximately 29,850 square feet leased by the Company through October 30, 2005 and at The Water Garden, 2425 Olympic Boulevard, Santa Monica, California which consist of approximately 25,000 square feet under a lease which expires in 1998.

HOME SHOPPING

Home Shopping owns an approximately 480,000 square foot facility in St. Petersburg, Florida, which houses its Home Shopping television studios, broadcast facilities, administrative offices and training facilities.

Home Shopping owns two warehouse-type facilities totaling approximately 84,000 square feet near Home Shopping's main campus in St. Petersburg, Florida. These facilities have been used for returns processing, retail distribution and general storage.

Home Shopping leases a 21,000 square foot facility in Clearwater, Florida for its video and post production operations.

Home Shopping owns and operates a warehouse consisting of 163,000 square feet located in Waterloo, Iowa which is used as a fulfillment center.

Home Shopping operates a warehouse located in Salem, Virginia, consisting of approximately 650,000 square feet which is leased from the City of Salem Industrial Development Authority. On November 1, 1999, Home Shopping will have the option to purchase the property for $1.

Home Shopping's retail outlet subsidiary leases four retail stores in the Tampa Bay and Orlando areas totaling approximately 107,920 square feet.

Home Shopping and its other subsidiaries also lease office space in California, Colorado and New Jersey.

NETWORKS

The executive offices of Networks are located at 1230 Avenue of the Americas, New York, New York 10020. Networks leases approximately 168,000 square feet at this office space pursuant to a lease that continues until March 31, 2005, subject to two five-year options to continue the term. Networks also has smaller offices in Chicago (sales), Detroit (sales), and Los Angeles (sales and programming).

Networks also leases approximately 55,000 square feet in a facility in Jersey City, New Jersey, where Networks has its broadcast operations center. This space is used to originate and transmit the USA Network and Sci-Fi Channel signals. Post-production for both networks, including editing, graphics and duplication, also is performed at this location. The lease for this space continues through April 30, 2009, and there are options to continue the term beyond that time.

STUDIOS

Studios conducts its domestic television production and distribution operations primarily from its executive and administrative offices in Universal City, California. These offices, totaling approximately 84,000 square feet, are leased from Universal. Additionally, Studios has four domestic administrative and sales offices which lease a total of approximately 21,000 square feet. Production facilities are leased primarily from Universal on its Universal City lot on an as-needed basis depending upon production schedules. Studios leases three production facilities in New York, New York totaling approximately 120,000 square feet and an additional production facility in North Hollywood, California totaling approximately 34,300 square feet.

USA BROADCASTING

The Company owns or leases office, studio and transmitter space for the USA Station Group stations and SF Stations as follows:

LOCATION	FUNCTION	OWNED/LEASED
Mobile, AL	Offices/Studio	Leased
Baldwin County, AL	Transmitter	Owned
Mt. Wilson, CA	Transmitter	Leased
Ontario, CA	Offices/Studio	Owned
Riverview, FL	Transmitter	Leased
Hollywood, FL	Transmitter	Leased
Miramar, FL	Offices/Studio	Leased
Pensacola, FL	Offices/Studio	Leased
Honolulu, HI	Offices/Studio/Transmitter	Leased
Aurora, IL	Offices/Studio	Leased
Chicago, IL	Offices/Studio/Transmitter	Leased
New Orleans, LA	Offices/Studio	Owned
Hudson, MA	Offices/Studio/Transmitter	Owned

LOCATION	FUNCTION	OWNED/LEASED
Newark, NJ	Offices/Studio	Owned
Newfield, NJ	Offices/Studio	Owned
Waterford Works, NJ	Transmitter	Leased
Central Islip, NY	Offices/Studio	Owned
Middle Island, NY	Transmitter	Owned
New York, NY	Offices/Transmitter	Leased
Parma, OH	Offices/Studio/Transmitter	Leased
Alvin, TX	Offices/Studio	Leased
Cedar Hill, TX	Transmitter	Leased
Irving, TX	Offices/Studio	Owned
Missouri City, TX	Transmitter	Leased
Green Bay, WI	Offices/Studio/Transmitter	Owned

The Company leases the following LPTV transmitter sites:

Atlanta, GA	Pensacola, FL
Birmingham, AL	Portsmouth, VA
Champaign, IL	Raleigh, NC
Columbus, OH	Roanoke, VA
Des Moines, IA	Shreveport, LA
Huntington, WV	Springfield, IL
Jacksonville, FL	Spokane, WA
Kansas City, MO	St. Louis, MO
Knoxville, TN	St. Petersburg, FL
Minneapolis, MN	Toledo, OH
Mobile, AL	Tulsa, OK
New Orleans, LA	Tucson, AZ
New York, NY	Wichita, KS

TICKETMASTER

Ticketmaster owns a 70,000 square foot building in West Hollywood, California, of which approximately 50,000 square feet is used for Ticketmaster's principal offices. In addition, Ticketmaster, its subsidiaries and affiliates lease office space in various other cities in the United States and other countries in which Ticketmaster is actively engaged in business.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and its subsidiaries are party to litigation involving property, personal injury, contract and other claims. The amounts that may be recovered in these matters may be subject to insurance coverage and, although there can be no assurance in this regard, are not expected to be material to the Company's financial position or operations.

Federal Trade Commission Matter. Home Shopping is involved from time to time in investigations and enforcement actions by consumer protection agencies and other regulatory authorities. Effective October 2, 1996, the Federal Trade Commission ("FTC") and Home Shopping and two of its subsidiaries entered into a consent order under which Home Shopping agreed that it will not make claims for specified categories of products, including any claim that any product can cure, treat or prevent illness, or affect the structure or function of the human body, unless it possesses competent and reliable scientific evidence to substantiate the claims. The settlement did not represent an admission of wrongdoing by Home Shopping, and did not require the payment of any monetary damages. The FTC is investigating Home Shopping's compliance with the consent order. The FTC has recently indicated to Home Shopping that it believes Home Shopping has not complied with the consent order and that it intends to seek monetary penalties and consumer redress for non-compliance. The Company does not believe that there

is a reasonable possibility that the outcome of such action would have a material adverse effect on the Company's financial condition or results of operations.

ASCAP Litigation. Networks, along with almost every other satellite-delivered network, is involved in continuing disputes regarding the amounts to be paid by it for the performance of copyrighted music from members of the American Society of Composers, Authors and Publishers ("ASCAP") and by Broadcast Music, Inc. ("BMI"). The payments to be made to ASCAP will be determined in a "rate court" proceeding under the jurisdiction of the U.S. District Court in the Southern District of New York. In the initial phase of this proceeding, it was determined that Networks must pay ASCAP a specified interim fee, calculated as a percentage of the gross revenues of each of USA Network and Sci-Fi Channel. This fee level is subject to upward or downward adjustment in future rate court proceedings, or as the result of future negotiations, for all payments subsequent to January 1, 1986 with respect to USA Network and for all payments subsequent to launch with respect to Sci-Fi Channel. All ASCAP claims prior to these times have been settled and are final. As to BMI, Networks has agreed with BMI with respect to certain interim fees to be paid by both USA Network and Sci-Fi Channel. Subsequent to July 1, 1992 and subsequent to launch of Sci-Fi Channel, respectively, these interim fees are subject to upward or downward adjustment, based on a future negotiated resolution or submission of the issue to BMI's own federal "rate court." The Company cannot predict the final outcome of these disputes, but does not believe that it will suffer any material liability as a result thereof.

Ticketmaster Shareholder Litigation. The Company and certain of its directors (who are also directors of Ticketmaster), along with other parties (including Ticketmaster), are defendants in three purported class action lawsuits brought on behalf of Ticketmaster shareholders in state court in Chicago and Los Angeles: In re Ticketmaster Group, Inc. Securities Class Action Litigation, 97 CH 13411 (Circuit Court, Cook County, Ill.); Tiger Options LLC v. Ticketmaster Group, Inc., et al., Case No. BC 180045 (Los Angeles Superior Court); and Bender v. Ticketmaster Group, Inc., et al., Case No. BC 181006. The complaints in each action generally allege that the defendants have breached fiduciary duties they allegedly owed to Ticketmaster shareholders in connection with the Company's October 1997 merger proposal to Ticketmaster, and seek, among other things, injunctive relief and damages in an unspecified amount. The plaintiffs in all three litigations agreed to postpone any response by defendants to those complaints. No discovery or other proceedings have taken place or been scheduled in any of the actions. The Company believes that the allegations against the Company and its directors do not have merit.

Jovon Litigation. USA Capital Corporation holds an option to acquire 45% of the stock of Jovon Broadcasting Corporation, licensee of WJYH-TV, Hammond, Indiana. In a 1996 order, the FCC ruled that the Company could proceed to exercise its option to acquire 45% of Jovon's stock, but limited the present exercise of that option to no more than 33% of Jovon's outstanding stock. Jovon has filed a Petition with the FCC, requesting reconsideration and a ruling that the option is no longer valid. Certain entities controlled by the Company filed litigation on May 30, 1997 in the Circuit Court of Pinellas County, Florida against Jovon seeking declaratory and injunctive relief to permit the Company to proceed with the exercise of its option, or, in the alternative, to obtain damages for breach of contract by Jovon.

Other. In the class action litigation brought by certain former shareholders of Home Shopping Network, Inc. and styled In re: Home Shopping Network, Inc. Shareholders Litigation, Consolidated Civil Action No. 15179, filed in the Court of Chancery of the State of Delaware, and raising claims against Home Shopping, the Company, TCI, Liberty and certain of the Company's and Home Shopping's directors, plaintiffs have taken no action for more than one year, and the Company does not expect to incur any liability with respect to that action.

MovieFone Litigation. Based on information available to the Company, as previously disclosed by Ticketmaster, on July 23, 1997, a three-member tribunal of the American Arbitration Association issued an award in favor of the claimant MovieFone, Inc., Promofone, Inc. and the Teleticketing Co. LP (the "MovieFone Entities") and against the respondent Pacer Cats Corporation, a wholly owned subsidiary of

Wembley plc and now known as "PCC Management, Inc." The award provides, among other things, (i) that the respondent shall pay to the claimant damages aggregating $22,751,250 plus interest and (ii) for injunctive relief relating to certain conduct of the respondent and its successors and assigns with respect to the MovieFone Entities' business for a specified period of time. The award of the American Arbitration Association issued in favor of MovieFone, Inc., Promofone, Inc. and the Teleticketing Co. LP was confirmed on November 20, 1997 by the Supreme Court of the State of New York, County of New York. The foregoing only summarizes certain provisions of the award, and reference is made to the full text thereof filed as Exhibit 99.3 to Ticketmaster's From 10-Q for the period ended July 31, 1997.

Although Ticketmaster and its owned entities were not parties to the arbitration proceeding, in August 1997 Wembley advised Ticketmaster that it expected to seek indemnification from Ticketmaster for its costs in the arbitration and some or all of the monetary award against Wembley. Ticketmaster has advised Wembley that it rejects such claims. In connection with the sale of the Pacer/CATS/CCS business to Ticketmaster, Wembley released and covenanted not to sue Ticketmaster in connection with claims relating to the arbitration proceeding; however, Wembley did retain certain indemnification rights with respect to Pacer/CATS/CCS and its operations from April 15, 1994. Ticketmaster has stated that it intends to vigorously oppose any such claims by Wembley.

No determination, adverse or otherwise, can presently be made as to the effect, if any, this matter may have on Ticketmaster.

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

On February 11, 1998, the annual meeting of the Company's stockholders was held. At the annual meeting, stockholders representing 12,227,647 shares of Class B Common Stock and 43,701,098 shares of Common Stock were entitled to vote without giving effect to the Company's two-for-one stock split effective for holders of record as of the close of business on March 12, 1998. Stockholders present or in person by proxy, representing 12,227,647 shares of Class B Common Stock and 41,045,195 shares of Common Stock, voted on the following matters:

The stockholders of both the Common Stock and the Class B Common Stock voting as a single class approved the Universal Transaction:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
159,025,488	359,235	44,540	3,892,402

The stockholders of both the Common Stock and the Class B Common Stock voting as a single class approved the terms of the governance agreement, dated as of October 19, 1997, among the Company, Universal, Liberty and Mr. Diller:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
159,023,859	363,008	42,396	3,892,402

The stockholders of the Common Stock and the Class B Common Stock voting as separate classes approved increases in the authorized capital stock of the Company:

COMMON STOCK

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
32,614,528	3,774,176	1,446,611	3,209,880

CLASS B COMMON STOCK

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
122,276,470	-0-	-0-	-0-

The stockholders of the Common Stock and the Class B Common Stock voting as a single class approved the cap on foreign ownership of the Company's equity and voting power.

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
157,853,756	484,392	1,091,115	3,892,402

The stockholders of both the Common Stock and the Class B Common Stock voting as a single class approved the change in the name of the Company:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
159,975,036	100,317	36,432	3,209,880

The stockholders of both the Common Stock and the Class B Common Stock voting as a single class approved the elimination of a precise number of board members:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
156,080,910	6,502,195	631,591	106,969

The stockholders of the Common Stock and the Class B Common Stock voting as a single class approved the provisions relating to the removal of the Company's Chief Executive Officer from office:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
149,684,178	9,692,887	52,198	3,892,402

The stockholders elected the following eight directors of the Company to hold office until the next annual meeting of stockholders or until their successors have been duly elected:

Elected by holders of Common Stock voting as a separate class:

	NUMBER OF VOTES CAST IN FAVOR	NUMBER OF VOTES WITHHELD
Bruce M. Ramer	40,933,412	112,783
William D. Savoy	40,807,537	237,658

Elected by holders of Common Stock and Class B Common Stock voting as a single class:

	NUMBER OF VOTES CAST IN FAVOR	NUMBER OF VOTES WITHHELD
Barry Diller	163,076,996	244,669
Paul G. Allen	163,083,606	238,059
James G. Held	163,084,130	237,535
Victor A. Kaufman	163,084,453	237,212

Gen. H. Norman Schwarzkopf.....	163,207,742	113,723
Richard E. Snyder.....	163,204,339	112,326

The stockholders of both the Common Stock and Class B Common Stock voting as a single class approved the adoption of the Company's 1997 Stock and Incentive Plan:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
150,466,311	8,901,497	61,455	3,892,402

The stockholders of both the Common Stock and the Class B Common Stock voting as a single class ratified the appointment of Ernst & Young LLP as the Company's Independent Auditors for the years ended December 31, 1997 and 1998:

NUMBER OF VOTES IN FAVOR	NUMBER OF VOTES AGAINST	ABSTENTIONS	BROKER NON-VOTES
163,255,784	15,217	40,664	10,000

PART II

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

The Company's Common Stock is quoted on the Nasdaq Stock Markets National Market ("NASDAQ") (Symbol: USAI after February 15, 1998, HSNI from December 22, 1996 to February 14, 1998, SKTV during the other periods reported below).

On February 20, 1998, the Company's Board of Directors declared a two-for-one stock split of the Company'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 March 12, 1998. The stock dividend was paid on March 26, 1998. The following tables reflect the March 1998 dividend.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 1997		
First Quarter	$14.50	$10.00
Second Quarter	17.00	11.13
Third Quarter	20.50	15.25
Fourth Quarter	25.78	18.32
YEAR ENDED DECEMBER 31, 1996		
First Quarter	$17.38	$13.75
Second Quarter	17.25	14.00
Third Quarter	15.25	10.63
Fourth Quarter	13.25	10.50

The bid prices reported for these periods reflect inter-dealer prices, without retail markup, markdown or commissions, and may not represent actual transactions.

There were approximately 37,000 stockholders of record as of March 13, 1998, and the closing price of USAi Common Stock that day was $26.375.

USAi Common Stock began trading on December 28, 1992, on the OTC Electronic Bulletin Board. On January 19, 1993, USAi Common Stock was listed on the NASDAQ Small-Cap Market. On August 26, 1993, USAi Common Stock was listed on the NASDAQ National Market System, which is now The Nasdaq Stock Market.

The Company has paid no cash dividends on its common stock to date and does not anticipate paying cash dividends in the immediate future. Additionally, the Company's current loan facilities preclude the payment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

CONSOLIDATED STATEMENTS OF OPERATIONS DATA	YEARS ENDED DECEMBER 31, 1997(1)	YEARS ENDED DECEMBER 31, 1996(2)	FOUR MONTHS ENDED DECEMBER 31, 1995	YEARS ENDED AUGUST 31, 1995	YEARS ENDED AUGUST 31, 1994	YEARS ENDED AUGUST 31, 1993
	(In thousands, except per share data)					
Net revenues	$1,261,749	$75,172	$15,980	$47,918	$46,563	$46,136
Earnings (loss) before cumulative effect of change in accounting principle(3)	13,061	(6,539)	(2,882)	115	(899)	(6,386)
Net earnings (loss)(4)	13,061	(6,539)	(2,882)	115	(3,878)	(6,386)
Basic earnings (loss) per common share(5):						
Earnings (loss) before cumulative effect of change in accounting principle	.12	(.30)	(.15)	.01	(.05)	(.36)
Net earnings (loss)	.12	(.30)	(.15)	.01	(.22)	(.36)
Diluted earnings (loss) per common share(5):						
Earnings (loss) before cumulative effect of change in accounting principle	.12	(.30)	(.15)	.01	(.05)	(.36)
Net earnings (loss)	.12	(.30)	(.15)	.01	(.22)	(.36)

CONSOLIDATED BALANCE SHEET DATA	DECEMBER 31, 1997(1)	DECEMBER 31, 1996(2)	DECEMBER 31, 1995	AUGUST 31, 1995	AUGUST 31, 1994	AUGUST 31, 1993
	(In thousands)					
Working capital (deficit)	$ 60,941	$ (24,444)	$ 7,553	$ 6,042	$ 1,553	$ 4,423
Total assets	2,670,796	2,116,232	136,670	142,917	145,488	153,718
Long-term obligations	448,346	271,430	95,980	97,937	114,525	128,210
Stockholders' equity	1,447,354	1,158,749	7,471	9,278	2,614	6,396

(1) The consolidated statement of operations and balance sheet data includes Ticketmaster Group, Inc. since the acquisition of USAi's interest on July 17, 1997.
(2) As a result of the Mergers, the results of operations for the year ended December 31, 1996 includes SKTV for the full year and 11 and 12 days of Home Shopping and Savoy, respectively. The balance sheet reflects purchase accounting adjustments for the consolidated entity. Commissions of $3.4 million were not paid for 1996 as a result of the Mergers.
(3) In fiscal 1994, the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). The cumulative effect of the accounting change resulted in a charge of approximately $3.0 million. Prior years' financial statements were not restated.
(4) In fiscal 1993, the USA Stations were charged interest expense on the note payable to HSN Capital Corporation ("HSNCC"), a wholly-owned subsidiary of Home Shopping, at a rate of 9.5% annum. In fiscal 1994, the Company paid interest to HSNCC until August 1, 1994 when the Company repaid the long-term obligation to HSNCC.
(5) Earnings (loss) per common share data reflects the impact of two-for-one Common Stock and Class B Common Stock dividends approved by the Company on February 20, 1998, for stockholders of record on March 12, 1998, payable on March 26, 1998.

ITEM 7. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

USA Networks, Inc. (the "Company" or "USAi") formerly known as HSN, Inc., is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses. At December 31, 1997, the Company owned a controlling interest in Ticketmaster. On March 20, 1998, the Company and Ticketmaster entered into a merger agreement regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for .563 of a share of Common Stock. (1.126 shares after giving effect to the Company's two-for-one stock split to the holders of record as of the close of business on March 12, 1998). The merger agreement was entered into based upon the recommendation of the Special Committee of the Ticketmaster Board that had been appointed to consider USAi's merger proposal in

October 1997. Consummation of the merger is subject to customary conditions, including the approval of the merger by Ticketmaster's shareholders. The Company expects that the merger will be completed in the third quarter of 1998. On February 12, 1998, the Company acquired USA Networks and USA Networks Studios from Universal (the "Universal Transaction") and changed the Company's name to USA Networks, Inc. Following the Universal Transaction, the Company's principal businesses are electronic retailing (through its Home Shopping business), the operation of cable networks (through its USA Networks businesses), the production and distribution of television programming (through its USA Networks Studios), the ownership and operation of television stations (through USA Broadcasting) and automated ticketing services (through Ticketmaster). During 1996, the Company merged with Savoy and Home Shopping (collectively, the "Mergers"). The acquisition of the controlling interest in Ticketmaster (the "Ticketmaster Transaction") and the Mergers were accounted for using the purchase method of accounting.

Prior to the Universal Transaction and as of December 31, 1997, the Company's principal areas of business were electronic retailing, ticketing operations and television broadcasting. The electronic retailing business operates two services, The Home Shopping Network ("HSN") and America's Store, through an indirect wholly-owned subsidiary, Home Shopping Club LP ("HSC"). The ticketing operations business sells over 70 million tickets a year through 2,900 retail center outlets, 25 telephone call centers and an Internet site and is the leading provider of automated ticketing services in the U.S. The television broadcasting business owns and operates twelve full-power UHF television stations (the "USA Stations") and four full-power VHF television stations ("SF Broadcasting"). Share numbers, earnings per share and conversion ratios reflect the Company's two-for-one stock split to holders of record at the close of business on March 12, 1998, unless otherwise noted.

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 two years, the Company has pursued several strategic initiatives which have resulted in the acquisition and development of several new businesses. As a result, the following changes should be considered when comparing the Company's results of operations and financial position. These include the acquisition of an interest in Ticketmaster in July 1997 and the acquisition of Home Shopping and Savoy in December 1996. The acquisitions caused a significant increase in net revenues, operating costs and expenses and operating profit. To enhance comparability, the discussion of consolidated results of operation 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 Ticketmaster Transaction and the Mergers occurred at the beginning of the respective periods, nor is it necessarily indicative of future results.

In February 1998, the Company completed its acquisition of USA Networks and USA Networks Studios from Universal. In connection with the acquisition, the Company's existing credit facility was also refinanced with a new $1.6 billion facility. In March 1998, the Company reached an agreement in principle with Ticketmaster for a tax-free merger transaction whereby the Company would acquire the remaining outstand-

ing common stock of Ticketmaster. See Financial Position, Liquidity and Capital Resources for additional information.

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

CONSOLIDATED RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1997 VS. YEAR ENDED DECEMBER 31, 1996

NET REVENUES

For the year ended December 31, 1997, total revenues of the Company increased $1.2 billion compared to 1996 primarily due to increases of $1.0 billion and $156.4 million related to Home Shopping and Ticketmaster, respectively.

OPERATING COSTS AND EXPENSES

For the year ended December 31, 1997, total operating costs and expenses increased $1.1 billion compared to 1996 primarily due to increases of $897.6 million and $144.1 million related to Home Shopping and Ticketmaster, respectively.

OTHER INCOME (EXPENSE), NET

For the year ended December 31, 1997, interest income increased $2.1 million due to higher combined cash balances of the merged entity.

For the year December 31, 1997, interest expense increased $19.7 million compared to 1996, due to the higher combined debt balance of the merged entity and non-cash interest expense related to long-term cable distribution and broadcast fees recorded as a result of the Mergers.

For the year ended December 31, 1997, the Company had net miscellaneous expense of $11.8 million primarily due to equity losses relating to the Company's investments in Home Order Television GmbH & Co. and Jupiter Shop Channel Co;. Ltd.

INCOME TAXES

The Company's effective tax rate of 73% for the year ended December 31, 1997, calculated on earnings before income taxes and minority interest, is higher than the statutory rate due primarily to the amortization of non-deductible goodwill and other acquired intangibles, the non-recognition of benefit for net operating losses of less than 80% owned subsidiaries and state income taxes. Similarly the Company's effective tax rate is expected to exceed the statutory rate for 1998.

MINORITY INTEREST

For the year ended December 31, 1997, minority interest represents the ownership interest of third parties in the net assets and results of operations of certain consolidated subsidiaries.

PRO FORMA NET REVENUES AND COST OF REVENUES FOR THE YEAR ENDED DECEMBER 31, 1997 VS. PRO FORMA NET REVENUES AND COST OF REVENUES FOR THE YEAR ENDED DECEMBER 31, 1996

The pro forma revenues and cost of revenues for the years ended December 31, 1997 and 1996, have been prepared to show results of the Company for those periods, as if the Ticketmaster Transaction and the Mergers had occurred at the beginning of 1997 and 1996. Revenues and cost of revenues specifically related to

Savoy's motion picture operations are excluded from the 1996 pro forma amounts as these activities ceased prior to the Mergers.

For the year ended December 31, 1997, pro forma net revenues for the Company increased $.1 billion, or 4.4%, to $1.5 billion from $1.4 billion compared to 1996. For the year ended December 31, 1997, pro forma costs of revenues increased $1.0 million, or .2%, to $661.4 million from $660.4 million compared to 1996.

The following discussion provides an analysis of the aforementioned increases in pro forma revenues and cost of revenues by significant component.

HOME SHOPPING NETWORK

Net sales for Home Shopping increased $22.4 million, or 2.2%, for the year ended December 31, 1997 compared to 1996. Net sales of HSC, the primary source of Home Shopping revenues, increased $71.9 million, or 8.0%, for the year ended December 31, 1997 compared to 1996. HSC's sales reflect an increase of 8.7% in the number of packages shipped and a decrease of 4.3% in the average price per unit sold for the year ended December 31, 1997, compared to 1996. The increase in HSC net sales was offset by planned decreases in net sales of wholly-owned subsidiaries, HSN Mail Order, Inc. ("Mail Order"), and the retail outlet stores of $33.8 million and $10.6 million, respectively, compared to 1996.

Management believes that the improved sales for 1997 compared to 1996, were primarily the result of ongoing changes made to Home Shopping's merchandising and programming strategies. Management is continuing to take steps to improve sales by evaluating the mix of products sold, introducing new products, optimizing the average price per unit, creating programming events, and taking measures to increase the frequency of customer purchases. There can be no assurance that the additional changes to Home Shopping's merchandising and programming strategies will achieve management's intended results.

For the year ended December 31, 1997, HSC's merchandise return percentage decreased to 22.2% from 23.5% compared to 1996. Management believes that the lower return rate is primarily attributable to the decrease in the average price per unit and the mix of products sold, which may vary in 1998.

At December 31, 1997 and 1996, HSC had approximately 4.5 million and 4.7 million active customers, respectively. An active customer is one who has completed a transaction within the last eighteen months or placed an order within the last seven months. In addition, 62% of active customers made more than one purchase in the last eighteen months, compared to 59.6% at December 31, 1996.

In addition, as of December 31, 1997, approximately 10.3 million cable television households could be reached by America's Store, of which 3.8 million are on a part-time basis. Of the total cable television households receiving America's Store, 8.9 million also receive HSN.

During 1998, cable system contracts covering 4.5 million cable subscribers are subject to termination or renewal. This represents 8.8% of the total number of unduplicated cable households receiving HSN. The Company is pursuing both renewals and additional cable television system contracts, but channel availability, competition, consolidation within the cable industry and cost of carriage are some of the factors affecting the negotiations for cable television system contracts. Although management cannot determine the percentage of expiring contracts that will be renewed or the number of households that will be added through new contracts, management believes that a majority of these contracts will be successfully renegotiated.

The Company, as part of its disengagement strategy, has selected its Miami, Florida station as the initial station which will cease broadcasting HSN and commence broadcasting its new local programming format in the Spring of 1998. Management is continuing to evaluate the effects that the disaffiliation will have on Home Shopping's ability to reach some of its existing customers in the Miami area including a reduction in revenues or additional expenses to secure carriage of HSN. The Company believes that the process of disaffiliation can be successfully managed to minimize adverse consequences. Upon disaffiliation, the Company plans on

carrying predominantly its own local programming. There can be no assurance that the Company will be successful in its strategy to develop and broadcast its new programming format.

As a percentage of net sales, Home Shopping's cost of sales decreased to 59.3% from 61.7% for the year ended December 31, 1997, compared to 1996. Cost of sales of HSC increased $24.2 million due to increases in net sales. This was offset by decreases of $19.9 million and $14.1 million in cost of sales of Mail Order and the retail outlet stores, respectively, compared to 1996, as a result of the planned reduction in revenues for these subsidiaries. As a percentage of HSC's net sales, cost of sales decreased to 60.1% from 62.3% compared to 1996. These decreases were primarily the result of changes in merchandising and programming strategies, as discussed above.

TICKETMASTER

For the year ended December 31, 1997, pro forma Ticketmaster revenue increased $24.4 million, or 7.5% compared to 1996 and can be attributed to increases in the number of tickets sold and the average per ticket operations revenue. Ticketmaster's primary source of revenue is ticketing operations which are primarily comprised of convenience charges which Ticketmaster generates by providing clients with access to Ticketmaster's extensive distribution capabilities, including Ticketmaster-owned call centers, an independent network of sales outlets remote to the client's box office, and non-traditional distribution channels such as the Internet. Other components of ticket operations revenue include handling fees attributed to the sale and distribution of tickets through channels other than remote sales outlets, credit card fee reimbursements and licensing fees. Through continued acquisitions and growth, management expects continued increases in ticketing operations revenues.

Other sources of Ticketmaster revenue are relatively consistent, on a pro forma basis, when comparing 1997 to 1996, and include revenues from concession control system sales; publications; and merchandising businesses. Concession inventory control systems and associated service contracts are marketed to movie theaters, stadiums, arenas and general admission facilities. Ticketmaster produces and distributes publications, primarily the Live! Magazine, and the Entertainment Guide included therein, and recognizes revenue from the sale of subscriptions. The merchandising business, Entertainment To Go, is designed to leverage Ticketmaster's inbound call center traffic, its database of consumers, and its relationships with the music and entertainment industries to effectively sell, at retail prices, music, tour and entertainment related merchandise products to consumers.

BROADCASTING

For the year ended December 31, 1997, pro forma broadcasting revenue of $54.1 million and cost of revenue of $6.5 million were consistent when compared to 1996. Broadcasting operations relates to the operations of SF Broadcasting.

OTHER

For the year ended December 31, 1997, $14.2 million of pro forma other revenue related primarily to the Savoy motion picture business which was discontinued in 1996. The costs associated with these revenues were $11.2 million for 1997. The Company does not expect significant additional revenues or costs from the motion picture business.

YEAR ENDED DECEMBER 31, 1996 VS. FISCAL YEAR ENDED AUGUST 31, 1995

NET REVENUES

BROADCASTING

For the year ended December 31, 1996, broadcasting revenue decreased $1.2 million, or 2.7% to $43.4 million from $44.6 million for the year ended August 31, 1995. This decrease is primarily the result of the elimination of $1.1 million of the USA Station Group's revenue for the 11 days ended December 31, 1996,

due to the merger with Home Shopping. Revenues from Home Shopping are eliminated in consolidation as are the same amount of Home Shopping engineering and programming expenses. The year ended December 31, 1996 also includes $1.5 million of revenue of SF Broadcasting for the 12 days ended December 31, 1996.

HOME SHOPPING

Home Shopping was acquired on December 20, 1996 and, accordingly, $30.6 million of revenue for the 11 day period ended December 31, 1996 is reflected in total revenues. Home Shopping revenues are generated primarily from the retail sales of its two services.

OTHER

For the year ended December 31, 1996, other revenue decreased $2.1 million, or 63.5%, to $1.2 million from $3.4 million for the fiscal year ended August 31, 1995. This decrease primarily is the result of a decrease in production revenue due to the closing of the Denver Telemation facility in December 1995.

OPERATING EXPENSES

COST OF SALES, SELLING AND MARKETING AND ENGINEERING AND PROGRAMMING

Cost of sales increased $20.4 million for the year ended December 31, 1996 compared to the fiscal year ended August 31, 1995, as a result of the inclusion of 11 days of Home Shopping. In addition, increases in selling and marketing and engineering and programming expenses of $5.0 million and $1.8 million, respectively, also related to 11 days of activity for Home Shopping.

GENERAL AND ADMINISTRATIVE

For the year ended December 31, 1996, general and administrative expenses increased $3.9 million primarily due to the inclusion of $2.8 million of expense as a result of the Home Shopping and Savoy mergers. The remaining increase of $1.1 million is attributable to an equity and bonus compensation arrangement with the Company's Chairman and Chief Executive Officer, offset by decreases in payroll due to the restructuring of the Company in 1995.

DEPRECIATION AND AMORTIZATION

The increase in depreciation and amortization of $.8 million for the year ended December 31, 1996 was primarily due to the inclusion of $1.4 million of expense as a result of the Mergers. In addition, an increase of $.9 million was due to goodwill amortization related to the Mergers. These increases were offset by decreases of $1.5 million, primarily related to the closure and subsequent sale of fixed assets related to the Denver Telemation facility.

OTHER INCOME (EXPENSE)

For the year ended December 31, 1996, net other expense increased $1.6 million compared to the year ended August 31, 1995. This increase is primarily due to non-cash interest expense related to the acceleration of upfront bank fees in anticipation of the refinancing of the Company's debt in early 1997, offset by decreased interest expense attributable to a reduction in the Company's long-term debt in 1996. In addition, $.5 million of net interest expense was due to the inclusion of partial periods for Home Shopping and Savoy.

INCOME TAXES

The Company's effective tax rate is higher than the statutory rate due primarily to the amortization of goodwill and other acquired intangibles, certain non-deductible executive compensation and a deduction for

certain dividends received. In addition, some states require separate company tax filings which cause state income taxes to be disproportionate with consolidated earnings.

MINORITY INTEREST

For the year ended December 31, 1996, minority interest represents the ownership interest of third parties in the net assets and results of operations of certain consolidated subsidiaries.

FOUR MONTHS ENDED DECEMBER 31, 1995 VS. FOUR MONTHS ENDED DECEMBER 31, 1994

REVENUES

For the four months ended December 31, 1995, net revenue decreased $1.3 million to $16.0 million from $17.3 million when compared to the same period in 1994. The decrease primarily related to the receipt of $1.8 million of additional fees in fiscal 1995, compared to $.8 million in fiscal 1994 under the Affiliation Agreements and a decrease of $.4 million due to a reduction in production revenue. The Company closed the Denver Telemation facility effective November 1995.

OPERATING EXPENSES

GENERAL AND ADMINISTRATIVE

For the four months ended December 31, 1995, general and administrative expenses increased $1.7 million to $9.2 million from $7.5 million when compared to the same period in 1994. An additional $1.1 million is attributable to an equity and bonus compensation arrangement with the Company's Chairman and Chief Executive Officer. The remaining increase was due to additional consulting and legal expenses associated with new executive management.

OTHER

In December 1995, the Company implemented a formal plan to increase operating efficiency, reduce personnel at the USA Stations and the Company's corporate offices and close the Denver Telemation facility. As a result, the Company recorded a $2.6 million charge to operations for the four months ended December 31, 1995, which included severance costs, facility closure and non-cancellable lease costs and the write-down of property, plant and equipment.

OTHER INCOME (EXPENSE)

For the four months ended December 31, 1995, interest income increased $.5 million to $.9 million from $.4 million when compared to the same period in 1994. The increase is primarily due to the settlement of the Company's lawsuit against Urban Broadcasting Corporation ("Urban"). The Company did not recognize any interest income from a note receivable from Urban in the four month period ended December 31, 1994 until the settlement was reached and the funds were received in May 1995.

INCOME TAXES

The Company's effective tax rate for these periods differed from the statutory rate due primarily to the amortization of goodwill and other acquired intangible assets relating to acquisitions from prior years, other non-deductible items, and state income taxes.

SEASONALITY

The Company believes that seasonality does impact its retailing segment but not to the same extent it impacts the retail industry in general.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $47.7 million for the year ended December 31, 1997. In addition the Company acquired cash of $89.7 million in connection with the Ticketmaster Transaction and received capital contributions of $9.0 million. These cash proceeds were used to pay for capital expenditures of $45.9 million, pay for long-term investments of $39.8 million and pay cable distribution fees of $11.9 million. Net earnings adjusted for non-cash items totaled $145.2 million and working capital increased by $85.4 million for the year ended December 31, 1997.

Consolidated capital expenditures for the year ended December 31, 1997, relate in part to Home Shopping's plan to improve and expand the capabilities of its computer systems. Consolidated capital expenditures are expected to range from $70.0 million to $95.0 million in 1998.

On February 12, 1998, the Company, and certain of its subsidiaries, including USANi LLC as borrower, entered into a new $1.6 billion credit facility (the "New Facility") with a $40.0 million sub-limit for letters of credit. The New Facility was used to finance the Universal Transaction and to refinance the Company's $275.0 million Revolving Credit Facility (the "HSNi Facility"). The New Facility consists of a $600.0 million revolving credit facility, a $750.0 million "Tranche A Term Loan" and a $250.0 million "Tranche B Term Loan". The revolving credit facility and Tranche A Term Loan mature on December 31, 2002 and the Tranche B Term Loan matures on December 31, 2003. The New Facility is guaranteed by, and secured by stock in, substantially all of the Company's material subsidiaries. The interest rate on borrowings under the New Facility is tied to an Alternate Base Rate or the London InterBank Offered Rate, in each case, plus an applicable margin. As of March 13, 1998, there was $1.4 billion in outstanding borrowings under the New Facility and $151.7 million was available for borrowing after taking into account outstanding letters of credit.

On February 12, 1998, the Company completed the Universal Transaction. The consideration paid to Universal included a cash payment of $1.63 billion. $300.0 million of the cash to be paid to Universal in connection with the Universal Transaction is deferred until no later than June 30, 1998. The Investment Agreement relating to the Universal Transaction, also contemplates that, on or prior to June 30, 1998, the Company and Liberty, will complete a transaction that involves a $300.0 million cash investment by Liberty in the Company through the purchase of LLC Shares or, if agreed upon among the Company, Liberty and Universal, the acquisition by the Company of assets owned or controlled by Liberty in exchange for LLC Shares. An asset transaction with Liberty will reduce Liberty's cash purchase obligation by 45% of the value of the assets acquired.

Pursuant to the Investment Agreement, the Company has granted to Universal and Liberty preemptive rights with respect to future issuances of USAi Common Stock and USAi Class B Common Stock, which generally allow Universal and Liberty the right to maintain an ownership percentage equal to the ownership percentage such entity held immediately prior to such issuance. In addition, Universal has certain mandatory purchase obligations with respect to USAi Common Stock (or LLC shares), and with respect to the pending Ticketmaster Transaction.

In connection with the Universal Transaction, the Company entered into a joint venture agreement relating to the development of international general entertainment television channels including international versions of USA Network, Sci-Fi Channel and Universal's action/adventure channel 13th Street. Unless the Company elects to have Universal buy out the Company's interest in the venture, the Company and Universal will be 50-50 partners in the venture, which will be managed by Universal. USANi LLC and Universal have each committed to contribute $100 million in capital in the venture over a number of years.

The Company is implementing its plans to disaffiliate its station in the Miami, Florida market in 1998. The Company will incur expenditures to develop programming and promotion of this station, which during the development and transitional stage, may not be offset by sufficient advertising revenues. The Company may also transition additional USA Stations to the new format in 1998. The Company believes that process of

disaffiliation can be successfully managed to minimize adverse consequences and maximize the value of the USA Stations.

In connection with the Universal Transaction and other strategic initiatives, the Company anticipates that it will need to invest working capital in connection with the development and expansion of its overall operations.

The maximum amount available under Ticketmaster's credit agreement was $165.0 at December 31, 1997 and will decrease to $150.0 million at December 31, 1998. At March 13, 1998, Ticketmaster had $142.0 million in outstanding borrowings under its credit agreement and $23.0 million was available for borrowing.

In September 1997, the Company paid $5.0 million of subscriptions payable related to its investment in HOT. The Company also has certain ongoing funding obligations relating to the HOT and Shop Channel ventures.

During 1998, management expects to pay cable distribution fees of $25.0 million to $40.0 million, relating to new and current contracts with cable systems operators to carry Home Shopping's programming.

During the year ended December 31, 1997, the Company received cash proceeds of $7.2 million from the exercise of 1.0 million options to purchase the Company's common stock. At March 13, 1998, 10.7 million options to purchase the Company's common stock were outstanding and exercisable at prices ranging between $1.00 and $26.19. The exercise of such options would result in a cash inflow to the Company of $109.7 million.

During July and August 1997, the Company purchased a total of 206,000 shares of Ticketmaster stock in the open market for $3.3 million.

On November 12, 1997, the Company invested $20.0 million for an 11% interest in City Search, Inc., a company that produces and delivers comprehensive local city guides on the Internet, providing up-to-date information regarding arts and entertainment, community activities and events, recreation, business and news/ sports/weather to consumers in major metropolitan areas. The funds to make this investment were obtained from borrowings under the HSNi Facility.

On January 20, 1998, the Company consummated the sale of its Baltimore, MD. Station for $80.0 million. The Company has also entered into agreements to acquire three additional television stations serving the Atlanta, GA, Orlando, FL, and Rapid City, SD markets. The aggregate purchase price for these stations is approximately $70.0 million.

On January 28, 1998, Blackstar consummated the sale of one of its television broadcast stations. This resulted in termination of the Company's affiliation agreement, and changed the Company's ownership to 45%. The Company also received $1.0 million in cash and $3.0 million in preferred stock in connection with the disaffiliation. The Company also will receive $15.0 million in connection with disaffiliations of two other stations.

On January 23, 1998, the Company gave notice that it elected to redeem on March 1, 1998, at a redemption price of 104.7% of the principal amount, all of the outstanding Home Shopping Debentures. The Home Shopping Debentures were all converted by the holders into shares of USAi Common Stock on or prior to the Redemption Date.

On February 20, 1998, the Company's Board of Directors approved the declaration of a dividend to its stockholders in the form of a distribution of one share of USAi common stock for each share of common stock outstanding to holders of record as of the close of business on March 12, 1998. The payment date for the dividend was March 26, 1998. The two-for-one stock split also included an identical stock dividend with respect to the Company's Class B Common Stock, to be paid in the form of one share of USAi Class B Common Stock for each share of Class B Stock outstanding as of the close of business on March 12, 1998.

Ticketmaster spent $18.5 million in connection with business acquisitions using existing funds.

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

During the year ended December 31, 1997, the Company did not pay any cash dividends, and none are permitted under the Company's existing credit facility.

OTHER MATTERS

The Company is currently working to resolve the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems. The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. Based on preliminary information, costs of addressing potential problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. However, if the Company, its customers or vendors are unable to resolve such processing issues in a timely manner, it could result in a material financial risk. Accordingly, the Company plans to devote the necessary resources to resolve all significant year 2000 issues in a timely manner.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
USA Networks, Inc.

We have audited the accompanying consolidated balance sheets of USA Networks, Inc. (formerly HSN, Inc.) as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Networks, Inc. at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

New York, New York
March 13, 1998

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
USA Networks, Inc.

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of USA Networks, Inc. (formerly HSN, Inc. and Silver King Communications, Inc.) and subsidiaries for the period September 1, 1995 through December 31, 1995 and for the year ended August 31, 1995. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and the financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations of USA Networks, Inc. and subsidiaries and their cash flows for the period September 1, 1995 through December 31, 1995, and for the year ended August 31, 1995 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Tampa, Florida
July 2, 1996

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
	(In thousands, except per share data)			
NET REVENUES				
Home Shopping	$1,037,060	$ 30,588	$ --	$ --
Ticketmaster	156,378	--	--	--
Broadcasting	54,138	43,359	15,061	44,563
Other	14,173	1,225	919	3,355
Total net revenues	1,261,749	75,172	15,980	47,918
Operating costs and expenses:				
Cost of sales	645,299	20,974	193	614
Selling and marketing	217,358	4,951	--	--
General and administrative	129,700	28,254	9,163	24,394
Depreciation and amortization	97,024	15,486	4,701	14,674
Engineering and programming	77,849	1,812	--	--
Other	--	83	2,603	--
Total operating costs and expenses	1,167,230	71,560	16,660	39,682
Operating profit (loss)	94,519	3,612	(680)	8,236
Other income (expense):				
Interest income	5,313	3,238	888	3,410
Interest expense	(31,579)	(11,841)	(3,463)	(10,963)
Miscellaneous	(11,752)	44	--	570
	(38,018)	(8,559)	(2,575)	(6,983)
Earnings (loss) before income taxes and minority interest	56,501	(4,947)	(3,255)	1,253
Income tax (expense) benefit	(41,051)	(1,872)	373	(1,138)
Minority interest	(2,389)	280	--	--
NET EARNINGS (LOSS)	$ 13,061	$ (6,539)	$(2,882)	$ 115
Basic earnings (loss) per common share	$ .12	$ (.30)	$ (.15)	$ .01
Diluted earnings (loss) per common share	$ .12	$ (.30)	$ (.15)	$ .01

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1997	1996
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 116,036	$ 42,606
Accounts and notes receivable (net of an allowance for doubtful accounts of $3,588 and $2,679, respectively)	96,867	56,832
Inventories, net	151,100	100,527
Deferred income taxes	39,956	40,842
Other current assets, net	16,723	7,791
Total current assets	420,682	248,598
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	145,701	95,472
Buildings and leasehold improvements	83,851	63,739
Furniture and other equipment	39,498	20,414
	269,050	179,625
Less accumulated depreciation and amortization	120,793	73,959
	148,257	105,666
Land	16,602	14,944
Projects in progress	15,262	1,365
	180,121	121,975
OTHER ASSETS		
Intangible assets, net	1,862,128	1,545,947
Cable distribution fees, net ($46,459, and $40,892 to related parties, respectively)	111,292	113,594
Long-term investments and notes receivable ($8,353 and $7,220 in related parties, respectively)	59,780	47,862
Deferred income taxes	3,541	1,926
Deferred charges and other, net	33,252	36,330
	2,069,993	1,745,659
	$2,670,796	$2,116,232

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS -- (CONTINUED)

	DECEMBER 31,	
	1997	1996
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 12,918	$ 42,906
Accounts payable	185,101	95,421
Programming fees ($19,091 and $9,051 to related parties, respectively)	43,553	40,717
Other accrued liabilities	118,169	93,998
Total current liabilities	359,741	273,042
LONG-TERM OBLIGATIONS (net of current maturities)	448,346	271,430
OTHER LONG-TERM LIABILITIES, net	43,132	56,875
MINORITY INTEREST	372,223	356,136
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Preferred stock -- $.01 par value; authorized 15,000,000 shares; no shares issued or outstanding	--	--
Common stock -- $.01 par value; authorized 800,000,000 shares; issued and outstanding 87,430,586 and 71,985,806 shares, respectively	874	720
Class B -- convertible common stock -- $.01 par value; authorized, 200,000,000 shares; issued and outstanding, 24,455,294 and 20,450,112 shares, respectively	244	204
Additional paid-in capital	1,558,037	1,284,815
Accumulated deficit	(103,601)	(116,662)
Unearned compensation	(3,202)	(5,330)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
	1,447,354	1,158,749
	$2,670,796	$2,116,232

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	UNEARNED COMPENSATION	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE	TOTAL
				(In thousands)			
BALANCE AT AUGUST 31, 1994	$130	$ 48	$ 109,792	$(107,356)	$ --	$ --	$ 2,614
Issuance of common stock upon exercise of stock options	--	--	180	--	--	--	180
Unearned compensation related to grant of stock options to key executive	--	--	3,973	--	(3,973)	--	--
Amortization of unearned compensation related to grant of stock options to key executive	--	--	--	--	20	--	20
Income tax benefit related to stock options exercised	--	--	421	--	--	--	421
Issuance of common stock to key executive	8	--	9,992	--	--	(4,998)	5,002
Value of common stock in excess of key executive's purchase price	--	--	926	--	--	--	926
Net earnings for year ended August 31, 1995	--	--	--	115	--	--	115
BALANCE AT AUGUST 31, 1995	138	48	125,284	(107,241)	(3,953)	(4,998)	9,278
Issuance of common stock upon exercise of stock options	2	--	186	--	--	--	188
Amortization of unearned compensation related to grant of stock options to key executive	--	--	--	--	332	--	332
Income tax benefit related to stock options exercised	--	--	555	--	--	--	555
Net loss for four month period ended December 31, 1995	--	--	--	(2,882)	--	--	(2,882)
BALANCE AT DECEMBER 31, 1995	140	48	126,025	(110,123)	(3,621)	(4,998)	7,471
Issuance of common stock upon exercise of stock options	2	--	1,154	--	--	--	1,156
Amortization of unearned compensation related to grant of stock options to key executive	--	--	--	--	1,028	--	1,028
Income tax benefit related to stock options exercised	--	--	841	--	--	--	841
Issuance of common stock related to the Home Shopping Merger	494	156	1,044,162	--	--	--	1,044,812
Issuance of common stock related to the Savoy Merger	84	--	112,633	--	--	--	112,717
Unearned compensation related to employee equity participation plan	--	--	--	--	(2,737)	--	(2,737)
Net loss for year ended December 31, 1996	--	--	--	(6,539)	--	--	(6,539)
BALANCE AT DECEMBER 31, 1996	720	204	1,284,815	(116,662)	(5,330)	(4,998)	1,158,749
Issuance of common stock upon exercise of stock options	10	--	7,217	--	--	--	7,227
Income tax benefit related to stock options exercised	--	--	3,372	--	--	--	3,372
Issuance of stock in connection with Ticketmaster Transaction	144	40	262,633	--	--	--	262,817
Amortization of unearned compensation related to grant of stock options to key executive	--	--	--	--	995	--	995
Expense related to executive stock award program and stock options	--	--	--	--	113	--	113
Expense related to employee equity participation plan	--	--	--	--	1,020	--	1,020
Net earnings for year ended December 31, 1997	--	--	--	13,061	--	--	13,061
BALANCE AT DECEMBER 31, 1997	$874	$244	$1,558,037	$(103,601)	$(3,202)	$(4,998)	$1,447,354

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
	(In thousands)			
Cash flows from operating activities:				
Net earnings (loss)	$ 13,061	$ (6,539)	$(2,882)	$ 115
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation and amortization	77,679	18,672	4,701	14,674
Deferred income taxes	22,474	418	(710)	219
Amortization of cable distribution fees	19,261	--	--	--
Equity in losses of unconsolidated affiliates	12,007	367	--	--
Non-cash interest expense	4,218	--	288	820
Inventory carrying adjustment	(8,059)	(420)	--	--
Amortization of unearned compensation	2,128	1,028	332	20
Provision for losses on accounts and notes receivable	96	23	51	179
(Gain) loss on retirement or sale of fixed assets	(60)	(34)	603	(111)
Minority interest	2,389	(280)	--	--
Non-cash compensation to key executive	--	--	--	926
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	(7,107)	511	(841)	(2)
(Increase) decrease in inventories	(37,443)	9,949	--	--
(Increase) decrease in other current assets	988	1,332	(229)	(397)
Decrease in accounts payable	(7,371)	(11,910)	--	--
Increase (decrease) in accrued liabilities	(35,859)	(1,149)	1,269	999
Increase in cable distribution fees	(16,912)	--	--	--
Decrease in deferred charges and other	6,183	--	--	--
NET CASH PROVIDED BY OPERATING ACTIVITIES	47,673	11,968	2,582	17,442
Cash flows from investing activities:				
Capital expenditures	(45,869)	(1,143)	(163)	(1,703)
Increase in long-term investments and notes receivable	(39,844)	(8,369)	(653)	(2,855)
Capital contributions received	9,000	--	--	--
Proceeds from long-term notes receivable	6,048	4,086	999	2,868
Proceeds from sale of fixed assets	2,354	2,345	66	254
(Increase) decrease in other non-current assets	--	2,089	--	(260)
Payment for acquisitions, net of cash acquired	(7,633)	--	--	--
Payment of merger costs	(6,349)	(1,630)	--	--
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(82,293)	(2,622)	249	(1,696)
Cash flows from financing activities:				
Principal payments on long-term obligations	(385,329)	(39,763)	(6,089)	(10,475)
Proceeds from issuance of common stock	7,227	1,156	188	5,182
Payment of capitalized bank fees	--	--	--	(283)
Proceeds from debt refinancing	393,949	--	--	--
Distribution to minority shareholders	2,540	--	--	--
Cash acquired in merger	89,663	52,727	--	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	108,050	14,120	(5,901)	(5,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,430	23,466	(3,070)	10,170
Cash and cash equivalents at beginning of period	42,606	19,140	22,210	12,040
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$116,036	$ 42,606	$19,140	$ 22,210

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

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A -- ORGANIZATION

USA Networks, Inc., formerly HSN, Inc. and prior to that Silver King Communications, Inc. (the "Company" or "USAi") is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses. As of December 31, 1997, the Company's principal businesses were electronic retailing, ticketing operations and television broadcasting. The consolidated financial statements include the operations of Ticketmaster Group, Inc. and subsidiaries ("Ticketmaster"), Savoy Pictures Entertainment, Inc. and subsidiaries ("Savoy") and Home Shopping Network, Inc. and subsidiaries ("Home Shopping") from the dates of their acquisitions, as discussed in Note C.

On February 12, 1998, the Company acquired certain assets from Universal Studios, Inc. (the "Universal Transaction"), increased its authorized common stock and Class B common stock and changed its name to USA Networks, Inc. See Note V.

On February 20, 1998, the Company declared and on March 26, 1998, paid, a two-for-one stock dividend as discussed in Note V. All share data and earnings per share amounts presented have been adjusted to reflect this dividend.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all wholly-owned and majority owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in which the Company owns a 20%, but not in excess of 50%, interest and where it can exercise significant influence over the operations of the investee, are accounted for using the equity method. All other investments are accounted for using the cost method. The Company periodically evaluates the recoverability of investments recorded under the cost method and recognizes losses if a decline in value is determined to be other than temporary.

REVENUES

Revenues from Home Shopping primarily consist of merchandise sales and are reduced by incentive discounts and sales returns to arrive at net sales. Revenues are recorded for credit card sales upon transaction authorization, and for check sales upon receipt of customer payment, which does not vary significantly from the time goods are shipped. Home Shopping's sales policy allows merchandise to be returned at the customer's discretion within 30 days of the date of delivery. Allowances for returned merchandise and other adjustments are provided based upon past experience.

Revenue from Ticketmaster primarily consists of revenue from ticketing operations which is recognized as tickets are sold.

Prior to December 20, 1996, television broadcasting revenue was principally derived from the broadcasting of Home Shopping programming. The Company was compensated by Home Shopping based on an applicable hourly affiliation rate per station and, upon reaching certain sales levels, commissions on net sales. Revenue was recognized as services were provided or when additional commissions were earned. Subsequent to the Mergers, as discussed in Note C, these intercompany revenues and expenses are eliminated in consolidation.

Revenues from all other sources are recognized either upon delivery or when the service is provided.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash and short-term investments. Short-term investments consist primarily of U.S. Treasury Securities, U.S. Government agencies and certificates of deposit with original maturities of less than 91 days.

INVENTORIES, NET

Inventories are valued at the lower of cost or market, cost being determined using the first-in, first-out method. Cost includes freight, certain warehouse costs and other allocable overhead. Market is determined on the basis of net realizable value, giving consideration to obsolescence and other factors. Inventories are presented net of an inventory carrying adjustment of $21.1 million and $27.9 million at December 31, 1997 and 1996, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant improvements, are recorded at cost. Repairs and maintenance and any gains or losses on dispositions are included in operations.

Depreciation and amortization is provided for on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives.

ASSET CATEGORY	DEPRECIATION/ AMORTIZATION PERIOD
Computer and broadcast equipment	3 to 13 Years
Buildings	30 to 40 Years
Leasehold improvements	4 to 20 Years
Furniture and other equipment	3 to 10 Years

Depreciation and amortization expense on property, plant and equipment was $26.2 million, $4.3 million, $1.6 million, and $5.3 million for the years ended December 31, 1997 and 1996, the four months ended December 31, 1995 and the year ended August 31, 1995, respectively.

LONG-LIVED ASSETS INCLUDING INTANGIBLES

The Company's accounting policy regarding the assessment of the recoverability of the carrying value of long-lived assets, including property, plant and equipment, goodwill and other intangibles is to review the carrying value of the assets if the facts and circumstances suggest that they may be impaired. If this review indicates that the carrying value will not be recoverable, as determined based on the undiscounted future cash flows of the Company, the carrying value is reduced to its estimated fair value.

CABLE DISTRIBUTION FEES

Cable distribution fees relate to upfront fees paid in connection with long term cable contracts for carriage of Home Shopping's programming. These fees are amortized to expense on a straight line basis over the terms of the respective contracts, with original terms from 5 to 15 years. Amortization expense for cable distribution fees was $19.3 million for the year ended December 31, 1997 and was not significant for the 11 days ending December 31, 1996.

INCOME TAXES

Under Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes", deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred

tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

EARNINGS (LOSS) PER SHARE

The Company adopted Statement of Financial Accounting Standards No. 128 "Earnings per Share" during the fourth quarter of 1997. In accordance with the Statement, all prior period earnings per share amounts have been restated.

Basic earnings per share ("Basic EPS") excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised resulting in the issuance of common stock that then shared in the earnings of the Company.

STOCK-BASED COMPENSATION

The Company is subject to Statement of Financial Accounting Standards No. 123 "Accounting and Disclosure of Stock-Based Compensation" ("SFAS 123"). As allowed by SFAS 123, the Company accounts for stock-based compensation in accordance with APB 25, "Accounting for Stock Issued to Employees." In cases where exercise prices are less than fair value as of the grant date, compensation is recognized over the vesting period.

Unaudited pro forma financial information, assuming that the Company had adopted the measurement standards of SFAS 123, is included in Note N.

MINORITY INTEREST

Minority interest represents the ownership interests of third parties in the net assets and results of operations of certain consolidated subsidiaries.

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements and notes include the inventory carrying adjustment, sales return accrual, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, and various other operating allowances and accruals.

RECENTLY ISSUED PRONOUNCEMENTS

During fiscal 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") were issued. SFAS 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of financial statements. The Company will adopt SFAS 130 as of the first quarter of 1998. SFAS 131 requires disclosure of financial and descriptive information about an entity's reportable operating segments under the "management approach" as defined in the Statement. The Company will adopt

SFAS 131 as of December 31, 1998. The impact of adoption of these standards on the Company's financial statements is not expected to be material.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 1997 presentation.

NOTE C -- BUSINESS ACQUISITIONS

In the third quarter of 1997, the Company acquired a controlling interest in Ticketmaster through the issuance of the Company's common stock to Paul G. Allen and purchases of Ticketmaster shares in the open market. In connection with the issuance of new shares to Mr. Allen, the Company also issued shares of the Company's Class B common stock in accordance with Liberty Media Corporation's contingent right to receive such shares as part of the Home Shopping merger in 1996.

The Ticketmaster Transaction has been accounted for using the purchase method of accounting. The acquisition price of $210.0 million, including expenses, was preliminarily allocated to the assets and liabilities of Ticketmaster based on respective values at the acquisition date. The fair market values of the assets and liabilities acquired are summarized below, along with the excess of the purchase price over the fair value of net assets, which has preliminarily been assigned to goodwill and other intangibles:

	TICKETMASTER
	(In thousands)
Current assets	$140,000
Non-current assets	179,000
Goodwill and other intangibles	190,000
Current liabilities	130,000
Non-current liabilities, including minority interest	169,000

On March 20, 1998, the Company entered into a merger agreement with Ticketmaster to acquire the remaining interest in Ticketmaster. See Note V.

SAVOY MERGER

On December 19, 1996, USAi consummated the merger with Savoy ("Savoy Merger") by issuing 8,411,740 shares of USAi common stock in exchange for each share of outstanding Savoy common stock at a .28 conversion ratio, adjusted for the March 1998 stock dividend.

HOME SHOPPING MERGER

On December 20, 1996, USAi consummated the merger with Home Shopping (the "Home Shopping Merger") by issuing shares of USAi Common Stock at a ratio of .90 of a share of USAi Common Stock and 1.08 shares of HSNi Class B Common Stock for each share of Home Shopping Common Stock and Class B Common Stock, adjusted for the March 1998 stock dividend, respectively. As a result, 49,331,302 shares of USAi Common Stock and 15,618,222 shares of HSNi Class B Common Stock were issued.

Upon consummation of the Home Shopping Merger, and because the Home Shopping Class B Common Stock is entitled to ten votes per share on matters on which both classes of common stock vote together as a single class, the Company owned 80.1% of the equity and 90.8% of the voting power of Home Shopping, and Liberty HSN owned 19.9% of the equity and 9.2% of the voting power of Home Shopping. Liberty HSN is an indirect, wholly-owned subsidiary of Liberty, which, in turn, is a subsidiary of Tele-Communications, Inc. ("TCI").

The Mergers have been accounted for using the purchase method of accounting. The purchase price, including expenses, for the Savoy Merger and the Home Shopping Merger, which were $113.4 million and $1.2 billion, respectively, have been allocated to the assets and liabilities acquired based on their respective fair values at the dates of purchase. The fair value of the assets and liabilities acquired are summarized below, along with the excess of the purchase price, including expenses, over the fair value of net assets, which has been assigned to goodwill and broadcast licenses:

	SAVOY	HOME SHOPPING
	(In thousands)	
Current assets	$ 36,000	$ 192,000
Non-current assets	64,400	257,000
Goodwill and broadcast licenses	307,100	1,197,000
Current liabilities	63,700	198,000
Non-current liabilities	230,400	227,000

The following unaudited pro forma condensed consolidated financial information for the years ended December 31, 1997 and 1996, is presented to show the results of the Company for the full periods, as if the Ticketmaster Transaction, including significant acquisitions by Ticketmaster, and the Mergers occurred at the beginning of the years presented. The pro forma results include certain adjustments, including increased amortization related to goodwill and other intangibles, the reduction of cable and broadcast fees for fair value adjustments related to purchase accounting and the elimination of intercompany revenues and expenses, and are not necessarily indicative of what the results would have been had the Ticketmaster Transaction and the Mergers actually occurred on the aforementioned dates.

	YEARS ENDED DECEMBER 31,	
	1997	1996
	(In thousands, except per share data)	
Net revenues	$1,454,521	$1,392,629
Net earnings (loss)	10,773	(19,099)
Basic earnings (loss) per common share	$ .10	$ (.17)
Diluted earnings (loss) per common share	$ .09	$ (.17)

NOTE D -- INTANGIBLE ASSETS

Intangible assets are amortized using the straight-line method and include the following:

	DECEMBER 31,	
	1997	1996
	(In thousands)	
Intangible Assets, net:		
Goodwill	$1,520,221	$1,193,322
Broadcast licenses	312,248	350,118
Purchased user agreements	28,029	--
Other	1,630	2,507
	$1,862,128	$1,545,947

Goodwill primarily relates to the excess of purchase price over the fair value of assets acquired in the Ticketmaster Transaction and the Mergers, as discussed in Note C, and is net of accumulated amortization of $46.9 million and $4.1 million at December 31, 1997 and 1996, respectively. Goodwill is generally amortized over 40 years.

Broadcast licenses represent the costs of acquiring FCC licenses related to broadcast operations and is net of accumulated amortization of $41.3 million and $21.5 million as of December 31, 1997 and 1996, respectively. Broadcast licenses are generally amortized over 40 years.

Purchased user agreements represent the cost of acquiring venue contracts, are net of accumulated amortization of $3.9 million at December 31, 1997 and are amortized over the contract terms, generally 2 to 10 years.

Other intangibles are net of accumulated amortization of $67.0 million and $72.3 million as of December 31, 1997 and 1996, respectively, and are generally amortized over 3 to 10 years.

NOTE E -- LONG-TERM INVESTMENTS AND NOTES RECEIVABLE

Investments accounted for under the equity method include the following; a 29% interest in both Home Order Television GmbH & Co. KG ("HOT") and its general partner (collectively the "HOT Interest") and a 30% interest in Jupiter Shop Channel Co;. Ltd. ("Shop Channel"). At December 31, 1997 and 1996, the Company's net investment in these ventures was $15.6 million and $11.1 million, respectively. The HOT Interest is subject to certain restrictions and other provisions regarding transferability.

The Company also includes in equity investments at December 31, 1997, $6.6 million in investments in unconsolidated affiliate companies and joint ventures of Ticketmaster. Ticketmaster is the managing general partner of each joint venture.

The Company has other investments accounted for under the cost method totaling $25.7 million and $19.0 million at December 31, 1997 and 1996, respectively.

The Company has notes receivable of $11.9 million and $17.7 million net of the current portion of $4.5 million and $3.6 million at December 31, 1997 and 1996, respectively. Certain notes receivable are collateralized by stock pledges and security interests in all of the tangible and intangible assets in the investee companies to the full extent permitted by law.

NOTE F -- DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets primarily consist of the film library and broadcast rights acquired in connection with the acquisition of Savoy; satellite and other deposits acquired in connection with the acquisition of Home Shopping; and deferred financing costs. Deferred charges and other assets are net of accumulated amortization of $2.4 million and $4.3 million as of December 31, 1997 and December 31, 1996, respectively.

NOTE G -- LONG-TERM OBLIGATIONS

	DECEMBER 31,	
	1997	1996
	(In thousands)	
Unsecured $275,000,000 Revolving Credit Facility ("HSNi Facility"); with a $35,000,000 sub-limit for import letters of credit, entered into on May 1, 1997, which matures on May 1, 2002. At the Company's option, the interest rate on borrowings is tied to the London Interbank Offered Rate ("LIBOR") or the Alternate Base Rate ("ABR"), plus an applicable margin. The interest rate was 6.51% at December 31,1997, and ranged from 6.16% to 8.50% during 1997	$100,000	$ --
Unsecured $100,000,000 5 7/8% Convertible Subordinated Debentures (the "Home Shopping Debentures") due March 1, 2006 convertible into USAi Common Stock at a conversion price of $13.34 per share	106,338	107,007
Secured SF Broadcast Facility (the "SF Broadcast Facility"); payable in 20 consecutive quarterly installments commencing on September 30, 1997. At the Company's option, the interest rate on borrowings is tied to LIBOR or ABR, plus an applicable margin The interest rate was 8.095% at December 31, 1997 and ranged from 7.82% to 8.10% during 1997	69,844	92,500
Unsecured $37,782,000 7% Convertible Subordinated Debentures ("Savoy Debentures") due July 1, 2003 convertible into USAi Common Stock at a conversion price of $66.43 per share	32,915	32,331
Secured Revolving Credit Facility ("Ticketmaster Facility"), which matures in December 1999. The interest rate is tied to LIBOR, plus an applicable margin. The interest rate was 6.98% at December 31, 1997 and ranged from 6.63% from 7.31% during 1997	134,000	--
Term loan, collateralized by a building of Ticketmaster, principal and interest payable monthly, maturing April 25, 2007; interest rate is 9.2%	8,953	--
Term loan, collateralized by substantially all of the assets of a Ticketmaster subsidiary, interest and principal payable monthly, maturing on June 30, 1999. At the Company's option, the interest rate is tied to LIBOR or the prime rate, plus an applicable margin. At December 31, 1997, the interest rate was 8.63%	7,500	--
Secured Senior Term Loan -- Tranche A; payable in quarterly installments and maturing July 31, 2000. At the Company's option, the interest rate is tied to LIBOR or ABR, plus an applicable margin	--	34,704
Secured Senior Term Loan -- Tranche B; payable in quarterly installments and maturing July 31, 2002. At the Company's option, the interest rate is tied to LIBOR or ABR, plus an applicable margin	--	33,968
12% Convertible Senior Subordinated Note due February 28, 1997, convertible into USAi Common Stock at a conversion price of $46.43	--	12,500
Other long-term obligations	1,714	1,326
Total long-term obligations	461,264	314,336
Less current maturities	12,918	42,906
Long-term obligations, net of current maturities	$448,346	$271,430

The Home Shopping Debentures were all converted by the holders into shares of USAi Common Stock on or prior to March 1, 1998. See Note V.

The SF Broadcast Facility, which expires on June 30, 2002, is secured by substantially all assets of SF Broadcasting. Restrictions contained in the SF Broadcast Facility include, but are not limited to, limitations on additional indebtedness, payment of dividends and the maintenance of various financial covenants and ratios. Savoy and Fox each made a capital contribution of $19.5 million in 1996 which was used to repay borrowings under the SF Broadcast Facility.

At December 31, 1997, $160.6 million was available for borrowing under the HSNi Facility after taking into account outstanding letters of credit. The Company paid a commitment fee of .1875% on the unused portion of the HSNi Facility. In connection with the Universal Transaction, the Company entered into a new facility as discussed in Note V, which replaced the HSNi Facility.

The Savoy Debentures are redeemable at the option of the Company at varying percentages of the principal amount each year, ranging from 105.25% to 100.75%, plus applicable interest. In connection with the Savoy Merger, USAi became a joint and several obligor with respect to the Savoy Debentures.

The Ticketmaster Facility and term loans are subject to certain restrictive covenants relating to among other things, net worth, cash flows and capital expenditures. Ticketmaster was in compliance with its restrictive covenants or has obtained necessary waivers at December 31, 1997. Ticketmaster's credit agreements impose restrictions on the payment of dividends. At December 31, 1997, $27.0 million was available to Ticketmaster for borrowing under the Ticketmaster Facility. Maximum available borrowings under this facility will decrease to $150.0 million at December 31, 1998.

Aggregate contractual maturities of long-term obligations are as follows:

YEARS ENDING DECEMBER 31,	(In thousands)
1998	$ 12,918
1999	156,801
2000	15,956
2001	18,203
2002	109,835
Thereafter	146,080
	$459,793

NOTE H -- INCOME TAXES

A reconciliation of total income tax expense (benefit) to the amounts computed by applying the statutory federal income tax rate to earnings (loss) before income taxes is shown as follows:

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
	(In thousands)			
Income tax expense (benefit) at the federal statutory rate of 35% in 1997 and 34% for prior periods	$19,776	$(1,682)	$(1,107)	$ 426
Amortization of goodwill and other intangibles	13,690	548	61	192
Dividends received deduction	--	--	--	(110)
State income taxes, net of effect of federal tax benefit	2,896	581	22	558
Non-deductible portion of executive compensation	--	1,385	426	321
Increase (decrease) in valuation allowance for deferred tax assets	5,471	966	264	(212)
Other, net	(782)	74	(39)	(37)
Income tax expense (benefit)	$41,051	$ 1,872	$ (373)	$1,138

The components of income tax expense (benefit) are as follows:

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
	(In thousands)			
Current income tax expense:				
Federal	$21,603	$ 602	$ 104	$ 110
State	3,029	852	233	809
Foreign	919	--	--	--
Current income tax expense	25,551	1,454	337	919
Deferred income tax expense (benefit):				
Inventory costing	11,902	(479)	--	--
Provision for accrued liabilities	1,702	609	(691)	--
Depreciation for financial statements in excess of tax	1,339	(276)	(201)	(608)
Amortization of goodwill and other broadcast related intangibles	5,671	(52)	(1)	3
Net operating loss carryover	(2,889)	(1,561)	(412)	845
Increase (decrease) in valuation allowance for deferred tax assets	(1,306)	1,305	264	(212)
Other, net	(919)	872	331	191
Deferred income tax expense (benefit)	15,500	418	(710)	219
Total income tax expense (benefit)	$41,051	$ 1,872	$ (373)	$1,138

The tax effects of cumulative temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996, are presented below. The valuation allowance represents items for which it is more likely than not that the tax benefit will not be realized.

	DECEMBER 31,	
	1997	1996
	(In thousands)	
Current deferred tax assets:		
Net federal operating loss carryforward	$ 46,291	$ 85,929
Inventory costing	16,398	30,102
Provision for accrued expenses	6,883	11,310
Amortization of broadcast related intangibles	7,995	8,767
Investments in affiliates	2,982	--
Other	25,604	17,694
Total current deferred tax assets	106,153	153,802
Less valuation allowance	(66,197)	(112,960)
Net current deferred tax assets	$ 39,956	$ 40,842
Non-current deferred tax assets (liabilities):		
Broadcast and cable fee contracts	$ 11,787	$ 17,010
Depreciation for tax in excess of financial statements	(10,450)	(8,704)
Amortization of FCC licenses and broadcast related intangibles	(17,847)	(17,734)
Investment in subsidiaries	6,320	--
Other	17,068	13,095
Total non-current deferred tax assets	6,878	3,667
Less valuation allowance	(3,337)	(1,741)
Net non-current deferred tax assets	$ 3,541	$ 1,926

The Company recognized income tax deductions related to the issuance of common stock pursuant to the exercise of stock options for which no compensation expense was recorded for accounting purposes. The related income tax benefits of $3.4 million, $.8 million, $.6 million and $.4 million for the years ended December 31, 1997 and 1996, the four months ended December 31, 1995 and the year ended August 31, 1995, respectively, were recorded as increases to additional paid-in capital.

At December 31, 1997 and 1996, the Company has net operating loss carryforwards ("NOL") for federal income tax purposes of $133.3 million and $225.0 million, respectively, which are available to offset future federal taxable income, if any, through 2012. Approximately $99.3 million of the NOL as of December 31, 1997, are pre-acquisition losses which are subject to certain tax loss limitations. Accordingly, the Company has established a valuation allowance for those pre-acquisition losses. Recognition of these tax benefits in the future periods would be applied as a reduction of goodwill related to the acquisition.

During 1997, the Internal Revenue Service ("IRS") completed the examination of Home Shopping's federal income tax returns for fiscal years 1992 through 1994 and assessed Home Shopping additional income tax plus interest. Home Shopping filed a protest with the IRS regarding the assessment. The protest is currently pending review by the IRS Appeals Office. Management believes the ultimate resolution of any tax audits will not have a significant impact on the Company's consolidated financial statements.

NOTE I -- COMMITMENTS AND CONTINGENCIES

The Company leases satellite transponders, computers, warehouse and office space, as well as broadcast and production facilities, equipment and services used in connection with its operations under various operating leases and contracts, many of which contain escalation clauses.

Future minimum payments under non-cancellable agreements are as follows:

YEARS ENDING DECEMBER 31,	(In thousands)
1998	$ 38,670
1999	36,411
2000	34,235
2001	34,031
2002	25,138
Thereafter	24,482
	$192,967

Expenses charged to operations under these agreements were $37.7 million, $2.9 million, $.8 million, and $2.7 million for the years ended December 31, 1997 and 1996, the four months ended December 31, 1995, and the year ended August 31, 1995, respectively.

The Company is required to provide funding, from time to time, for the operations of its investments in joint ventures accounted for under the equity method.

NOTE J -- EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of Basic and Diluted EPS. All share numbers have been adjusted to reflect the Company's two-for-one stock split to holders of record as of the close of business on March 12, 1998:

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
	(In thousands, except per share data)			
Net earnings (loss)	$ 13,061	$(6,539)	$(2,882)	$ 115
Weighted average shares	104,780	21,572	18,790	18,290
Effect of dilutive securities:				
Stock options	7,464	--	--	166
Adjusted weighted average shares	112,244	21,572	18,790	18,456
Basic earnings (loss) per share	$ .12	$ (.30)	$ (.15)	$ .01
Diluted earnings (loss) per share	$ .12	$ (.30)	$ (.15)	$ .01

The effect of the Convertible Debentures is excluded from the computation of Diluted EPS as their effect is antidilutive.

NOTE K -- STOCKHOLDERS' EQUITY

Share numbers and prices reflect the Company's two-for-one stock split to holders of record as of the close of business on March 12, 1998.

DESCRIPTION OF COMMON STOCK AND CLASS B -- CONVERTIBLE COMMON STOCK

Holders of USAi Common Stock have the right to elect, and the holders of USAi Class B Common Stock have no vote on, 25% of the entire Board of Directors, rounded upward to the nearest whole number of directors. As to the election of the remaining directors, the holders of USAi Class B Common Stock are entitled to 10 votes for each USAi Class B Common Stock share, and the holders of the USAi Common Stock are entitled to one vote per share. There are no cumulative voting rights.

The holders of both classes of the Company's common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available for the payment of dividends. In the event of the liquidation, dissolution or winding up of the Company, the holders of both classes of common stock are entitled to share ratably in all assets of the Company remaining after provision for payment of liabilities. USAi Class B Common Stock is convertible at the option of the holder into USAi Common Stock on a share-for-share basis. Upon conversion, the USAi Class B Common Stock will be retired and not subject to reissue.

NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE

In August 1995, Mr. Barry Diller became Chairman of the Board and Chief Executive Officer of the Company. In connection with Mr. Diller's employment, the Company agreed to sell Mr. Diller 883,976 shares of USAi Common Stock ("Diller Shares") at $11.313 per share for cash and a non-recourse promissory note in the amount of $5.0 million, secured by approximately 530,000 shares of USAi Common Stock. The promissory note is due on the earlier of (i) the termination of Mr. Diller's employment, or (ii) September 5, 2007. The Company recognized $926,138 of compensation expense, with a corresponding increase in additional paid-in capital, related to the issuance of the Diller Shares. The compensation expense resulted from the difference in the per share fair market value of USAi Common Stock and the per share purchase price.

STOCKHOLDERS' AGREEMENT

Mr. Diller, Chairman of the Board and Chief Executive Officer of the Company, through BDTV, INC., BDTV II, INC., BDTV III, INC., BDTV IV, INC., his own holdings and pursuant to the Stockholders Agreement, with Universal, Liberty, the Company and Seagram (the "Stockholders Agreement"), has the right to vote approximately 8% or 8,217,236 shares of USAi's outstanding common stock, and approximately 97% or 31,181,726 shares of USAi's outstanding Class B Common Stock. Each share of Class B Common Stock is entitled to ten votes per share with respect to matters on which Common and Class B stockholders vote as a single class. As a result, Mr. Diller controls 76% of the outstanding total voting power of the Company. Mr. Diller, subject to the Stockholders Agreement, is effectively able to control the outcome of nearly all matters submitted to a vote of the Company's stockholders. Liberty HSN holds substantially all of the economic interest in, and Mr. Diller holds all of the voting power in, the shares of USAi stock held by the BDTV entities listed above.

In connection with option plans, pending acquisitions and other matters, 244,184,256 shares were reserved.

NOTE L -- LITIGATION

In the ordinary course of business, the Company is engaged in various lawsuits, including certain class action lawsuits initiated in connection with the Home Shopping Merger and the Ticketmaster Transaction. In the opinion of management, the ultimate outcome of the various lawsuits should not have a material impact on the liquidity, results of operations or financial condition of the Company.

NOTE M -- BENEFIT PLANS

The Company offers various plans pursuant to Section 401(k) of the Internal Revenue Code (the "Plans") covering substantially all full-time employees who are not party to collective bargaining agreements. The Company's share of the matching employer contributions is set at the discretion of the Board of Directors or the applicable committee thereof.

In connection with the Home Shopping Merger, the Company has adopted the Home Shopping Network, Inc. Employee Equity Participation Plan (the "Equity Plan"). The Equity Plan covers all Home Shopping employees who have completed one year and at least 1,000 hours of service, are at least 21 years of age, are not highly compensated as defined in the Equity Plan agreement, and did not hold options to purchase shares of Home Shopping Common Stock. The Board of Directors has not made any additional grants under the Equity Plan for any period subsequent to June 30, 1995.

NOTE N -- STOCK OPTION PLANS

The Company has granted options to purchase common stock under various stock option plans. In connection with the Mergers, the Company assumed and converted Home Shopping and Savoy options into options to acquire USAi Common Stock based on the respective merger exchange ratios, as described in Note C, including corresponding adjustments to the option exercise price. The following describes the stock option plans. Share numbers, prices and earnings per share reflect the Company's two-for-one stock split to holders of record at the close of business on March 12, 1998.

The Company has outstanding options to employees or consultants of the Company under several plans (the "Plans") which provide for the grant of options to purchase the Company's common stock at not less than fair market value on the date of the grant. The options under the Plans vest ratably, generally over a range of three to five years from the date of grant and generally expire not more than 10 years from the date of grant. Three of the Plans have options available for future grants.

The Company also has outstanding options to outside directors under one plan (the "Directors Plan") which provides for the grant of options to purchase the Company's common stock at not less than fair market value on the date of the grant. The options under the Directors Plan vest ratably, generally over three years from the date of grant and expire not more than 10 years from the date of grant.

A summary of changes in outstanding options under the stock option plans following the Company's two-for-one stock split, is as follows:

	DECEMBER 31,						AUGUST 31,	
	1997		1996		1995		1995	
	SHARES	PRICE RANGE	SHARES	PRICE RANGE	SHARES	PRICE RANGE	SHARES	PRICE RANGE
	(Shares in thousands)							
Outstanding at beginning of period	22,872	$ 1-74	4,538	$ 1-16	4,594	$1-13	690	$ 1-9
Granted or issued in connection with mergers	11,580	$10-19	18,580	$ 4-74	20	$ 16	4,062	$5-13
Exercised	(968)	$ 1-16	(238)	$ 1-10	(76)	$ 1-9	(66)	$ 1-9
Cancelled	(548)	$ 5-74	(8)	$11-13	--	--	(92)	$ 1
OUTSTANDING AT END OF PERIOD	32,936	$ 1-74	22,872	$ 1-74	4,538	$1-16	4,594	$ 1-9
Options exercisable	10,840		6,650		1,228		386	
Available for grant	12,192		3,432		2,079		2,099	

The weighted average exercise prices during the year ended December 31, 1997, were $18.77, $7.40 and $14.69 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $11.81.

The weighted average exercise prices during the year ended December 31, 1996, were $10.76, $4.56 and $12.09 for options granted or issued in connection with the Mergers, options exercised and options cancelled, respectively. The weighted average fair value of options granted during the year was $7.92.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	OUTSTANDING AT DECEMBER 31, 1997	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE AT DECEMBER 31, 1997	WEIGHTED AVERAGE EXERCISE PRICE
	(In thousands)			(In thousands)	
$1.00 to $5.00.....	170	3.3	$ 3.12	170	$ 3.12
$5.01 to $10.00.....	14,430	7.9	9.42	7,305	9.40
$10.01 to $15.00.....	5,622	7.8	11.50	2,401	11.56
$15.01 to $20.00.....	12,629	9.5	18.63	879	15.64
Over $20.00.....	85	4.3	44.57	85	44.57
	32,936	8.4	13.36	10,840	10.56

In August 1995, in connection with Mr. Diller's employment, the Company granted Mr. Diller an option (the "Diller Option") to acquire 3,791,694 shares of common stock at an exercise price of $11.31 per share. In connection with granting the Diller Option, the Company recorded unearned compensation of $4.0 million offset by a $4.0 million increase to additional paid-in capital. The unearned compensation resulted from the difference in the exercise price and fair market value of the common stock at the date of grant and is being amortized over the four year vesting period of the options.

Pro forma information regarding net income and earnings per share is required by Statement 123. The information is determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair market value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997 and the periods prior to 1997: risk-free interest rates of 5.5% and 6.4%, respectively; a dividend yield of zero; a volatility factor of .713 based on the expected market price of USAi Common Stock based on historical trends; and a weighted-average expected life of the options of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair market value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair market value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,
	1997	1996	1995
Pro forma net loss.....	$(4,871)	$(21,225)	$(6,007)
Pro forma basic and diluted loss per share.....	$ (.05)	$ (.98)	$ (.32)

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

NOTE O -- STATEMENTS OF CASH FLOWS

Supplemental disclosure of cash flow information:

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED DECEMBER 31,	YEAR ENDED AUGUST 31,
	1997	1996	1995	1995
			(In thousands)	
CASH PAID DURING THE PERIOD FOR:				
Interest	$26,798	$8,939	$3,200	$10,000
Income tax payments	21,453	458	100	1,500
Income tax refund	5,822	--	--	--

Supplemental information of non-cash investing and financing activities:

- - During July 1997, the Company acquired an interest in Ticketmaster by issuing stock as discussed in Note C.

- - During December 1996, the Company acquired Savoy and Home Shopping by issuing stock as discussed in Note C.

- - During August 1995, in connection with the retention of the Chairman and Chief Executive Officer, the Company issued 441,988 shares of USAi Common Stock to its Chairman and Chief Executive Officer in exchange for $2,000 in cash and a note receivable of $5.0 million.

NOTE P -- RELATED PARTY TRANSACTIONS

As of December 31, 1997, the Company was involved in several agreements with related parties as follows:

The Company, through its Home Shopping subsidiary, is a partner in Shop Channel, an entity in which TCI, through a subsidiary, has an indirect ownership interest. In the ordinary course of business, Home Shopping has sold inventory to Shop Channel and recorded receivables of $.8 million and $.7 million for those sales and other services provided at December 31, 1997 and 1996, respectively. The Company's net investment in Shop Channel was $2.5 million and $.5 million at December 31, 1997 and 1996, respectively.

The Company has a secured, non-recourse note receivable of $5.0 million from its Chairman and Chief Executive Officer. See Note K.

The Company entered into a lease agreement with an entity owned by the Chairman of the Board and Chief Executive Officer of the Company providing for the use of an aircraft for corporate purposes. The lease has a five-year term and is terminable by either party on thirty days' notice. In 1997, the Company paid a total of $2.7 million related to the use of the aircraft.

Prior to the Home Shopping Merger, as discussed in Note C, the Company had affiliation agreements with Home Shopping for which the Company recorded revenue of $43.1 million, $14.3 million and $42.5 million for the year ended December 31, 1996, the four months ended December 31, 1995 and the year ended August 31, 1995, respectively. As a result of the Home Shopping Merger, these revenues are eliminated in consolidation for periods subsequent to the Home Shopping Merger.

In the normal course of business, Home Shopping enters into agreements with the operators of cable television systems and operators of broadcast television stations for the carriage of Home Shopping programming. Home Shopping has entered into agreements with a number of cable operators that are affiliates of TCI. These long-term contracts provide for a minimum subscriber guarantee and incentive payments based on the number of subscribers. Cash paid by Home Shopping to TCI and certain of its affiliates under these contracts for cable commissions and advertising was $9.6 million, $11.9 million and $.8 million for calendar years 1997 and 1996 and the 11 days subsequent to the Home Shopping Merger, respectively.

As of December 31, 1997, SKTV, Inc. a wholly-owned subsidiary of the Company, owned a 33.4% membership interest in Blackstar. Home Shopping currently maintains broadcast affiliation agreements with stations for which Blackstar is the parent company. Home Shopping recorded affiliation payments of $4.8 million, $4.7 million and $.1 million relating to those stations, for calendar years 1997 and 1996 and the 11 days subsequent to the Home Shopping Merger, respectively. Subsequent to December 31, 1997, Blackstar and the Company entered into a series of transactions affecting these broadcast stations. See Note V.

NOTE Q -- QUARTERLY RESULTS (UNAUDITED)

	QUARTER ENDED DECEMBER 31,	QUARTER ENDED SEPTEMBER 30,	QUARTER ENDED JUNE 30,	QUARTER ENDED MARCH 31,
	(In thousands, except per share data)			
YEAR ENDED DECEMBER 31, 1997				
Net revenues	$390,257	$326,256	$265,685	$279,551
Operating profit	27,695	22,685	20,730	23,409
Net earnings	3,303	3,516	2,472	3,770
Basic earnings per common share(b)	.03	.03	.03	.04
Diluted earnings per common share	.03	.03	.02	.04
YEAR ENDED DECEMBER 31, 1996				
Net revenues	$ 41,923(a)	$ 11,213	$ 10,924	$ 11,112
Operating profit (loss)	(1,369)(a)	1,774	1,580	1,627
Net (loss)	(5,110)(a)	(371)	(452)	(606)
Basic and diluted (loss) per common share(b)	(.17)(a)	(.02)	(.03)	(.03)

(a) The operating results from the fourth quarter 1996 reflect the impact of the Mergers discussed in Note C.
(b) Per common shares amounts for the quarters do not add to the annual amount because of differences in the average common shares outstanding during each period.

NOTE R -- SIGNIFICANT CUSTOMERS

For the year ended December 31, 1996, four months ended December 31, 1995 and the year ended August 31, 1995, net revenue from a significant customer, Home Shopping, accounted for 57.3%, 89.5% and 88.7%, respectively, of the Company's net revenue. As a result of the Mergers described in Note C, Home Shopping became a subsidiary of the Company and such revenues are eliminated in consolidation.

NOTE S -- INDUSTRY SEGMENTS

For the year ended December 31, 1997, the Company operated principally in three industry segments; retailing, ticketing operations, and broadcasting. The retailing segment consists of Home Shopping, which primarily includes the sale of merchandise through electronic retailing. The ticketing operations segment provides automated ticketing services primarily in the United States. The broadcasting segment includes the operations of 12 broadcast television stations (including one television satellite station), which currently

transmit Home Shopping programming and six broadcast television stations (including two television satellite stations) which are Fox affiliates.

	YEARS ENDED DECEMBER 31,		FOUR MONTHS ENDED	YEAR ENDED AUGUST 31,
	1997	1996	DECEMBER 31, 1995	1995
	(In thousands)			
Revenue				
Retailing	$1,037,060	$ 30,588	$ --	$ --
Ticketing operations	156,378	--	--	--
Broadcasting	54,138	43,359	15,061	44,563
Other	14,173	1,225	919	3,355
	$1,261,749	$ 75,172	$ 15,980	$ 47,918
Operating profit (loss)				
Retailing	$ 98,825	$ (522)	$ --	$ --
Ticketing operations	12,241	--	--	--
Broadcasting	(8,997)	4,175	30	9,368
Other	(7,550)	(41)	(710)	(1,132)
	$ 94,519	$ 3,612	$ (680)	$ 8,236
Assets				
Retailing	$1,663,509	$1,628,818	$ --	$ --
Ticketing operations	518,273	--	--	--
Broadcasting	365,384	355,926	135,082	140,563
Other	123,630	131,488	1,588	2,354
	$2,670,796	$2,116,232	$136,670	$142,917
Depreciation and amortization				
Retailing	$ 65,152	$ 1,871	$ --	$ --
Ticketing operations	13,180	--	--	--
Broadcasting	15,838	13,187	4,531	13,833
Other	2,854	428	170	841
	$ 97,024	$ 15,486	$ 4,701	$ 14,674
Capital expenditures				
Retailing	$ 27,812	$ 447	$ --	$ --
Ticketing operations	7,788	--	--	--
Broadcasting	8,262	696	163	998
Other	2,007	--	--	705
	$ 45,869	$ 1,143	$ 163	$ 1,703

The Company operates principally within the United States. In 1997, broadcasting revenue was principally derived from the Fox affiliates. Prior to 1997, broadcasting revenue was principally derived from the broadcasting of Home Shopping programming.

NOTE T -- FINANCIAL INSTRUMENTS

The additional disclosure below of the estimated fair value of financial instruments was made in accordance with the requirements of Statements of Financial Accounting Standards No. 107. The estimated fair value amounts have been determined by the Company using available market information and appropriate

valuation methodologies when available. The carrying value of all current assets and current liabilities approximates fair value due to their short-term nature.

	DECEMBER 31, 1997		DECEMBER 31, 1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(In thousands)			
Cash and cash equivalents	$ 116,036	$ 116,036	$ 42,606	$ 42,606
Long-term investments	47,926	47,926	30,121	30,121
Long-term obligations	(461,264)	(461,264)	(314,336)	(314,336)

NOTE U -- SAVOY SUMMARIZED FINANCIAL INFORMATION (UNAUDITED)

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.

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS	YEARS ENDED DECEMBER 31, 1997	1996	1995
	(In thousands)		
Net sales	$67,107	$ 117,951	$ 92,599
Cost of sales	65,200	254,009	164,464
Operating income/(loss)	1,907	(136,058)	(71,865)
Net income/(loss)	(5,972)	(156,074)	(73,744)

SUMMARY CONSOLIDATED BALANCE SHEETS	DECEMBER 31, 1997	1996
	(In thousands)	
Current assets	$ 31,898	$ 61,901
Non-current assets	289,381	302,195
Current liabilities	32,836	60,716
Non-current liabilities	110,470	124,198
Minority interest	119,427	112,717

NOTE V -- SUBSEQUENT EVENTS (UNAUDITED)

On January 23, 1998, the Company gave notice that it elected to redeem on March 1, 1998, at a redemption price of 104.7% of the principal amount, all of the outstanding Home Shopping Debentures. The Home Shopping Debentures were all converted by the holders into shares of USAi Common Stock on or prior to March 1, 1998.

On January 28, 1998, the Company consummated the sale of its Baltimore station for $80.0 million.

On February 11, 1998, at the Annual Meeting of Stockholders of the Company, the stockholders approved an increase in the authorized shares of USAi common stock from 150,000,000 shares to 800,000,000 shares and USAi Class B common stock from 30,000,000 shares to 200,000,000 shares.

On February 12, 1998, the Company completed its previously announced acquisition of USA Networks and USA Networks Studios from Universal, an entity controlled by The Seagram Company Ltd. ("Seagram"). The consideration paid to Universal included a cash payment of approximately $1.63 billion, a portion of which ($300.0 million) has been deferred until no later than June 30, 1998, and an interest in the Company through shares of USAi Common Stock and USAi Class B Common Stock and shares of a newly formed

limited liability company which are exchangeable into shares of USAi Common Stock and USAi Class B Common Stock.

On February 12, 1998, the Company, and certain of its subsidiaries, including USANi LLC as borrower, entered into a new $1.6 billion credit facility (the "New Facility") with a $40.0 million sub-limit for letters of credit. The New Facility was used to finance the Universal Transaction and to refinance the HSNi Facility. The New Facility consists of a $600.0 million revolving credit facility, a $750.0 million "Tranche A Term Loan" and a $250.0 million "Tranche B Term Loan". The revolving credit facility and Tranche A Term Loan mature on December 31, 2002 and the Tranche B Term Loan matures on December 31, 2003. The New Facility is guaranteed by, and secured by stock in, substantially all of the Company's material subsidiaries. The interest rate on borrowings under the New Facility is tied to an alternate base rate or the London InterBank Rate, in each case, plus an applicable margin. As of March 13, 1998, there was $1.4 billion in outstanding borrowings under the New Facility and $151.7 million was available for borrowing after taking into account outstanding letters of credit.

On February 20, 1998, the Board of Directors declared a two-for-one stock split of the Company'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 March 12, 1998. The 100% stock dividend was paid on March 26, 1998.

In February 1998, the Company entered into a letter of intent to acquire the remaining outstanding interest in Blackstar for $17.0 million. In March 1998, Blackstar agreed to sell a television broadcasting station in Salem, Oregon for $30.0 million. Home Shopping agreed to terminate its affiliation agreement with the Salem, Oregon station, as well as affiliation agreements with two other stations, for the payment of $15.0 million. In March 1998, the Company acquired the assets of Television Station WNGM-TV; Athens, Georgia for $50.0 million, plus working capital.

On March 20, 1998, the Company and Ticketmaster entered into a merger agreement regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for .563 of a share of USAi Common Stock. (1.126 shares after giving effect to Company's two-for-one stock split as of March 12, 1998). The merger agreement was entered into based upon the recommendation of the Special Committee of the Ticketmaster Board that had been appointed to consider USAi's merger proposal in October 1997. Consummation of the merger is subject to customary conditions, including the approval of the merger by Ticketmaster's shareholders. The Company expects that the merger will be completed in the third quarter of 1998. Based on the number of shares of Ticketmaster Common Stock outstanding as of March 9, 1998, USAi expects to issue approximately 15.4 million shares of Common Stock to Ticketmaster stockholders in connection with the proposed merger. Universal and Liberty have certain preemptive rights which will be exercisable if the merger with Ticketmaster is consummated.

The Company has guaranteed the principal payments of approximately $11.6 million for the year ended December 31, 1998 in the event that SF Broadcasting is unable to meet these obligations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

INFORMATION REGARDING DIRECTORS

Barry Diller, age 55, has been a director and the Chairman of the Board and Chief Executive Officer of USAi since August 24, 1995. He was Chairman of the Board and Chief Executive Officer of QVC, Inc. from December 1992 through December 1994. From 1984 to 1992, Mr. Diller served as the Chairman of the Board and Chief Executive Officer of Fox, Inc. Prior to joining Fox, Inc., Mr. Diller served for ten years as Chairman of the Board and Chief Executive Officer of Paramount Pictures Corporation. Mr. Diller is a director and member of the Executive Committee of Seagram, and serves as a director of Ticketmaster and Golden Books Family Entertainment, Inc. He also serves on the Board of the Museum of Television and Radio and is a member of the Board of Councilors for the University of Southern California's School of Cinema-Television. Mr. Diller also serves on the Board of Directors for AIDS Project Los Angeles, the Executive Board for the Medical Sciences of University of California, Los Angeles and the Board of the Children's Advocacy Center of Manhattan.

Paul G. Allen, 44, has been a director of USAi since July 1997. Mr. Allen has served as a director and Chairman of the Board of Ticketmaster since December 1993. Mr. Allen has been a private investor for more than five years, with interests in a wide variety of companies, many of which focus on multimedia digital communications such as Asymetrix Corp. and Interval Research Corporation, of which Mr. Allen is the controlling shareholder and a director. In addition, Mr. Allen is the Chairman of the Board of Trail Blazers Inc. of the National Basketball Association and is the owner of the Seattle Seahawks of the National Football League. Mr. Allen currently serves as a director of Microsoft Corporation and also serves as a director of various private corporations.

Frank J. Biondi, Jr., 52, has been a director of USAi since the consummation of the Universal Transaction in February 1998. He has been Chairman and Chief Executive Officer of Universal since April 1996. Previously, he was President, Chief Executive Officer and a director of Viacom, Inc., an entertainment and publishing company. Mr. Biondi is a director of Seagram, The Bank of New York and Vail Resorts Inc.

Edgar Bronfman, Jr., 42, has been a director of USAi since the consummation of the Universal Transaction in February 1998. He has been President and Chief Executive Officer of Seagram since June 1994. Previously, he was President and Chief Operating Officer of Seagram. Mr. Bronfman is a director of Seagram.

James G. Held, age 48, has been a director of USAi since December 1996 and served as Vice Chairman from January 1997 to February 1998. He was appointed as a director of USAi pursuant to the terms of the Home Shopping Merger. He previously had served as a director of Home Shopping since February 1996. Since November 1995, Mr. Held has been President and Chief Executive Officer of Home Shopping. From January 1995 to November 1995, Mr. Held served as President and Chief Executive Officer of Adrienne Vittadini, Inc., an apparel manufacturer and retailer. Between September 1993 and January 1995, Mr. Held was a senior executive of QVC, Inc., first as Senior Vice President in charge of new business development and later as Executive Vice President of merchandising, sales, product planning and new business development. For eleven years prior to that, until September 1993, Mr. Held was employed in different executive positions at Bloomingdale's, Inc. Mr. Held currently serves as a director of Ticketmaster.

Victor A. Kaufman, age 54, has been a director of USAi since December 1996. Mr. Kaufman has served in the Office of the Chairman for the Company since January 27, 1997 and as Chief Financial Officer since November 1, 1997. Prior to that time, he served as Chairman and Chief Executive Officer of Savoy since March 1992 and as a director of Savoy since February 1992. Mr. Kaufman was the founding Chairman and Chief Executive Officer of Tri-Star Pictures, Inc. ("Tri-Star") from 1983 until December 1987, at which time he became President and Chief Executive Officer of Tri-Star's successor company, Columbia Pictures Entertainment, Inc. ("Columbia"). He resigned from these positions at the end of 1989 following the

acquisition of Columbia by Sony USA, Inc. Mr. Kaufman joined Columbia in 1974 and served in a variety of senior positions at Columbia and its affiliates prior to the founding of Tri-Star.

Robert W. Matschullat, 50, has been a director of USAi since the consummation of the Universal Transaction in February 1998. He has been Vice Chairman and Chief Financial Officer of Seagram since October 1995. Previously, he was Managing Director and Head of Worldwide Investment Banking for Morgan Stanley & Co., Inc. and a director of Morgan Stanley Group, Inc., investment bankers. Mr. Matschullat is a director of Seagram and Transamerica Corporation.

Samuel Minzberg, 48, has been a director of USAi since the consummation of the Universal Transaction in February 1998. He has been President and Chief Executive Officer of Claridge Inc., a management company, since January 1, 1998. Previously, he was Chairman of Goodman, Phillips and Vineberg, attorneys at law. Mr. Minzberg is a director of Koor Industries, Ltd.

William D. Savoy, 33, has served as a director of USAi since July 1997. He has served as a director of Ticketmaster since September 1994. Mr. Savoy currently serves as Vice President of Vulcan Ventures, Incorporated, a venture capital fund wholly owned by Paul Allen, and has served as the President of Vulcan Northwest Inc., a venture capital firm, since January 1990. Mr. Savoy is a director of CINET, Inc., Harbinger Corporation, Telescan, Inc. and U.S. Satellite Broadcasting, Inc.

Gen. H. Norman Schwarzkopf, age 63, has been a director of USAi since December 1996. He was appointed as a director of USAi pursuant to the terms of the Home Shopping Merger. He previously had served as a director of Home Shopping since May 1996. Since his retirement from the military in August 1991, Gen. Schwarzkopf has been an author and a participant in several television specials and is currently working with NBC on additional television programs. From August 1990 to August 1991, he served as Commander-in-Chief, United States Central Command and Commander of Operations, Desert Shield and Desert Storm. General Schwarzkopf had 35 years of service with the military. He is also on the Board of Governors of the Nature Conservancy, Chairman of the Starbright Capital Campaign, co-founder of the Boggy Creek Gang, a member of the University of Richmond Board of Trustees, and serves on the Boards of Directors of Borg Warner Security Corporation, Remington Arms Company, Kuhlman Corporation and Cap CURE, Association for the Cure of Cancer of the Prostate.

Richard E. Snyder, age 64, has been a director of USAi since December 1996. He has been Chairman and Chief Executive Officer of Golden Books Family Entertainment, Inc. since May 1996. Mr. Snyder was the Chairman and Chief Executive Officer of Simon & Schuster from 1975 to 1994. He is a trustee of The Presbyterian Hospital and a director of Reliance Group Holdings, Inc., Children's Blood Foundation, and the Board of Overseers for University Libraries of Tufts University. Mr. Snyder is a member of the Council of Foreign Relations, The Economic Club, Society Fellows, New York Zoological Society, and the Library Committee of the American Museum of Natural History.

EXECUTIVE OFFICERS

The following sets forth certain information concerning the persons who currently serve as executive officers of the Company and who do not serve on the Company's Board of Directors.

Brian J. Feldman, age 38, has served as Controller of USAi since January 27, 1997 and Vice President and Controller of Home Shopping since March 1996. He served as Controller, Deputy Controller and Assistant Controller for Home Shopping from May 1989 to March 1996.

Dara Khosrowshahi, age 28, joined USAi March 2, 1998 and serves as Vice President, Strategic Planning. Prior to joining USAi, from 1991 to 1998, he worked at Allen & Company Incorporated where he served as a Vice President from 1995 to 1998 and as Director from 1996 to 1998.

Thomas J. Kuhn, age 35, joined USAi on February 9, 1998. Mr. Kuhn serves as Senior Vice President, General Counsel and Secretary of the Company. Prior to joining USAi, from 1996 to 1998, he was a partner in the New York City law firm of Howard, Darby & Levin. From 1989 until 1996, Mr. Kuhn was associated with the law firm of Wachtell, Lipton, Rosen & Katz in New York City.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

For the 1997 fiscal year, no person subject to Section 16 of the Exchange Act failed to file on a timely basis reports required by such Section.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF OUTSIDE DIRECTORS

Each director who is not an employee of USAi receives an annual retainer of $30,000 per year. USAi also pays each such director $1,000 for each USAi Board meeting and each USAi Board committee meeting attended, plus reimbursement for all reasonable expenses incurred by such director in connection with such attendance at any meeting of the USAi Board or one of its committees.

Under the USAi Directors' Stock Option Plan (the "Directors' Stock Option Plan"), directors who are not employees of USAi receive a grant of options to purchase 5,000 shares of Common Stock upon initial election to office and thereafter annually on the date of USAi's annual meeting of stockholders at which the director is re-elected. The exercise price per share of Common Stock subject to such options is the fair market value of Common Stock on the date of grant, which is defined as the mean of the high and low sale price on such date on any stock exchange on which Common Stock is listed or as reported by NASDAQ, or, in the event that Common Stock is not so listed or reported, as determined by an investment banking firm selected by the Compensation/Benefits Committee. Such options vest in increments of 1,667 shares on each of the first two anniversaries of the date of grant, and 1,666 shares on the third. The options expire ten years from the date of grant or 120 days from the date that a director no longer serves on the Board, whichever occurs first. For directors who became directors on July 17, 1997, the exercise price per share of the annual grant was $16.375, after adjustment for the two-for-one stock split for holders of record as of the close of business on March 12, 1998, and for directors who were re-elected on February 11, 1998 who had served since the last annual meeting, the grant price was $25.8125.

An Option grant in the amount of 4,500 shares was made in January 1997 to Gen. Schwarzkopf at an exercise price of $12.78 per share. These options vest over a two year period and are exercisable for a period of five years from the date that they vest. The option grant replaces options that were terminated as a result of the Home Shopping Merger.

On February 20, 1998, Messrs. Allen and Savoy each received a grant of 20,000 options and Gen. Schwarzkopf and Mr. Snyder each received a grant of 10,000 options, after adjustment for the two-for-one stock split, under the 1997 Stock and Annual Incentive Plan (the "1997 Incentive Plan"), all at a grant price of $24.6875.

SUMMARY OF EXECUTIVE OFFICER COMPENSATION

The following sets forth the annual and long-term compensation for services to USAi for the years ended December 31, 1997 and December 31, 1996 and the four months ended December 31, 1995 and the fiscal year ended August 31, 1995 of those persons who were, at December 31, 1997, (i) the Chief Executive Officer of USAi, and (ii) the other four most highly compensated officers of USAi whose compensation exceeded $100,000 for fiscal year 1997.

SUMMARY COMPENSATION TABLE(1)

		ANNUAL COMPENSATION			LONG TERM COMPENSATION		
NAME & PRINCIPAL POSITION	FISCAL YEAR (1)	SALARY $	BONUS ($)	OTHER ANNUAL COMPENSATION ($)(2)	RESTRICTED STOCK AWARDS ($)	STOCK OPTIONS (#)(3)	ALL OTHER COMPENSATION ($)
Barry Diller.....	1997	0	0	0	0	9,500,000(4)	1,282,343(5)
Chairman and Chief	1996	0	1,618,722(6)	0	0	0	1,280,508(5)(7)
Executive Officer	1995*	0	833,333(6)	0	0	13,220,000(8)	424,892(5)(7)
	1995(9)	0	47,945(6)	1,892,401(10)	0	3,791,694(5)	25,200(5)(7)
James G. Held.....	1997	500,000	650,000	0	0	750,000(11)	520(7)
Vice Chairman	1996(12)	19,230	150,000	0	0	2,250,000(11)	520(7)
Victor A. Kaufman.....	1997	500,000	0	0	0	500,000(13)	0
Office of the Chairman and Chief Financial Officer(14)	1996	19,230	0	0	0	346,000(13)	0
Jed B. Trosper.....	1997	259,134	84,750	129,953(15)	0	300,000	0
Vice President and Chief Financial Officer(16)							
James G. Gallagher.....	1997	215,480	0	33,108(15)	0	0	520(7)
Vice President, General	1996	7,692	0	0	0	31,500	0
Counsel and Secretary(17)							
Brian J. Feldman.....	1997	130,361	10,000	0	0	5,000	520(7)
Controller	1996	4,684	0	0	0	21,600(18)	520(7)

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(1) Effective January 1, 1996, USAi's fiscal year end was changed from August 31 to the calendar year end. For purposes of the Summary Compensation Table, "1997" and "1996" refer to the calendar years 1997 and 1996, "1995*" refers to the four months ended December 31, 1995, and "1995" refers to the fiscal year ended August 31, 1995.

(2) Disclosure of perquisites and other personal benefits, securities or property received by each of the Chief Executive Officer and USAi's four most highly compensated executive officers other than the Chief Executive Officer (collectively, the "USAi Named Executive Officers") is only required where the aggregate amount of such compensation exceeded the lesser of $50,000 or 10% of the total of the USAi Named Executive Officer's salary and bonus for the year.

(3) These option grants reflect the two-for-one stock split which became effective for holders of record as of the close of business on March 12, 1998.

(4) This stock option grant includes 9,500,000 shares granted pursuant to the 1997 Incentive Plan.

(5) Mr. Diller was granted options in 1995 to purchase 3,791,694 shares of Common Stock, vesting over a four-year period, at an exercise price below the fair market value of Common Stock on the date of grant. USAi has amortized unearned compensation of $19,046 in 1995, $331,038 in 1995*, $993,135 in 1996 and $995,856 in 1997. In addition, Mr. Diller has an interest-free, secured, non-recourse promissory note in the amount of $4,997,779 payable to USAi which was used to purchase 441,988 shares of Common Stock. As a result, Mr. Diller has compensation for imputed interest of $6,154 in 1995, $93,854 in 1995*, $286,373 in 1996 and $286,487 in 1997.

(6) Pursuant to an equity compensation agreement between Mr. Diller and USAi (the "Equity Compensation Agreement"), Mr. Diller received a bonus payment of approximately $2.5 million on August 24, 1996. USAi accrued seven days of this bonus in fiscal 1995 and four months for 1995.

(7) Includes USAi's contributions under its 401(k) Retirement Savings Plan (the "401(k) Plan"). Pursuant to the 401(k) Plan as in effect through December 31, 1997, the USAi Board could elect to

match a portion of employee contributions up to a maximum amount of $1,000 per year, which contributions vest in equal installments over a five-year period.

(8) Includes 1,250,000 options granted to Mr. Diller as a result of completion of the Home Shopping Merger and the Savoy Merger and also includes 11,970,000 options to purchase Common Stock resulting from the conversion of options to purchase Home Shopping common stock granted to Mr. Diller in November 1995 as Chairman of Home Shopping into options to purchase shares of Common Stock.

(9) Mr. Diller was appointed Chairman of the Board and Chief Executive Officer of USAi on August 24, 1995.

(10) This figure includes $966,263 in compensation paid to Mr. Diller to fund his tax liability in connection with his acquisition of certain shares of Common Stock pursuant to the Equity Compensation Agreement, and $926,138 in non-cash income to Mr. Diller based upon the difference between the fair market value of those shares on the date of purchase and the price per share paid for the Common Stock by Mr. Diller.

(11) Includes 750,000 options granted to Mr. Held pursuant to the 1995 Stock Incentive Plan and 2,250,000 shares granted pursuant to the 1996 Home Shopping Network, Inc. Employee Stock Option Plan (the "Home Shopping Employee Plan") and assumed by USAi pursuant to the terms of the Home Shopping Merger.

(12) Mr. Held became a Director of USAi in December 1996 and Vice Chairman of USAi in January 1997, and currently serves as President and Chief Executive Officer of Home Shopping.

(13) Includes 56,000 vested options to purchase Common Stock assumed by USAi pursuant to the Savoy Merger. Includes 18,000 vested options to purchase Common Stock resulting from conversion of options granted pursuant to the Home Shopping Employee Plan and 50,000 vested options to purchase Common Stock granted pursuant to the 1995 Stock Incentive Plan. Includes 150,000 shares of Common Stock granted pursuant to the 1995 Stock Incentive Plan and options to purchase 72,000 shares of Common Stock resulting from the conversion of options granted pursuant to the Home Shopping Employee Plan. Also reflects options to purchase 500,000 shares pursuant to the 1997 Incentive Plan.

(14) Mr. Kaufman assumed the position of Chief Financial Officer of USAi on November 1, 1997.

(15) Represents relocation reimbursements.

(16) Mr. Trosper currently serves as Senior Executive Vice President and Chief Operating Officer of Home Shopping, and was Chief Financial Officer of USAi from January 1997 to November 1997.

(17) Mr. Gallagher currently serves as Executive Vice President, General Counsel and Secretary of Home Shopping, and was Vice President, General Counsel of USAi from October 14, 1996 to February 11, 1998.

(18) Includes 21,600 options granted under the Home Shopping 1986 Stock Option Plan for Employees assumed by USAi pursuant to the terms of the Home Shopping Merger.

OPTION GRANTS

Set forth in the table below is information with respect to options to purchase Common Stock granted to the USAi Named Executive Officers during the year ended December 31, 1997. The grants were made under the 1995 Stock Incentive Plan, the Home Shopping Employee Plan and the 1997 Incentive Plan (collectively, the "Stock Incentive Plans").

The Stock Incentive Plans are administered by the Compensation/Benefits Committee, which has the sole discretion to determine the selected officers, employees and consultants to whom incentive or non-qualified options, SARs, restricted stock and performance units may be granted. As to such awards, the Compensation/Benefits Committee also has the sole discretion to determine the number of shares subject thereto and the type, terms, conditions and restrictions thereof. The exercise price of an incentive stock option granted under the Stock Incentive Plans must be at least 100% of the fair market value of USAi's Common Stock on the date of grant. In addition, options granted under the Stock Incentive Plans terminate within ten

years of the date of grant. To date, only non-qualified stock options have been granted under the Stock Incentive Plans.

OPTION/SAR GRANTS IN LAST FISCAL YEAR(1)

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)(2)	PERCENT OF TOTAL OPTIONS TO EMPLOYEES GRANTED IN THE FISCAL YEAR	EXERCISE PRICE PER SHARE ($/SH)(2)	EXPIRATION DATE(3)	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS(4)	
					5%($)	10%($)
Barry Diller..... Chairman and Chief Executive Officer	9,500,000	83.5%	19.313	10/20/2007	115,382,511	292,401,937
James G. Held..... Vice Chairman(5)	750,000	6.6%	16.5938	7/23/2007	7,826,790	19,834,623
Victor A. Kaufman.... Office of the Chairman and Chief Financial Officer(6)	500,000	4.4%	19.313	10/20/2007	6,072,764	15,389,576
Jed B. Trosper.....	180,000	1.6%	10.125	1/27/2007	1,146,160	2,904,596
Vice President and Chief Financial Officer(7)	120,000	1.06%	16.5938	7/23/2007	1,252,286	3,173,540
James G. Gallagher... Vice President, General Counsel and Secretary(8)	0	--	--	--	--	--
Brian J. Feldman..... Controller	5,000	.05%	12.875	5/07/2007	40,485	102,597

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(1) Under the terms of the Stock Incentive Plans, the Compensation/Benefits Committee retains discretion, subject to plan limits, to modify the terms of outstanding options and to reprice such options.
(2) These option grants and the related exercise prices reflect the two-for-one stock split which became effective for holders of record as of the close of business on March 12, 1998.
(3) Under the Stock Incentive Plans, the Compensation/Benefits Committee determines the exercise price, vesting schedule and exercise periods for option grants made pursuant to those Plans. Options granted during the year ended December 31, 1997, generally become exercisable in four equal, annual installments commencing on the first anniversary of the grant date. Each such option expires ten years from the date of grant.
(4) Potential value is reported net of the option exercise price, but before taxes associated with exercise. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on the future performance of Common Stock, overall stock market conditions, as well as on the option holders' continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved.
(5) Mr. Held currently serves as President and Chief Executive Officer of Home Shopping.
(6) Mr. Kaufman assumed the position of Chief Financial Officer of USAi on November 1, 1997.
(7) Mr. Trosper currently serves as Senior Executive Vice President and Chief Operating Officer of Home Shopping and previously served as Vice President and Chief Financial Officer of USAi from January 1997 to November 1997.
(8) Mr. Gallagher currently serves as Executive Vice President, General Counsel and Secretary of Home Shopping and previously served as Vice President, General Counsel of USAi from January 27, 1997 to February 20, 1998.

OPTION EXERCISES

The following table provides information concerning the exercise of stock options by the USAi Named Executive Officers during the fiscal year ended December 31, 1997 and the fiscal year-end value of all unexercised options held by such persons.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES(1)

NAME	ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF UNEXERCISED OPTIONS HELD AT YEAR END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END($)(2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Barry Diller(3)..... Chairman and Chief Executive Officer	0	0	8,505,847	18,005,847	131,444,397	192,600,647
James G. Held(4)..... Vice Chairman	0	0	1,125,000	1,875,000	18,343,744	25,210,931
Victor A. Kaufman..... Office of the Chairman and Chief Financial Officer	0	0	124,000	722,000	927,250	6,271,500
Jed B. Trosper(5)..... Vice President and Chief Financial Officer	0	0	0	300,000	0	3,911,250
James G. Gallagher(6).... Vice President, General Counsel and Secretary	0	0	6,300	25,200	92,226	368,903
Brian J. Feldman..... Controller	0	0	14,400	12,200	217,828	160,775

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(1) Reflects the two-for-one stock split which became effective for holders of record as of the close of business on March 12, 1998.
(2) Represents the difference between the $25.75 closing price of Common Stock on December 31, 1997 and the exercise price of the options, and does not include the U.S. federal and state taxes due upon exercise.
(3) Mr. Diller's options consist of options to purchase (i) 1,250,000 shares of Common Stock granted in 1995 pursuant to the 1995 Stock Incentive Plan, (ii) 3,791,694 shares of Common Stock granted during 1995 pursuant to the Equity Compensation Agreement, (iii) 11,970,000 shares of Common Stock resulting from the conversion of options to purchase Home Shopping common stock and (iv) 9,500,000 shares of Common Stock under the 1997 Incentive Plan (subject to shareholder approval). One half of each of the options set forth in (i) through (iii) above were exercisable as of December 31, 1997.
(4) Mr. Held currently serves as President and Chief Executive Officer of Home Shopping.
(5) Mr. Trosper currently serves as Senior Executive Vice President and Chief Operating Officer of Home Shopping.
(6) Mr. Gallagher currently serves as Executive Vice President, General Counsel and Secretary of Home Shopping.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation/Benefits Committee were Messrs. Savoy and Ramer until the resignation of Mr. Ramer from the Board of Directors on March 11, 1998, Messrs. Segal and Sheinberg also served on the Compensation/Benefits Committee during 1997. None of these directors was ever an officer or employee of USAi or its subsidiaries.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 13, 1998, information relating to the beneficial ownership of Common Stock by (i) each person known by USAi to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each director, (iii) the Chief Executive Officer of USAi and the other four most highly compensated executive officers of USAi whose compensation exceeded $100,000 for fiscal year 1997, and (iv) all executive officers and directors of USAi as a group:

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES(1)	PERCENT OF CLASS	PERCENT OF VOTES (ALL CLASSES)(2)
Capital Research & Management Co. & The Capital Group Companies, Inc. ..... 333 South Hope Street Los Angeles, CA 90071	8,602,360	7.6%	2.0%
Denver Investment Advisers, LLC..... 1225 17th St., 26th Floor Denver, CO 80202	6,950,460	6.2%	1.6%
Tele-Communications, Inc.(3)(4)..... 5619 DTC Parkway Englewood, CO	24,924,986	17.2%	57.6%
The Seagram Co. Ltd.(5)..... 375 Park Avenue New York, NY 10152	13,500,000	9.3%	16.4%
Barry Diller(3)(5)(6).....	47,904,823	33.1%	75.9%
Paul Allen(7).....	14,822,014	13.1%	3.4%
Frank J. Biondi(8)(9).....	2,700	*	*
Edgar J. Bronfman, Jr.(9).....	0	*	*
Brian J. Feldman(10).....	18,092	*	*
James G. Gallagher(11).....	6,328	*	*
James G. Held(12).....	1,125,090	*	*
Victor A. Kaufman(13).....	352,000	*	*
Robert W. Matschullat(9).....	0	*	*
Samuel Minzberg(9).....	0	*	*
William D. Savoy(14).....	29,000	*	*
Gen. H. Norman Schwarzkopf(15).....	21,334	*	*
Richard E. Snyder(16).....	3,334	*	*
Jed B. Trosper(17).....	45,028	*	*
All executive officers and directors as a group (18 persons).....	64,329,743	44.6%	79.7%

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* The percentage of shares beneficially owned does not exceed 1% of the class.

Unless otherwise indicated, beneficial owners listed here may be contacted at USAi's corporate headquarters address, 152 West 57th Street, New York, NY 10019. The percentage of votes listed

assumes the conversion of any shares of Class B Common Stock owned by such listed person, but does not assume the conversion of Class B Common Stock owned by any other person. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be the beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which that person has no beneficial interest.

(1) The number of shares reflects the two-for-one stock split which became effective for holders of record at the close of business on March 12, 1998.
(2) The percentage of votes for all classes is based on one vote for each share of Common Stock and ten votes for each share of Class B Common Stock. These figures do not include any unissued shares of Common Stock or Class B Common Stock issuable upon conversion of Liberty HSN's Home Shopping shares and LLC Shares beneficially owned by Liberty or Seagram.
(3) Liberty, a wholly owned subsidiary of TCI, Universal, Seagram, USAi and Mr. Diller are parties to a stockholders agreement (the "Stockholders Agreement") pursuant to which Liberty and Mr. Diller have formed BDTV INC., BDTV II INC., BDTV III INC. and BDTV IV INC (together the "BDTV Entities") which entities hold 4,000,000, 15,618,22, 4,005,182 and 800,000 shares of Class B Common Stock, respectively. Mr. Diller also owns through intermediate entities 973,968 shares of Common Stock and options to purchase 26,511,694 shares of Common Stock, 8,505,847 of which are currently vested representing 8.6% of the issued and outstanding shares of Common Stock as of March 13, 1998. Mr. Diller generally has the right to vote all of the shares of the BDTV Entities and the shares of Common Stock and Class B Common Stock held by Seagram and Liberty. If the BDTV Entities converted their beneficially owned Class B Common Stock into Common Stock, such shares would represent approximately 19.3% of the issued and outstanding shares of Common Stock.
(4) Consists of beneficial ownership of 24,801,726 shares of Class B Common Stock held by the BDTV Entities, which may be converted at any time into an equal number of shares of Common Stock, and 123,260 shares of Common Stock. These shares are subject to the Stockholders Agreement.
(5) Includes 6,380,000 shares of Class B Common Stock, which may be converted at any time into an equal number of shares of Common Stock, and 7,120,000 shares of Common Stock as to which Mr. Diller has general voting power and which are otherwise beneficially owned by Seagram. These shares are subject to the Stockholders Agreement.
(6) Includes 973,968 shares of Common Stock owned by Mr. Diller, vested options to purchase 8,505,847 shares of Common Stock, 31,181,726 shares of Class B Common Stock beneficially owned by the BDTV Entities, which shares are convertible into Common Stock, and 7,243,260 shares of Common Stock with respect to which Mr. Diller has general voting authority pursuant to the Stockholders Agreement may be deemed to be a beneficial owner. Also includes 22 shares of Common Stock held by the BDTV Entities. Does not include unvested options to purchase 8,505,847 shares of Common Stock previously granted to Mr. Diller or unvested options to purchase 9,500,000 shares of Common Stock pursuant to the 1997 Incentive Plan. These shares are subject to the Stockholders Agreement.
(7) Consists of beneficial ownership of 14,822,014 shares of Common Stock. Does not reflect unvested options to purchase 10,000 shares of Common Stock pursuant to the Directors' Stock Option Plan or unvested options to purchase 20,000 shares pursuant to the 1997 Incentive Plan.
(8) Consists of beneficial ownership of shares owned under a retirement plan.
(9) Has waived the right to receive options under the Directors' Stock Option Plan.
(10) Consists of beneficial ownership of 3,150 shares of Common Stock and vested options to purchase 14,400 shares of Common Stock granted pursuant to the Home Shopping Employee Plan and 542 shares under the Home Shopping Network, Inc. Retirement Savings Plan (the "Retirement Savings Plan"). Does not include unvested options to purchase 5,000 shares of Common Stock granted pursuant to the 1995 Stock Incentive Plan and unvested options to purchase 7,200 shares of Common Stock granted pursuant to the Home Shopping Employee Plan.

(11) Consists of vested options to purchase 6,300 shares of Common Stock granted pursuant to the Home Shopping Employee Plan and 28 shares of Common Stock under the Retirement Savings Plan. Does not include unvested options to purchase 25,200 shares of Common Stock pursuant to the Home Shopping Employee Plan.
(12) Consists of vested options to purchase 1,125,000 shares of Common Stock granted pursuant to the Home Shopping Employee Plan and 90 shares of Common Stock under the Retirement Savings Plan. Does not include unvested options to purchase 1,875,000 shares of Common Stock pursuant to the Home Shopping Employee Plan.
(13) Consists of 210,000 shares of Common Stock, vested options to purchase 56,000 shares of Common Stock assumed by pursuant to the Savoy Merger, vested options to purchase 36,000 shares of Common Stock resulting from conversion of options granted pursuant to the Home Shopping Employee Plan and vested options to purchase 50,000 shares of Common Stock granted pursuant to the 1995 Stock Incentive Plan. Does not reflect unvested options to purchase 150,000 shares of Common Stock granted pursuant to the 1995 Stock Incentive Plan, unvested options to purchase 54,000 shares of Common Stock resulting from conversion of options granted pursuant to the Home Shopping Employee Plan or unvested options to purchase 500,000 shares pursuant to the 1997 Incentive Plan.
(14) Consists of beneficial ownership of 29,000 shares of Common Stock. Does not reflect unvested options to purchase 10,000 shares of Common Stock pursuant to the Directors' Stock Option Plan or unvested options to purchase 20,000 shares pursuant to the 1997 Incentive Plan.
(15) Consists of 18,000 vested options to purchase shares of Common Stock granted under the Home Shopping Employee Plan pursuant to a consulting agreement with Home Shopping and vested options to purchase 3,334 shares of Common Stock granted under the Directors' Stock Option. Does not include unvested options to purchase 16,666 shares of Common Stock pursuant to the Directors' Stock Option Plan, unvested options to purchase 1,500 shares of Common Stock under the Home Shopping Directors' Stock Option Plan which were converted pursuant to the terms of the Home Shopping Merger, unvested options to purchase 30,000 shares of Common Stock granted under the Home Shopping Employee Plan pursuant to a consulting agreement with Home Shopping or unvested options to purchase 10,000 shares pursuant to the Company's 1997 Incentive Plan.
(16) Consists of 3,334 vested options to purchase shares of Common Stock granted pursuant to the Directors' Stock Option Plan. Does not reflect unvested options to purchase 16,666 shares of Common Stock granted pursuant to the Directors' Stock Option Plan or unvested options to purchase 10,000 shares under the Company's 1997 Incentive Plan.
(17) Consists of vested options to purchase 45,000 shares of Common Stock granted pursuant to the 1995 Incentive Plan and 28 shares of Common Stock under the Retirement Savings Plan. Does not include unvested options to purchase 135,000 shares of Common Stock pursuant to the 1995 Stock Incentive Plan or unvested options to purchase 120,000 shares of Common Stock granted pursuant to the Home Shopping Employee Plan.

The following table sets forth, as of March 13, 1998, information relating to the beneficial ownership of Class B Common Stock:

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES(1)	PERCENT OF CLASS(2)
Barry Diller(2) 1940 Coldwater Canyon Beverly Hills, CA 90210	31,181,726	97.4%
Tele-Communications, Inc.(2)(3) 5619 DTC Parkway Englewood, CO	24,801,726	77.5%

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES(1)	PERCENT OF CLASS(2)
BDTV Entities(2)(3)..... (includes BDTV, INC., BDTV II INC. BDTV III INC. and BDTV IV INC.) 2425 Olympic Boulevard Santa Monica, CA 90404	24,423,404	76.3%
The Seagram Company Ltd.(4)..... 375 Park Avenue New York, NY 10152	6,380,000	19.9%

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(1) All or any portion of shares of Class B Common Stock may be converted at any time into an equal number of shares of Common Stock. The number of shares reflects the two-for-one stock split which became effective for holders of record as of the close of business on March 12, 1998.
(2) These figures do not include any unissued shares of Common Stock or Class B Common Stock issuable upon conversion of Liberty HSN's Home Shopping shares and LLC shares beneficially owned by Liberty or Seagram.
(3) Liberty, a wholly owned subsidiary of TCI, Universal, Seagram, USAi and Mr. Diller are parties to the Stockholders Agreement, pursuant to which Liberty and Mr. Diller have formed the BDTV Entities, which entities hold 4,000,000, 15,618,222, 4,005,182 and 800,000 shares of Class B Common Stock, respectively. Mr. Diller generally has the right to vote all of the shares of the BDTV Entities and the shares of Class B Common Stock held by Seagram and Liberty. TCI disclaims beneficial ownership of all USAi securities held by Mr. Diller but not any of USAi Securities held by the BDTV Entities. Mr. Diller owns all of the voting stock of the BDTV Entities and Liberty owns all of the non-voting stock, which non-voting stock represents in excess of 99% of the equity of the BDTV Entities.
(4) Mr. Diller generally votes all of the shares held by Seagram pursuant to the terms of the Stockholders Agreement.

PREEMPTIVE RIGHTS

Pursuant to the Investment Agreement, the Company has granted to Universal and Liberty preemptive rights generally with respect to future issuances of Common Stock or Class B Common Stock (other than issuances based upon conversion or exchange of currently outstanding securities), which rights generally permit these entities to maintain, after giving effect to such issuance and the related preemptive rights, an ownership percentage (assuming exchange of all of Liberty HSN's Home Shopping shares and of all exchangeable LLC Shares) equal to the percentage ownership such entity held immediately prior to such issuance. As of the date of this Report, Universal's preemptive right is at 45% and Liberty's preemptive right is at approximately 21%. In addition, Universal has certain mandatory purchase obligations with respect to USAi stock (or LLC Shares), including with respect to the pending Ticketmaster proposal. The terms of the preemptive rights are further described in the Company's Definitive Proxy Statement with respect to its February 1998 annual meeting, and in the Investment Agreement and Governance Agreement filed as exhibits to this Report.

STOCKHOLDERS AGREEMENT

General

Universal, Liberty, Mr. Diller, USAi and Seagram are parties to the Stockholders Agreement, dated October 19, 1997, which governs the ownership, voting, transfer or other disposition of USAi securities owned by Universal, Liberty and Mr. Diller (and their respective affiliates) and pursuant to which Mr. Diller will generally exercise voting control over the equity securities of USAi held by such persons and certain of their affiliates. The Stockholders Agreement supersedes as of the Closing, in its entirety, the agreement, dated as of August 24, 1995, between Mr. Diller and Liberty, as amended by the letter agreement, dated as of August 25, 1996, relating to the securities of USAi.

Voting Authority

Pursuant to the Stockholders Agreement, each of Universal and Liberty has granted to Mr. Diller an irrevocable proxy with respect to all USAi securities owned by Universal, Liberty and certain of their affiliates for all matters, except for certain fundamental matters (the "Fundamental Changes"), which require the consent of each of Mr. Diller, Universal and Liberty. The proxy will generally remain in effect until the earlier of the date that he is no longer Chief Executive Officer or such date that Mr. Diller becomes disabled, provided that Mr. Diller continues to beneficially own at least 5,000,000 shares of Common Stock (including options to acquire shares of Common Stock, whether or not exercisable).

Universal, Liberty and Mr. Diller have also agreed to vote all USAi securities over which they have voting control in favor of the respective designees of Universal and Liberty (at such time as Liberty is entitled under the applicable Agreement and the rules and policies of the FCC) to the Board of Directors, as provided in the Stockholders Agreement and agreements entered into in connection with the Universal Transaction, including the Investment Agreement and Governance Agreement (collectively, the "Transaction Agreements"). In addition, Universal, Liberty and Mr. Diller have each agreed not to consent to any Fundamental Change to which any other such party entitled to consent thereto does not consent. Because Liberty is not presently permitted under applicable FCC rules and regulations to have any designees on the Company's Board of Directors, it is instead entitled to designate two directors to the Board of Directors of USANi LLC, which entity does not own or control any of the Company's broadcast businesses.

Mr. Diller has agreed with Universal that, generally after the date that Mr. Diller is no longer Chief Executive Officer or such date that Mr. Diller becomes disabled, and so long as he beneficially owns USAi securities representing at least 7.5% of the total voting power of the Company (excluding securities beneficially owned by Universal or Liberty), at Universal's option he will either vote his shares in his own discretion or in proportion to the vote of the public stockholders (as defined).

Liberty Conduct Limitations; Board Representation

Liberty has agreed with Universal that it will not beneficially own more than the greater of (i) 20% of the outstanding USAi securities or (ii) the percentage of USAi securities beneficially owned by it following the Liberty Closing (up to 25%), which percentage will be reduced to reflect sales of USAi equity by Liberty or in the event that Liberty does not exercise its preemptive right pursuant to the Investment Agreement (provided that if Liberty's initial ownership percentage is less than 20%, such reduction is calculated as if it were 20%). Liberty also has agreed with Universal not to propose to the Board of Directors the acquisition by Liberty, in a merger, tender offer or other business combination, of the outstanding USAi securities. These restrictions terminate upon the earlier of such time as Liberty beneficially owns less than 5% of the outstanding USAi securities or the date that Universal beneficially owns fewer shares than Liberty beneficially owns (the "Standstill Termination Date").

Liberty has agreed to related restrictions on its conduct, such as:

(i) not seeking to elect directors to the Board of Directors or otherwise to influence the management of USAi, other than as permitted by the Transaction Agreements;

(ii) not entering into agreements relating to the voting of USAi securities, except as permitted by the Stockholders Agreement;

(iii) generally not initiating or proposing any stockholder proposal in opposition to the recommendation of the USAi Board; and

(iv) not joining with others (other than Universal and Mr. Diller pursuant to the Transaction Agreements) for the purpose of acquiring, holding, voting or disposing of any USAi securities.

The foregoing restrictions terminate on the earlier of such time as Liberty beneficially owns less than 5% of the outstanding USAi securities) or the Standstill Termination Date.

Liberty is not permitted to designate for election to the USAi Board more than two directors, subject to applicable law. This restriction terminates on the Standstill Termination Date.

Restrictions on Transfers

Generally, until the earlier of the date that Mr. Diller is no longer Chief Executive Officer or such date that Mr. Diller becomes disabled, neither Liberty nor Mr. Diller can transfer shares of USAi stock, other than (i) transfers by Mr. Diller to pay taxes relating to certain USAi incentive compensation and stock options, (ii) transfers to each party's respective affiliates, (iii) certain pledges relating to financings and (iv) transfers of options or USAi stock in connection with "cashless exercises" of Mr. Diller's options. These restrictions are subject to a number of exceptions (which exceptions are subject to rights of first refusal as described below), including the following:

(i) after August 24, 2000, Liberty or Mr. Diller may generally sell all or any portion of their USAi securities;

(ii) generally following the date that Mr. Diller is no longer Chief Executive Officer or such time as Mr. Diller becomes Disabled, Mr. Diller may transfer his USAi stock; and

(iii) either stockholder may transfer USAi stock so long as, in the case of Mr. Diller, Mr. Diller continues to beneficially own at least 1,100,000 shares of USAi securities (including stock options) and, in the case of Liberty, Liberty continues to beneficially own at least 1,000,000 shares of USAi securities and, in the case of a transfer of the shares of Class B Common Stock by BDTV or BDTV II (which together hold 19,618,222 shares of Class B Common Stock), after such transfer, Liberty, Universal and Mr. Diller collectively control 50.1% of the total voting power of the Company.

Universal has agreed that, until August 24, 2000, it will not transfer shares of USAi stock (or convert Class B Common Stock into Common Stock) so that it owns a number of shares with fewer votes than if owned immediately following the closing of the Universal Transaction, subject to certain exceptions.

Rights of First Refusal and Tag-Along Rights

Each of Universal and Mr. Diller has a right of first refusal with respect to certain sales of USAi securities by the other party. Liberty's rights in this regard are secondary to any Universal right of first refusal on transfers by Mr. Diller. Liberty and Mr. Diller each also generally has a right of first refusal with respect to certain transfers by the other party. In addition, Universal has a right of first refusal (subject to Mr. Diller not having exercised his right of first refusal) with respect to sales by Liberty prior to August 24, 2000 of a number of shares of USAi stock having the aggregate number of votes represented by the shares of Common Stock and Class B Common Stock received by Universal at the closing of the Universal Transaction. Rights of first refusal may be exercised by the Stockholder or the Stockholder's designee, subject to the terms of the Stockholders Agreement.

In addition, Mr. Diller has agreed to grant to Liberty a right to "tag along" (i.e., participate on a pro rata basis) on certain sales of USAi stock by Mr. Diller. These tag-along rights are subject to a number of exceptions, including relating to the quantity of shares sold or the permitted transfers described above.

In the event that Universal transfers a substantial amount of its USAi stock (more than 50% of its interest as of the closing of the Universal Transaction or an amount that results in a third party owning (i) a greater percentage of USAi equity than that owned by (x) Universal and (y) Liberty or any other stockholder and (ii) at least 25% of the total voting power of the Company), Universal has granted a tag-along right to each of Liberty and Mr. Diller.

Under the Governance Agreement, dated as of October 19, 1997, among the Company, Universal, Liberty and Mr. Diller, transfers of USAi securities by Universal (whether before or after the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled) are subject to a right of first refusal in favor of USAi (but secondary to the rights of first refusal provided in the Stockholders Agreement), as long as Universal beneficially owns at least 20% of the total USAi securities. This right of first

refusal does not apply to transfers by Universal under the Governance Agreement that are permitted prior to the Standstill Termination Date.

Put and Call Rights

Universal, Liberty and Mr. Diller have agreed to certain put and call arrangements, pursuant to which one party has the right to sell (or the other party has the right to acquire) shares of USAi stock held by another party.

Liberty/Universal Put and Call Rights. Generally, prior to the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled, Universal generally has the right to acquire substantially all of Liberty's USAi securities in the event that Mr. Diller and Universal agree to take an action that would constitute one of the Fundamental Changes described in the Governance Agreement and Liberty has the right to consent to such Fundamental Change but does not provide its consent. In addition, at any time after the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled, Liberty has the right to require Universal to purchase substantially all of Liberty's USAi securities, and Universal has the reciprocal right to elect to acquire such shares. Universal may effect these acquisitions through a designee. The Stockholders Agreement sets forth provisions to establish the purchase price and conditions for these transactions.

Universal also has certain rights and obligations to acquire Liberty's USAi securities in connection with a permitted business combination (as defined), in the event that Universal using its best efforts cannot provide Liberty with tax-free consideration in connection with such a transaction. This provision effectively means that, after such a transaction, Liberty would not own in excess of 20% of the outstanding equity of the resulting company.

Diller Put. Following the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled (the "Put Event"), Mr. Diller has the right, during the one-year period following the Put Event, to require Universal to purchase for cash shares of USAi stock beneficially owned by Mr. Diller and that were acquired by Mr. Diller from USAi (e.g. pursuant to the exercise of stock options). If the Put Event occurs prior to the fourth anniversary of the Closing, the purchase price will be a weighted average market price for the Common Stock for a period following public announcement of the Put Event. If the Put Event occurs after that four-year period, but Mr. Diller exercises his put right within 10 business days of the Put Event, the price will be based on a weighted average market price of the Common Stock prior to public announcement of the Put Event. In all other cases, the price per share received by Mr. Diller will be a weighted average market price for a period immediately preceding the exercise of the put.

Mr. Diller's put right must be transferred by Universal in the event that it sells a certain amount of its USAi securities to a third party. Universal's obligations with respect to the put terminate at the time that Universal no longer beneficially owns at least 10% of USAi equity. Liberty does not have a tag-along right with respect to the Put Event exercise.

Transfers of Shares of Class B Common Stock

During the term of the Stockholders Agreement, transfers of shares of Class B Common Stock are generally prohibited (other than to another stockholder party or between a stockholder and its affiliates). If a stockholder proposes to transfer these shares, Mr. Diller is entitled to first swap any shares of Common Stock he owns for such shares of Class B Common Stock and, thereafter, any other non-transferring stockholder (with Universal's right preceding Liberty's) may similarly swap shares of Common Stock for shares of Class B Common Stock proposed to be transferred. To the extent there remain shares of Class B Common Stock that the selling stockholder would otherwise transfer to a third party, such shares must be converted into shares of Common Stock prior to the transfer. This restriction does not apply to, among other transfers, a transfer by Universal after the date that Mr. Diller is no longer Chief Executive Officer. Under the Governance Agreement, a transferee of Universal's shares of Class B Common Stock must agree to the conduct and securities ownership restrictions applicable to Universal, if such transferee would own at least 10% of the total voting power of the Company.

BDTV Entity Arrangements

Mr. Diller and Liberty will continue to have substantially similar arrangements with respect to the voting control and ownership of the equity of BDTV, BDTV II, BDTV III, BDTV IV and any other BDTV entity that may be formed (collectively, the "BDTV Entities"), which hold a substantial majority of the total voting power of the Company. These arrangements effectively provide that Mr. Diller controls the voting of USAi securities held by these entities, other than with respect to Fundamental Changes, and Liberty retains substantially all of the equity interest in such entities. If applicable law permits Liberty to hold directly the shares of USAi stock held by the BDTV Entities, then Liberty may purchase Mr. Diller's nominal equity interest in these entities for a fixed price, in which case the shares of USAi stock then held by Liberty would otherwise be subject to the proxy described above held by Mr. Diller with respect to Liberty's and Universal's shares of USAi stock pursuant to the Stockholders Agreement.

Termination of Stockholders Agreement

Universal's rights and obligations under the Stockholders Agreement generally terminate at such time as Universal no longer beneficially owns at least 10% of USAi equity.

Mr. Diller's and Liberty's rights and obligations under the Stockholders Agreement generally terminate (other than with respect to Mr. Diller's put right) at such time as, in the case of Mr. Diller, he no longer beneficially owns at least 1,100,000 shares of USAi equity securities, and, in the case of Liberty, 1,000,000 shares. Certain of Liberty's rights and obligations relating to its put/call arrangements with Universal and its tag-along rights terminate when it no longer has the right to consent to Fundamental Changes under the Governance Agreement. Mr. Diller's rights and obligations (other than with respect to Mr. Diller's put right) also generally terminate upon the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled.

Transferees of USAi securities as permitted by the Stockholders Agreement and who would beneficially own in excess of 15% of the total voting power of the Company generally are not entitled to any rights of the transferring stockholder under the agreement but are, generally for a certain period of time, subject to the obligations regarding the election of directors among others. These transferees must also vote with respect to Fundamental Changes in the manner agreed upon by the other two stockholders. In addition, a transferee of Liberty or Mr. Diller who would own that amount of the total voting power of the Company would also be subject, generally for a certain period of time to the limitations on acquisitions of additional USAi securities summarized above.

Spinoff Agreement

Universal, Liberty and USAi are parties to the Spinoff Agreement, dated as of October 19, 1997 (the "Spinoff Agreement"), which generally provides for interim arrangements relating to management of the USAi and efforts to achieve a spinoff or sale of USAi's broadcast stations and, in the case of a spinoff, certain arrangements relating to their respective rights (including preemptive rights) in USAi resulting from the spinoff. The provisions of the Spinoff Agreement generally do not become operative until the earlier of the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled.

Liberty and Universal have agreed to use their reasonable best efforts to cause an interim Chief Executive Officer to be appointed, who is mutually acceptable to them and is independent of Liberty and Universal. If Universal elects, within 60 days of the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled, to effect a sale of USAi's broadcast stations, this designated Chief Executive Officer would generally have a proxy to vote Liberty's USAi stock, at Universal's option (or, if Liberty beneficially owns a greater percentage of USAi securities than Universal, Liberty's option), either in such Chief Executive Officer's discretion or in the same proportion as the public stockholders, pending completion of the station divestiture.

If Universal elects to complete the station divestiture, Liberty and Universal (and USAi) have agreed to use best efforts to cause the divestiture to be structured as a tax-free distribution to USAi's stockholders (the

"Spinoff"). If a tax-free Spinoff is not available, USAi has agreed to use its best efforts to sell the stations, except that if the Board of Directors (other than any designees of Universal or Liberty) determines that a taxable spinoff, when compared with a sale, represents a superior alternative USAi will consummate a taxable spinoff. Universal has agreed to reimburse Liberty in connection with any such taxable spinoff in an amount up to $50 million with respect to any actual tax liability incurred by Liberty in such a transaction.

If Universal makes the election described above, Liberty has agreed not to transfer, directly or indirectly, any of its Common Stock or Class B Common Stock for a period of fourteen months generally after the date that Mr. Diller is no longer Chief Executive Officer or such date as Mr. Diller becomes disabled if such transfer would result in Universal and Liberty ceasing to own at least 50.1% of the outstanding USAi voting power (as long as Universal has not transferred more than 3% of the outstanding USAi securities following the closing of the Universal Transaction).

USAi has agreed that, subject to the terms of the Spinoff Agreement and its obligations under the Investment Agreement, so long as (i) Universal beneficially owns at least 40% of the total equity securities of the USAi and no other stockholder owns more than the amount owned by Universal, or (ii) Liberty and Universal together own at least 50.1% of such equity securities, USAi will use its reasonable best efforts to enable Universal and Liberty to achieve the purposes of the Spinoff Agreement.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

Employment Contracts

Home Shopping originally entered into a four-year employment agreement with James G. Held as of November 24, 1995 providing for an annual base salary of not less than $500,000 and an annual bonus of at least $150,000. On July 23, 1997, the Compensation/Benefits Committee of the Board of Directors extended Mr. Held's employment agreement for an additional two years. The amended employment agreement provides a bonus structure whereby if the EBITDA for USAi and its subsidiaries in any fiscal year exceeds the target EBITDA, the annual bonus is increased to $300,000 (the first year) or $350,000 (thereafter) plus 1.25% of the excess by which the actual EBITDA exceeds the target EBITDA for such fiscal year. Mr. Held received stock options for 5,000,000 shares of Home Shopping Network, Inc., which pursuant to the Home Shopping Merger, were converted into options to purchase 2,250,000 shares of Common Stock at an exercise price of $9.4445 per share. Those options vest equally over a four-year period and are exercisable until November 24, 2005. On July 23, 1997, Mr. Held was granted additional stock options to purchase 750,000 shares of Common Stock at an exercise price of $16.5937 per share, which vest equally over a four-year period and are exercisable until July 23, 2007. These option amounts have been adjusted to reflect the Company's two-for-one stock split for holders of record at the close of business on March 12, 1998. The agreement provides for differing vesting and exercise rights upon termination of employment. Home Shopping reimbursed Mr. Held for relocation expenses and agreed to lend him $1,000,000 for the purpose of purchasing a residence in the Tampa/St. Petersburg area. The loan bears interest at 5% per annum. On March 31, 1997, $600,000 of the loan was repaid. In the event that Mr. Held is terminated for any reason, the principal and any accrued and unpaid interest become due and payable on the first anniversary of such termination or immediately in the event that the residence is sold or transferred. Mr. Held is entitled to the use of a luxury automobile supplied to him by USAi at its expense.

Home Shopping entered into a two-year employment agreement with James G. Gallagher, dated October 14, 1996, pursuant to which Mr. Gallagher serves as Executive Vice President, General Counsel and Secretary of Home Shopping. The agreement with Mr. Gallagher provides for an annual base salary of $200,000 per year, with increases in accordance with company policy. If Home Shopping terminates Mr. Gallagher's employment for cause, Home Shopping will pay his salary until the date of termination. If Home Shopping terminates his employment without cause (other than as a result of his death or disability), Home Shopping will pay to Mr. Gallagher his salary until the date of termination and the amount of salary he would have received during the remainder of the then current term and will pay medical and other health insurance benefits previously provided to him during the remainder of the current term. The agreement

contains an 18-month non-competition provision in the fields of on-line or electronic retailing. The agreement does not impose any obligations upon a change of control of USAi.

Home Shopping entered into a three-year employment agreement with Jed B. Trosper dated January 13, 1997, pursuant to which Mr. Trosper serves as Executive Vice President -- Chief Operating Officer of Home Shopping. Mr. Trosper served as Vice President and Chief Financial Officer of USAi from January 27, 1997 through October 31, 1997. Mr. Trosper receives a salary of $300,000 which will be increased by $25,000 on October 1, 1998. He received a one-time signing bonus of $50,000. If Home Shopping terminates Mr. Trosper's employment for cause, Home Shopping will pay his salary until the date of termination. If Home Shopping terminates his employment without cause (other than as a result of his death or disability), Home Shopping will pay to Mr. Trosper his salary until the date of termination and the amount of salary he would have received during the remainder of the current term, but in any event for a minimum of 12 months and will maintain medical and other health insurance benefits. The agreement contains a 12-month non-competition provision in the fields of video and electronic retailing. The agreement does not impose any obligations upon a change of control of USAi.

Equity and Bonus Compensation Agreements and Similar Agreements

Mr. Diller. On October 19, 1997, USAi and Mr. Diller entered into a stock option grant agreement pursuant to which, in connection with the Universal Transaction, USAi granted Mr. Diller options to purchase 9,500,000 shares of Common Stock at an exercise price of $19.3125 per share, as adjusted for the Company's two-for-one stock split to holders of record as of the close of business on March 12, 1998. USAi will not record a compensation charge related to the grant of options because the options were issued at fair market value at the date of grant. Mr. Diller's options will become exercisable with respect to 25% of the total shares on October 19, 1998 and on each of the next three anniversaries of such date. Upon a Change of Control (as defined in the Stock Option grant agreement), all of Mr. Diller's options that have not previously become exercisable or been terminated will become exercisable.

Mr. Diller has waived any acceleration of his current stock options which may have been triggered by the Universal Transaction. Mr. Diller's equity compensation agreement with USAi, dated August 24, 1995 and discussed below, provides for a gross-up payment to be made to Mr. Diller, if necessary, to eliminate the effect of the imposition of the excise tax under Section 4999 of the Code upon payments made to Mr. Diller and imposition of income and excise taxes on such gross-up payment.

Mr. Diller and USAi are also parties to the Equity and Bonus Compensation Agreement dated as of August 26, 1995. Under that Agreement, the Company agreed to sell Mr. Diller 441,988 shares of Common Stock at $11.3125 per share in cash (the "Initial Diller Shares") and an additional 441,988 shares of Common Stock for the same per share price (the "Additional Diller Shares") payable by means of a cash payment of $2,210 and an interest-free, secured, non-recourse promissory note in the amount of $4,997,779. These amounts have been adjusted as appropriate to reflect the two-for-one stock split. The promissory note is secured by the Additional Diller Shares and by that portion of the Initial Diller Shares having a fair market value on the purchase date of 20% of the principal amount of the promissory note. In addition, the Company granted options to Mr. Diller to purchase 3,791,694 post stock split shares of Common Stock at $11.3125 per share (the "Diller Options"). The Diller Options were granted in tandem with conditional SARs which become exercisable only in the event of a change of control of the Company and in lieu of exercise of the Diller Options. The Initial and Additional Shares and the Diller Options were issued to Mr. Diller below the adjusted market price of $12.375 on August 24, 1995.

Mr. Diller also was granted a bonus arrangement, contractually independent from the promissory note, pursuant to which he received a bonus payment of approximately $2.5 million on August 24, 1996, and was to receive a further such bonus payment on August 24, 1997, which was deferred. Mr. Diller also received $966,263 for payment of taxes by Mr. Diller due to the compensation expense which resulted from the difference in the per share fair market value of Common Stock and the per share purchase price of the Initial Diller Shares and Additional Diller Shares.

Mr. Kaufman. On October 19, 1997, USAi and Mr. Kaufman entered into a stock option grant agreement pursuant to which, USAi granted Mr. Kaufman options to purchase 500,000 shares of Common Stock for an exercise price of $19.3125 per share following the Company's two-for-one split for holders of record as of the close of business on March 12, 1998, on substantially the same terms and conditions as Mr. Diller's options granted on such date. Mr. Kaufman also has waived any acceleration of his current stock options which may have been triggered by the Universal Transaction.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For a description of the nature of the controlling interests in the Company, see Item 1 -- General Outstanding Shares and Controlling Stockholders. In addition, the information set forth in the Company's Definitive Proxy Statement under the caption "THE ANNUAL MEETING -- Directors and Executive Officers of HSNi -- Related Party Transactions" is incorporated herein by reference.

Mr. Diller, the Chairman of the Board and Chief Executive Officer of the Company and Chairman of the Board of Home Shopping, is the sole holder of the voting stock of the BDTV Entities. The BDTV Entities hold shares of voting stock which effectively represent voting control of the Company with respect to all matters submitted for the vote or consent of stockholders as to which stockholders vote together as a single class.

As of January 1, 1998, the Company entered into a lease (the "Lease") with Nineteen Forty CC, Inc. ("Nineteen Forty") under which the Company will lease an aircraft for use by Mr. Diller and certain Directors and executive officers of the Company in connection with the Company's business. Nineteen Forty is wholly owned by Mr. Diller. The Lease provides for monthly rental payments equal to the monthly operating expenses incurred by Nineteen Forty for operation and maintenance of the aircraft. The Lease has a five-year term and is terminable by either party on thirty days' notice. In 1997, the Company paid a total of $2,686,887 in expenses related to the use of the aircraft, of which $925,415 was for leasehold improvements. The Company will amortize the amount paid for leasehold improvements over the five-year term of the Lease. The Company believes that the terms of the Lease are more favorable to the Company than those the Company would have received had it leased an aircraft from an unrelated third party (or purchased and maintained a corporate aircraft).

Relationship between the Company and Universal. Pursuant to the agreements entered into in connection with the Universal Transaction, the Company and certain of its subsidiaries have entered into business agreements with Universal and certain of its subsidiaries relating to, among other things, the domestic distribution by the Company of Universal-produced television programming and Universal's library of television programming; the international distribution by Universal of television programming produced by Studios; long-term arrangements relating to the use by Studios of Universal's production facilities in Los Angeles and Orlando, Florida; a joint venture relating to the development of international general entertainment television channels; and various other business matters. These agreements are summarized in the Company's Definitive Proxy Statement under the caption "THE TRANSACTION -- Description of the Transaction -- Related Agreements -- Ancillary Business Agreements," which description is incorporated herein by reference.

Universal, through its ownership of Company stock and LLC Shares, is the Company's largest stockholder (assuming conversion of Universal's LLC Shares which, under current FCC rules, is not permissible). Messrs. Bronfman, Matschullat, Biondi and Minzberg are directors of the Company and (other than Mr. Minzberg) hold director and executive positions with Universal and its affiliates, including Seagram. These individuals were elected to the Company's Board of Directors in connection with consummation of the Universal Transaction, pursuant to the transaction agreements. The Bronfman family, which includes Mr. Bronfman, holds a controlling interest in Seagram, which holds a controlling interest in Universal. Other than in their capacities as stockholders and officers of Seagram or Universal (and as directors and stockholders of the Company), as applicable, these individuals do not have any direct or indirect interest in the Universal-Company agreements.

The Company believes that the business agreements described above and entered into in connection with the Universal Transaction are all on terms at least as favorable to the Company as terms that could have been obtained from an independent third party.

The Company is a party to certain of the transaction agreements, including the Spinoff Agreement, which agreements are filed as exhibits to this Report and are summarized in the Company's Definitive Proxy Statement under "THE TRANSACTION -- Description of the Transaction -- Related Agreements." That description is incorporated herein by reference. Such agreements were negotiated on an arm's-length basis prior to the time that Universal held an equity interest in the Company.

In the ordinary course of business, and otherwise from time to time, the Company may determine to enter into other agreements with Universal and its affiliates.

Relationship between the Company and Liberty. The Company in the ordinary course of business enters into agreements with Liberty and its affiliates relating to, among other things, the carriage of HSN Programs pursuant to affiliation agreements and the acquisition of, or other investment in, businesses related to the Company's businesses. Neither Liberty nor TCI currently has any members on the Company's Board of Directors; pursuant to the agreements relating to the Universal Transaction, two designees of Liberty (Messrs. Hindery and Bennett) are members of the USANi LLC Board of Directors. Liberty and its affiliates hold a substantial equity interest in the Company, and Liberty is a party to certain transaction agreements filed as exhibits to this Report. The Company believes that its business agreements with Liberty-related entities have been negotiated on an arm's-length basis and contain terms at least as favorable to the Company as those that could be obtained from an unaffiliated third party. Neither Liberty nor TCI derives any benefit from such transactions other than in its capacity as a stockholder of such other party or the Company, as the case may be.

In the ordinary course of business, and otherwise from time to time, the Company may determine to enter into other agreements with Liberty and its affiliates.

PART IV

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

(a) List of Documents filed as part of this Report

(1) -- Consolidated Financial Statements
Report of Independent Auditor -- Ernst & Young LLP.
Independent Auditors' Report -- Deloitte & Touche LLP.
Consolidated Statements of Operations for the Years Ended December 31, 1997 and 1996, the four months ended December 31, 1995 and the year ended August 31, 1995.
Consolidated Balance Sheets as of December 31, 1997 and 1996.
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1997 and 1996, the four months ended December 31, 1995 and the year ended August 31, 1995.
Consolidated Statements of Cash Flows for the Years Ended December 31, 1997 and 1996, the four months ended December 31, 1995 and the year ended August 31, 1995.
Notes to Consolidated Financial Statements.

(2) -- Consolidated Financial Statement Schedules

All other financial statements and schedules not listed have been omitted since the required information is included in the Consolidated Financial Statements or the notes thereto, or is not applicable or required.

(3) -- Exhibits (numbered in accordance with Item 601 of Regulation S-K)

EXHIBIT NUMBER		DESCRIPTION
2.1	--	Agreement and Plan of Exchange and Merger by and among Silver King Communications, Inc., House Acquisition Corp., Home Shopping Network, Inc. and Liberty HSN, Inc. as of August 25, 1996 filed as Appendix B to the Company's Definitive Proxy Statement, November 20, 1996 is hereby incorporated by reference.
2.2	--	Agreement and Plan of Merger by and among Silver King Communications, Inc., Thames Acquisition Corporation and Savoy Pictures Entertainment, Inc., as amended and restated August 13, 1996 filed as Appendix A to the Company's Definitive Proxy Statement, November 20, 1996, is incorporated herein by reference.
2.3	--	Investment Agreement among Universal Studios, Inc., HSN, Inc., Home Shopping Network, Inc. and Liberty Media Corporation dated as of October 19, 1997, as amended and restated as of December 18, 1997, filed as Appendix A to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
3.1	--	Restated Certificate of Incorporation of the Registrant filed as Exhibit 3.1 to the Company's Form 8-K, February 23, 1998 is incorporated herein by reference.
3.2	--	Amended and Restated By-Laws of the Registrant filed as Exhibit 3.1 to the Company's Form 8-K, January 9, 1998 is incorporated herein by reference.
4.0	--	Indenture dated as of March 1, 1996, for Home Shopping and United States Trust Company of New York, as Trustee relating to Home Shopping's 5.85% Convertible Subordinated Debentures due March 1, 2006, filed as Exhibit 4.0 to Home Shopping's Form S-3 Registration No. 333-10511 dated August 20, 1996, is incorporated herein by reference.
4.1	--	First Supplemental Indenture dated as of December 20, 1996, among Home Shopping Network, Inc., Silver King Communications, Inc. and United States Trust Company of New York, as Trustee filed as Exhibit 4.1 to Home Shopping's Form 8-K/A, December 19, 1996, is incorporated herein by reference.
4.2	--	Indenture, dated as of June 25, 1993, for the Savoy 7% Convertible Subordinated Debentures due July 1, 2003, filed as Exhibit 4(d) to Savoy's S-1 Registration Statement No. 33-63192, is incorporated herein by reference.
4.3	--	First Supplemental Indenture, dated as of October 24, 1993, for the Savoy 7% Convertible Debentures due July 1, 2003, filed as Exhibit 4(e) to Savoy's S-1 Registration Statement No. 33-70160, is incorporated herein by reference.
4.4	--	Second Supplemental Indenture, dated as of December 17, 1993, for the Savoy 7% Convertible Debentures due July 1, 2003, filed as Exhibit bearing the same title in Savoy's Form 10-K December 31, 1993, is incorporated herein by reference.
4.5	--	Third Supplemental Indenture dated as of December 19, 1996 for the Savoy 7% Convertible Debentures due July 1, 2003 filed as Exhibit 4.1 to Savoy's Form 8-K, December 19, 1996, is incorporated herein by reference.
4.6	--	Form of Common Stock Certificate.
10.1	--	Form of Affiliation Agreements between the Company and Home Shopping filed as Exhibit 10.2 to the Company's Registration Statement on Form 10, as amended, is incorporated herein by reference.
*10.2	--	Form of 1992 Stock Option and Restricted Stock Plan between the Company and Home Shopping filed as Exhibit 10.6 to the Company's Registration Statement on Form 8, as amended, is incorporated herein by reference.

EXHIBIT NUMBER		DESCRIPTION
*10.3	--	Form of Retirement Savings and Employment Stock Ownership Plan filed as Exhibit 10.8 to the Company's Registration Statement on Form 8, as amended, is incorporated herein by reference.
10.4	--	Form of Indemnification Agreement filed as Exhibit 10.10 to the Company's Registration Statement on Form 10, as amended, is incorporated herein by reference.
10.5	--	Form of Loan Agreement, as amended, by and between Silver King Capital Corporation, Inc. and Roberts Broadcasting Company of Denver filed as Exhibit 10.17 to the Company's Form 10-K, August 31, 1994, is incorporated herein by reference.
10.6	--	Form of Shareholder Agreement by and among Silver King Capital Corporation, Inc., Roberts Broadcasting Company of Denver, Michael V. Roberts and Steven C. Roberts filed as Exhibit 10.18 to the Company's Form 10-K, August 31, 1994, is incorporated herein by reference.
10.7	--	Limited Liability Company Agreement (the "LLC"), Funding Agreement and Form of First Amendment to LLC, Registration Rights Agreement and associated documents between the Company, the Class A Shareholders of Blackstar Communications, Inc. and Fox Television Stations, Inc. dated June 27, 1995 and August 18, 1995 filed as Exhibit 10.23 to the Company's Form 10-K, August 31, 1995, are incorporated herein by reference.
*10.8	--	1986 Stock Option Plan for Employees dated August 1, 1986, filed as Exhibit 10.33 to Home Shopping's Form S-1 Registration Statement No. 33-8560, dated October 15, 1986, is incorporated herein by reference.
*10.9	--	First, Second, Third and Fourth Amendments to the 1986 Stock Option Plan for Employees filed as Exhibit 10.31 to Home Shopping's Annual Report on Form 10-K, December 31, 1993, are incorporated herein by reference.
*10.10	--	Form of 1990 Executive Stock Award Program dated October 17, 1990, as amended, filed as Exhibit 10.23 to Home Shopping's Annual Report on Form 10-K, August 31, 1991, is incorporated herein by reference.
10.11	--	Stock Purchase Agreement by and between Home Shopping and The National Registry Inc. dated April 28, 1992 filed as Exhibit 10.29 to Home Shopping's Annual Report on Form 10-K, August 31, 1992, is incorporated herein by reference.
10.12	--	Credit Card Program Agreement, dated as of February 16, 1994, by and among Home Shopping, participating subsidiaries and General Electric Capital Corporation filed as Exhibit 10.30 to Home Shopping's Annual Report on Form 10-K, December 31, 1993, is incorporated herein by reference.
*10.13	--	Home Shopping Network, Inc. Employee Stock Purchase Plan and Part-Time Employee Stock Purchase Plan filed as Exhibit 10.30 to Home Shopping's Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.
*10.14	--	Home Shopping Network, Inc. Employee Equity Participation Plan and Agreement and Declaration of Trust filed as Exhibit 10.31 to Home Shopping's Annual Report on Form 10-K, December 31, 1994, is incorporated herein by reference.
*10.15	--	Home Shopping Network, Inc. 1996 Stock Option Plan for Employees filed as Exhibit A to the Home Shopping Definitive Proxy Statement, March 28, 1996, is incorporated herein by reference.
*10.16	--	Home Shopping Network, Inc. 1996 Stock Option Plan for Outside Directors filed as Exhibit B to the Home Shopping Definitive Proxy Statement, March 28, 1996, is incorporated herein by reference.
10.17	--	Binding Term Sheet for the Stockholders Agreement dated August 24, 1995, between Barry Diller and Liberty Media Corporation and the First Amendment thereto dated August 25, 1996, filed as Appendix I to the Company's Definitive Proxy Statement, November 20, 1996, are incorporated herein by reference.
10.18	--	Exchange Agreement dated as of December 20, 1996 by and between the Registrant and Liberty HSN, Inc. filed as Exhibit 10.25 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.

EXHIBIT NUMBER		DESCRIPTION
*10.19	--	Equity and Bonus Compensation Agreement dated as of August 24, 1995 between Barry Diller and the Registrant filed as Exhibit 10.26 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
*10.20	--	Silver King Communications, Inc. 1995 Stock Incentive Plan filed as Appendix G to the Company's Definitive Proxy Statement, November 20, 1996, is incorporated herein by reference.
*10.21	--	Silver King Communications, Inc. Directors' Stock Option Plan filed as Appendix H to the Company's Definitive Proxy Statement, November 20, 1996, is incorporated herein by reference.
*10.22	--	Employment Agreement between the Registrant and Douglas Binzak dated as of February 13, 1996 filed as Exhibit 10.29 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
*10.23	--	Employment Agreement between the Registrant and Adam Ware dated as of May 28, 1996 filed as Exhibit 10.30 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
*10.24	--	Employment Agreement between Home Shopping and James G. Held, dated as of November 24, 1995 filed as Exhibit 10.35 to Home Shopping's Annual Report on Form 10-K, December 31, 1995, is incorporated herein by reference.
*10.25	--	Employment Agreement between Home Shopping and James G. Gallagher, dated as of October 14, 1996 filed as Exhibit 10.33 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.26	--	Letter Agreement dated April 3, 1996 between Home Shopping Network, Inc. and Gen. H. Norman Schwarzkopf filed as Exhibit 10.34 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.27	--	Shareholders Agreement dated December 12, 1996 Relating to Jupiter Shop Channel Co. Ltd. among Jupiter Programming Co. Ltd., Home Shopping Network, Inc. and Jupiter Shop Channel Co. Ltd. filed as Exhibit 10.35 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.28	--	Services and Trademark Licence Agreement dated as of December 12, 1996 between Home Shopping Network, Inc. and Jupiter Shop Channel Co. Ltd. filed as Exhibit 10.36 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.29	--	Purchase and Sale Agreement among Home Shopping Network GmbH, Home Shopping Network, Inc., Quelle Schickedanz AG & Co., Mr. Thomas Kirch and Dr. Georg Kofler dated January 16, 1997 filed as Exhibit 10.37 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.30	--	Joint Venture Agreement Between Quelle Schickedanz AG & Co., Home Shopping Network, Inc., Home Shopping Network GmbH, Mr. Thomas Kirch and Dr. Georg Kofler, filed as Exhibit 5.3 to the Purchase and Sale Agreement filed as Exhibit 10.38 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.31	--	License Agreement dated as of January 1, 1996 between Ronald A. Katz Technology Licensing, L.P. and Home Shopping Network, Inc. filed as Exhibit 10.39 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.32	--	Shareholder Agreement dated as of April 26, 1996 by and among Channel 66 of Vallejo, California, Inc., Whitehead Media of California, Inc. and Silver King Capital Corporation, Inc. filed as Exhibit 10.40 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.33	--	Loan Agreement dated as of April 26, 1996 by and between SKC Investments, Inc. and Channel 66 of Vallejo, California, Inc. filed as Exhibit 10.41 to the Company's Form 10-K, December 31, 1996, is incorporated herein by reference.
10.34	--	Joint Venture and License Agreement, dated as of June 12, 1992, between Savoy Pictures Entertainment, Inc. and Home Box Office, Inc. (confidential treatment for portions thereof granted), filed as an exhibit bearing the same title in Savoy's S-1 Registration Statement No. 33-57596, is incorporated herein by reference.

EXHIBIT NUMBER		DESCRIPTION
10.35	--	License Agreement, dated as of June 12, 1992, among Savoy Pictures Entertainment, Inc. and Home Box Office, Inc. (confidential treatment of portions thereof granted), filed as an exhibit bearing the same title in Savoy's S-1 Registration Statement No. 33-57596, is incorporated herein by reference.
10.36	--	Warrant Agreement, dated as of March 2, 1992, between Savoy Pictures Entertainment, Inc. and Allen & Company Incorporated, filed as an exhibit bearing the same title in Savoy's S-1 Registration Statement No. 33-57596, is incorporated herein by reference.
10.37	--	Warrant Agreement, dated as of March 2, 1992, between Savoy Pictures Entertainment, Inc. and GKH Partners, L.P., filed as an exhibit bearing the same title in Savoy's S-1 Registration Statement No. 33-57596, is incorporated herein by reference.
10.38	--	Warrant Agreement, dated as of April 20, 1994 between Savoy and GKH Partners, L.P., filed as an exhibit bearing the same title in Savoy's Form 10-Q, March 31, 1994, is incorporated herein by reference.
10.39	--	Subscription and Shareholders Agreement, dated as of October 28, 1994 by and among SF Multistations, Inc., FTS Investments, Inc. and Savoy Stations, Inc., filed as an exhibit bearing the same title in Savoy's Form 8-K, August 22, 1995, is incorporated herein by reference.
10.40	--	Subscription and Shareholders Agreement, dated as of October 28, 1994 by and among SF Broadcasting of Wisconsin, Inc., FTS Investments, Inc. and Savoy Stations, Inc., as amended, filed as an exhibit bearing the same title in Savoy's Form 8-K, August 22, 1995, is incorporated herein by reference.
10.41	--	Credit Agreement, dated as of June 1, 1995, among Savoy, the financial institutions from time to time party thereto and Chemical Bank as Administrative Agent and Collateral Agent, filed as Exhibit 10 to Savoy's Form 10-Q, June 30, 1995, is incorporated herein by reference.
10.42	--	First Amendment and Waiver, dated as of March 11, 1996, to the Credit Agreement, dated as of June 1, 1995, among Savoy, the financial institutions party thereto and Chemical Bank, as Administrative Agent and Collateral Agent, filed as Exhibit 10(r) to Savoy's Form 10-K, December 31, 1995, is incorporated herein by reference.
10.43	--	Credit Agreement, dated as of June 30, 1995, among SF Broadcasting of Green Bay, Inc., SF Broadcasting of Mobile, Inc., SF Broadcasting of New Orleans, Inc., and SF Broadcasting of Honolulu, Inc., the financial institutions from time to time party thereto, Chemical Bank, as administrative agent and as collateral agent, First Union National Bank of North Carolina, as managing agent, and The Bank of New York, Natwest Bank, N.A. and Banque Paribas as co-agents, filed as an exhibit bearing the same title in Savoy's Form 8-K, August 22, 1995, is incorporated herein by reference.
10.44	--	Station Affiliation Agreement, dated as of April 28, 1995, between Fox Broadcasting Company and SF Broadcasting of Green Bay, Inc., filed as Exhibit 10(u) to Savoy's Form 10-K, December 31, 1995, is incorporated herein by reference.
10.45	--	Station Affiliation Agreement, dated as of August 22, 1995, between Fox Broadcasting Company and SF Broadcasting of Honolulu, Inc., filed as Exhibit 10(v) to Savoy's Form 10-K, December 31, 1995, is incorporated herein by reference.
10.46	--	Station Affiliation Agreement, dated as of August 22, 1995, between Fox Broadcasting Company and SF Broadcasting of Mobile, Inc., filed as Exhibit 10(w) to Savoy's Form 10-K, December 31, 1995, is incorporated herein by reference.
10.47	--	Form of Amendment and Waiver to the Credit Agreement, dated as of June 30, 1995, among SF Broadcasting of New Orleans, Inc., SF Broadcasting of Mobile, Inc., SF Broadcasting of Honolulu, Inc. and SF Broadcasting of Green Bay, Inc., as borrowers, the financial institutions from time to time party thereto, and The Chase Manhattan Bank (formerly known as Chemical Bank) (as administrative agent and collateral agent), filed as Exhibit 10.1 to Savoy's Form 10-Q, September 30, 1996, is incorporated herein by reference.
*10.48	--	Amended and Restated Stock Option Plan (including form of Stock Options Agreement) filed as Exhibit 4.1 to Savoy's Registration Statement No. 33-70740, is incorporated herein by reference.

EXHIBIT NUMBER		DESCRIPTION
*10.49	--	Savoy 1995 Stock Option Plan filed as Exhibit 10(+) to Savoy's Form 10-K, December 31, 1995, is incorporated herein by reference.
10.50	--	$1,600,000,000 Credit Agreement dated February 12, 1998 among USA Networks, Inc., USANi LLC, as Borrower, Various Lenders, The Chase Manhattan Bank as Administrative Agent, Syndication Agent and Collateral Agent, and Bank of America National Trust & Savings Association and The Bank of New York as Co-Documentation Agents.
10.51	--	Form of Governance Agreement among HSN, Inc., Universal Studios, Inc., Liberty Media Corporation and Barry Diller, dated as of October 19, 1997, filed as Appendix B to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
10.52	--	Form of Stockholders Agreement among Universal Studios, Inc., Liberty Media Corporation, Barry Diller, HSN, Inc. and The Seagram Company Ltd. dated as of October 19, 1997, filed as Appendix C to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
10.53	--	Form of Spinoff Agreement between Liberty Media Corporation and Universal Studios, Inc. dated as of October 19, 1997, filed as Appendix D to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
*10.54	--	HSN, Inc. 1997 Stock and Annual Incentive Plan filed as Appendix F to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
*10.55	--	Employment Agreement between Jed B. Trosper and Home Shopping Network, Inc. dated January 13, 1997.
*10.56	--	Employment Agreement between Thomas J. Kuhn and HSN, Inc. dated February 9, 1998.
*10.57	--	Employment Agreement between Dara Khosrowshahi and USA Networks, Inc. dated March , 1998.
*10.58	--	HSN, Inc. Retirement Savings Plan.
10.59	--	Amended and Restated Limited Liability Company Agreement of USANi LLC dated as of February 12, 1998.
10.60	--	Exchange Agreement dated as of October 19, 1997 by and among HSN, Inc. (to be renamed USA Networks, Inc.), Universal Studios, Inc. (and certain of its subsidiaries) and Liberty Media Corporation (and certain of its subsidiaries).
10.61	--	Agreement and Plan of Merger by and among USA Networks, Inc., Brick Acquisition Corp. and Ticketmaster Group, Inc. as of March 20, 1998.
21	--	Subsidiaries of the Company (incorporated as pages 94-96 of this 1997 Annual Report on Form 10-K).
23.1	--	Consent of Ernst & Young LLP
23.2	--	Consent of Deloitte & Touche LLP
27.1	--	Financial Data Schedule for the year ended December 31, 1997 (for SEC use only)
27.2	--	Financial Data Schedule for the year ended December 31, 1996 -restated (for SEC use only)
27.3	--	Financial Data Schedule for the four months ended December 31, 1995 - restated (for SEC use only)
27.4	--	Financial Data Schedule for the year ended August 31, 1995 - restated (for SEC use only)

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* Reflects management contracts and compensatory plans.

(b) Reports on Form 8-K.

On October 20, 1997, the Company filed a report on Form 8-K containing the press release announcing execution of the Investment Agreement in connection with the Universal Transaction.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 30, 1998

USA NETWORKS, INC.
By: /s/ BARRY DILLER
Barry Diller
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 30, 1998.

SIGNATURE	TITLE
/s/ BARRY DILLER Barry Diller	Chairman of the Board, Chief Executive Officer and Director
/s/ BRIAN J. FELDMAN Brian J. Feldman	Controller (Chief Accounting Officer)
/s/ VICTOR A. KAUFMAN Victor A. Kaufman	Director, Office of the Chairman and Chief Financial Officer (Principal financial officer)
/s/ PAUL G. ALLEN Paul G. Allen	Director
/s/ FRANK J. BIONDI, JR. Frank J. Biondi, Jr.	Director
/s/ EDGAR BRONFMAN, JR. Edgar Bronfman, Jr.	Director
/s/ JAMES G. HELD James G. Held	Director
/s/ ROBERT W. MATSCHULLAT Robert W. Matschullat	Director
/s/ SAMUEL MINZBERG Samuel Minzberg	Director
/s/ WILLIAM D. SAVOY William D. Savoy	Director
/s/ H. NORMAN SCHWARZKOPF H. Norman Schwarzkopf	Director
Richard E. Snyder	Director

EXHIBIT 21

LIST OF SUBSIDIARIES OF USA NETWORKS, INC. (FORMERLY HSN, INC.)

A DELAWARE CORPORATION

AS OF MARCH 1, 1998

SUBSIDIARY	PLACE OF ORGANIZATION
Exception Management Services LLC	Delaware
Home Shopping Club LP	Delaware
d/b/a Home Shopping Club	
Telemation	
Spree	
Home Shopping Spree	
HSN Spree	
HSC Spree	
Home Shopping Network	
Home Shopping Direct	
Home Shopping Network en Espanol	Delaware
Home Shopping Network GmbH	Germany
Home Shopping Network, Inc	Delaware
d/b/a Home Shopping Network	
The Home Shopping Network	
HSN Capital LLC	Nevada
HSN Direct LLC	Delaware
d/b/a Innovations in Living	
HSN Direct	
Home Shopping Showcase	
HSN Direct Joint Venture	
HSN Fulfillment LLC	Delaware
d/b/a HSC Outlet	
Home Shopping Network Outlet	
HSN Liquidation Center	
HSN Wholesale Liquidation	
Designer Direct	
Home Shopping Values	
Private Showing -- Jewelry Values by Mail	
HSN Media Merchandise	
HSC By Mail	
HSN By Mail	
Home Shopping By Mail	
HSN General Partner LLC	Delaware
HSN Holdings, Inc.	Delaware
HSN of Nevada LLC	Nevada
HSN Realty LLC	Delaware
d/b/a HSN Realty of Delaware	
HSN Travel LLC	Delaware
d/b/a Home Shopping Travel	
Internet Shopping Network LLC	California
MarkeTech Services, Inc	Delaware
National Call Center LP	Delaware
New-U Development LLC	Delaware
New-U Distribution LLC	Delaware
New-U First Run LLC	Delaware

SUBSIDIARY	PLACE OF ORGANIZATION
New-U Member, Inc.	Delaware
New-U Pictures Development LLC	Delaware
New U Pictures Facilities LLC	Delaware
New-U Pictures LLC	Delaware
New-U Productions LLC	Delaware
New-U Talk Video LLC	Delaware
New-U Studios Holdings, Inc	Delaware
New-U Studios LLC	Delaware
New-U Studios, Inc	Delaware
New-U Talk LLC	Delaware
New-U Television LLC	Delaware
USA Network General Partnership	New York
USA Networks Holdings, Inc	Delaware
USA Partner LLC	Delaware
USANi LLC	Delaware
USANi Sub LLC	Delaware
Vela Research LP	Delaware
Vela Research Holdings LLC	Delaware
Miami, USA Broadcasting, Inc	Delaware
Miami, USA Broadcasting Productions, Inc	Florida
Miami, USA Broadcasting Station Productions, Inc	Florida
North Central LTPV, Inc	Delaware
Northeast LTPV, Inc	Delaware
Silver King Capital Corporation, Inc	Delaware
Silver King Investment Holdings, Inc	Delaware
SK Holdings, Inc	Delaware
SKC Investments, Inc	Delaware
SKDA Broadcasting Partnership	Delaware
SKFL Broadcasting Partnership	Delaware
SKHO Broadcasting Partnership	Delaware
SKIL Broadcasting Partnership	Delaware
SKLA Broadcasting Partnership	Delaware
SKMA Broadcasting Partnership	Delaware
SKMD Broadcasting Partnership	Delaware
SKNJ Broadcasting Partnership	Delaware
SKOH Broadcasting Partnership	Delaware
SKTA Broadcasting Partnership	Delaware
SKVI Broadcasting Partnership	Delaware
South Central LPTV, Inc	Delaware
Southeast LPTV, Inc	Delaware
Telemation, Inc	Delaware
USA Broadcasting, Inc	Delaware
USA Broadcasting Productions, Inc	Delaware
USA Station Group, Inc	Delaware
USA Station Group -- LPTV, Inc	Delaware
USA Station Group of Dallas, Inc	Delaware
USA Station Group of Hollywood, Florida, Inc	Delaware
USA Station Group of Houston, Inc	Delaware
USA Station Group of Illinois, Inc	Delaware
USA Station Group of Maryland, Inc	Delaware
USA Station Group of Massachusetts, Inc	Delaware

SUBSIDIARY	PLACE OF ORGANIZATION
USA Station Group of New Jersey, Inc.	Delaware
USA Station Group of Northern California, Inc.	Delaware
USA Station Group of Ohio, Inc.	Delaware
USA Station Group of Southern California, Inc.	Delaware
USA Station Group of Tampa, Inc.	Delaware
USA Station Group of Vineland, Inc.	Delaware
USA Station Group of Virginia, Inc.	Delaware
West LPTV, Inc.	Delaware
Bayou Productions, Inc.	Delaware
Bison Pictures, Inc.	Delaware
Buffalo Development Corporation	Delaware
	Columbia
Getting Away Productions, Inc.	Ontario
Getting Away With Murder Productions, Inc.	California
Getting Away With Murder Productions, Inc.	Delaware
Inflammable Productions, Inc.	Delaware
J&H Productions, Inc.	Quebec
Jekyll Productions, Inc.	Delaware
Laramie Productions, Inc.	Delaware
Mariette Productions Canada, Inc.	Ontario
Mariette Productions, Inc.	Delaware
Savoy Pictures Entertainment, Inc.	Delaware
Savoy Pictures Print Services, Inc.	Delaware
Savoy Pictures Television Development, Inc.	Delaware
Savoy Pictures Television Productions, Inc.	Delaware
Savoy Pictures Television Programming, Inc.	Delaware
Savoy Pictures Television, Inc.	Delaware
Savoy Pictures, Inc.	Delaware
Savoy Pictures, Inc.	Massachusetts
Savoy Stations, Inc.	Delaware
Savoy Television Holdings, Inc.	Delaware
SF Broadcasting of Green Bay, Inc.	Delaware
SF Broadcasting of Honolulu, Inc.	Delaware
SF Broadcasting of Mobile, Inc.	Delaware
SF Broadcasting of New Orleans, Inc.	Delaware
SF Broadcasting of Wisconsin, Inc.	Delaware
SF Green Bay License Subsidiary, Inc.	Delaware
SF Honolulu License Subsidiary, Inc.	Delaware
SF Mobile License Subsidiary, Inc.	Delaware
SF Multistations, Inc.	Delaware
SF New Orleans License Subsidiary, Inc.	Delaware
Simple Plan Productions, Inc.	Delaware
The Stupids Family Productions, Inc.	Delaware
The Stupids Productions (Canada), Inc.	Britain
Thin Line Productions, Inc.	Delaware
Without Remorse Productions, Inc.	Delaware
Zeus Productions, Inc.	Delaware

SCHEDULE II

USA NETWORKS, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGES TO COSTS AND EXPENSES	CHARGES TO OTHER ACCOUNTS(2)	DEDUCTIONS -- DESCRIBE(1)	BALANCE AT END OF PERIOD
			(IN THOUSANDS)		
Allowance for doubtful accounts:					
Year ended December 31, 1997.....	$2,679	$3,432	$ 813	$(3,336)	$3,588
Year ended December 31, 1996.....	$ 68	$ 23	$2,751	$ (163)	$2,679
Four months ended December 31, 1995.....	$ 82	$ 51	$ --	$ (65)	$ 68
Year ended August 31, 1995.....	$ 73	$ 179	$ --	$ (170)	$ 82

- ---

(1) Write-off fully reserved accounts receivable.
(2) Amounts relate to mergers with Savoy Pictures Entertainment, Inc. and subsidiaries, Home Shopping Network, Inc. and subsidiaries for 1996 and the acquisition of USA Networks, Inc.'s interest in Ticketmaster Group, Inc. in 1997.

EXHIBIT 4.6

[NUMBER] [SHARES]

USA

USA NETWORKS, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
COMMON STOCK

SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 902984 10 3

THIS CERTIFIES THAT

IN THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, $.01 PAR VALUE PER SHARE, OF

USA NETWORKS, INC. transferable on the books of the Company by the holder hereof in person or by his duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Certificate of Incorporation, as now and hereafter amended, and of the Bylaws of the Company (copies thereof being on file with the Secretary of the Company) and the holder hereof, by accepting this certificate, expressly assents hereto. This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the seal of the Company and the facsimile signatures of its duly authorized officers.

Dated:

USA Networks, Inc.
Corporate
SEAL
1966
DELAWARE

/S/ Barry Diller
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

/S/ Thomas Kuhn
SECRETARY

COUNTERSIGNED AND REGISTERED:
THE BANK OF NEW YORK
TRANSFER AGENT AND REGISTRAR
BY

AUTHORIZED SIGNATURE

USA NETWORKS, INC.

THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT -- _____ Custodian _____
TEN ENT -- as tenants by the entireties	(Cust) (Minor)
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE
[ ]

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated:

Signature:

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) guaranteed:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.50

EXECUTION COPY

CREDIT AGREEMENT

Among

USA NETWORKS, INC.

USANi LLC,
as Borrower

The Lenders Party Hereto

and

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION,
as Co-Documentation Agent

THE BANK OF NEW YORK,
as Co-Documentation Agent

THE CHASE MANHATTAN BANK,
as Administrative Agent,
Syndication Agent and
Collateral Agent

CHASE SECURITIES INC.,
as Arranger

dated as of February 12, 1998

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Page

SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT dated as of February 12, 1998, among USA NETWORKS, INC., a Delaware corporation ("USANi"), USANi LLC, a Delaware limited liability company (the "Borrower"), the LENDERS party hereto, BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION and THE BANK OF NEW YORK, as codocumentation agents (in such capacity, the "CoDocumentation Agents") and THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "Administrative Agent") and as collateral agent (in such capacity, the "Collateral Agent").

Pursuant to the Investment Agreement (such term and each other capitalized term used but not defined below having the meaning assigned in Section 1.01), on the Effective Date: (a) USANi, Home Shopping, Universal and certain of Universal's subsidiaries will contribute to the Borrower the assets which the Investment Agreement contemplates will be contributed to the Borrower on the Effective Date; (b) the Borrower will pay to a subsidiary of Universal a cash amount or other cash distribution not to exceed approximately $1,633,000,000 (of which $300,000,000 will be deferred until the consummation of the Liberty Transaction); (c) the Borrower will lend to USANi an amount sufficient to enable USANi to repay all the outstanding indebtedness and other obligations under the Existing Credit Agreement, which will be in an aggregate amount not more than approximately $100,000,000, and USANi will repay all such amounts in full; (d) the Borrower, USANi and Liberty contemplate a transaction (the "Liberty Transaction") in which Liberty will after the Effective Date contribute cash and/or assets to USANi or the Borrower; (e) transaction costs in an amount not to exceed $30,000,000 will be paid; and (f) the corporate name of HSN, Inc. will be changed to USA Networks, Inc.

USANi and the Borrower have requested (a) the Lenders to extend credit to the Borrower in the form of (i) Tranche A Term Loans on the Effective Date, in an aggregate principal amount not in excess of $750,000,000, (ii) Tranche B Term Loans on the Effective Date, in an aggregate principal amount not in excess of $250,000,000, and (iii) Revolving Loans at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of $600,000,000, and (b) the Issuing Bank to extend credit to the Borrower in the form of Letters of Credit at any time and from time to time prior to the Revolving Maturity Date, in an aggregate stated amount at any time outstanding not in excess of $40,000,000.

The Lenders are willing to extend such credit to the Borrower and the Issuing Bank is willing to issue Letters of Credit for the account of the Borrower, on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Certain Defined Terms. As used herein, the following terms shall have the following meanings:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquired Assets" shall mean the assets contributed to the Borrower on the Effective Date pursuant to the Investment Agreement and shall include, upon the consummation of the Liberty Transaction, the Liberty Assets.

"Adjusted LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" shall have the meaning assigned to such term in the preamble.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" shall mean, with respect to any Person, any other Person, directly or indirectly through one or more intermediaries, Controlling, Controlled by, or under direct or indirect common Control with, such Person.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, with respect to any Revolving Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" shall mean, for any day (a) with respect to any ABR Loan or Eurodollar Loan that is a Revolving Loan or a Tranche A Term Loan, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread" or "Eurodollar Spread", as the case may be, (b) with respect to any ABR Loan or Eurodollar Loan that is a Tranche B Term Loan, the applicable rate per annum set forth below under the caption "Tranche B ABR Spread" or "Tranche B Eurodollar Spread", as the case may be, and (c) with respect to the commitment fees payable hereunder, the applicable rate per annum set forth below under the caption "Commitment Fee Rate", in each case based upon the Total Debt Ratio as set forth in the Total Debt Ratio Notice most recently delivered under Section 5.01(g); provided that until the delivery of the Total Debt Ratio Notice in respect of the Fiscal Quarter ending March 31, 1998 the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 4:

Total Debt Ratio:	ABR Spread	Eurodollar Spread	Tranche B ABR Spread	Tranche B Eurodollar Spread	Commitment Fee Rate
Category 1 --- Less than 2.0 to 1.0	0%	.750%	.500%	1.500%	.1875%
Category 2 --- Greater than or equal to 2.0 to 1.0, but less than 3.0 to 1.0	0%	1.000%	.500%	1.500%	.2500%
Category 3 --- Greater than or equal to 3.0 to 1.0, but less than 4.0 to 1.0	.250%	1.250%	.750%	1.750%	.3000%
Category 4 --- Greater than or equal to 4.0 to 1.0	.500%	1.500%	.750%	1.750%	.3750%

For purposes of the foregoing, each change in the Applicable Rate resulting from a change in the Total Debt Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of the Total Debt Ratio Notice indicating such change and ending on the date immediately preceding the effective date of the next such change; provided that the Total Debt Ratio shall be deemed to be in Category 4 (A) at any time that an Event of Default has occurred and is continuing or (B) if the Borrower fails to deliver when due the Total Debt Ratio Notice, during the period from the time when delivery is due until such Total Debt Ratio Notice is delivered.

"Approved Fund" shall mean, with respect to any Lender that is a fund or other entity that invests in commercial loans, any other fund or entity that invests in commercial loans and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assessment Rate" shall mean, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "wellcapitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Asset Sale" shall mean any sale or other disposition (including any sale and leaseback) or any loss, damage, destruction or condemnation of any asset or assets of USANi, the Borrower or any of their respective Subsidiaries, other than (a) any sale or other disposition of inventory (but not of accounts receivable) in the ordinary course of business, (b) any sale or other disposition of obsolete assets in the ordinary course of business, (c) any sale or other disposition of movie rights in the ordinary course of business on an arm's length basis, (d) any sale or disposition of television programming rights in the ordinary course of business on an arm's-length basis, (e) any sale or disposition of WHSW TV, Vela Research, Inc., Internet Shopping Network, Inc., The National Registry Inc. or Body by Jake, (f) any sale of any asset under the Program or any Securitization or (g) any sale or disposition of any of the SF Broadcasting Companies or any sale or disposition by any of the SF Broadcasting Companies of all or substantially all of such entity's assets; provided that any such sale or disposition shall constitute an "Asset Sale" to the extent of any Investments actually made in such SF Broadcasting Company on or after the Effective Date. For the avoidance of doubt, the transfer of cash after the Effective Date in an amount not to exceed $300,000,000 to a subsidiary of Universal pursuant to Section 1.5 of the Investment Agreement shall not constitute an "Asset Sale". No part of any series of disposition transactions that the Borrower shall have given notice to the Administrative Agent it intends to treat as part of an Asset Swap shall constitute an Asset Sale (it being understood that such notice may be given even though the Borrower has not yet identified the assets to be purchased or the terms of any such transaction), except that (i) if the aggregate Net Proceeds, if any, received by USANi, the Borrower or any of their respective Subsidiaries in connection with any completed Asset Swap exceeds the aggregate

amount of any cash consideration paid by any of them in connection therewith, then such Asset Swap shall as of the date of such completion constitute an Asset Sale to the extent of such excess Net Proceeds, and (ii) if USANi, the Borrower or any of their respective Subsidiaries realize Net Proceeds in one or more transactions that are intended to constitute part of an Asset Swap and such Asset Swap is not completed within the time required in order for any such transaction to qualify as part of an Asset Swap (as provided in the definition of the term "Asset Swap") then each such transaction shall constitute an Asset Sale as of the date such completion had been required, provided that the Net Proceeds in respect of such transaction or transactions shall be deemed to be the aggregate amount of such Net Proceeds minus, if applicable, the aggregate amount of cash consideration paid by USANi, the Borrower or any of their respective Subsidiaries in connection with acquisitions, if any, intended to constitute part of such Asset Swap that were effected in time to qualify as part of such Asset Swap.

"Asset Swap" shall mean (a) any direct exchange by SKTV or any of its subsidiaries of a business primarily engaged in television broadcasting for a business primarily engaged in television broadcasting or (b) any series of transactions involving a sale by SKTV or any of its subsidiaries of a business primarily engaged in television broadcasting combined with (independently or in conjunction with) the acquisition by SKTV or any of its subsidiaries of a business primarily engaged in television broadcasting; provided that:

(i) prior to consummating any such transaction (and prior to consummating the first of any series of such transactions) the Borrower shall notify the Administrative Agent of all television broadcast stations known at the time of notice to be exchanged, sold or acquired in connection with such transactions and the material terms of such transactions (it being understood that the Borrower shall not be required to identify any television broadcasting station to be exchanged for or acquired in connection with such Asset Swap until such identity is determined by the Borrower);

(ii) within 12 months after consummating the first of any series of such transactions, the Borrower shall deliver to the Administrative Agent copies of detailed summaries of (or, if publicly filed, copies of) executed contracts with respect to all other

transactions involved in such series of transactions exceeding in the aggregate $10,000,000;

(iii) all transactions involved in any such series of transactions shall be consummated within the later of (A) 18 months after consummation of the first transaction in such series and (B) the date on which all applications to the FCC shall have been acted upon and any FCC action thereon shall have become final and no longer subject to any administrative or judicial review; and

(iv) the Borrower shall have complied with Section 5.25.

If all transactions in a series of transactions intended to qualify as an Asset Swap are not consummated within the relevant period described in clause (iii) above after the first such related transaction, then none of such transactions shall be considered to be part of an Asset Swap (except to the extent that the completed transactions alone would constitute an Asset Swap).

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 8.04), and accepted by the Administrative Agent, in the form of Exhibit A or such other form as shall be approved by the Administrative Agent.

"Bankruptcy Code" shall mean the Federal Bankruptcy Code of the United States, 11 U.S.C. Section 101 et seq., as amended from time to time

"Base CD Rate" shall mean the sum of (a) the ThreeMonth Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States of America (or any successor thereto).

"Borrowing" shall mean (a) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" shall mean a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" shall mean, for any period, all amounts that would, in accordance with GAAP, be set forth as "capital expenditures" on the combined consolidated financial statements of the Combined Group for such period.

"Capital Lease" shall mean any lease or other contractual arrangement which under GAAP has been or should be recorded as a capital lease.

"Capital Lease Obligations" shall mean, for any Person, the obligations of such Person to pay rent or other amounts under any Capital Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Law" shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.14(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Change of Control" shall be deemed to have occurred if:

(a) Barry Diller, Seagram, Seagram through Universal, TCI, TCI through Liberty (collectively, the "Designated Persons") or any combination thereof shall fail to maintain Voting Control of USANi;

(b) the Designated Persons, USANi, or any combination thereof shall fail to maintain Voting Control of the Borrower or shall fail to own at least 51% of the economic benefit of the equity of the Borrower;

(c) any change of control (or similar event, however designated) with respect to USANi, the Borrower or any of their respective Subsidiaries shall occur (unless otherwise waived) under and as defined in any indenture or agreement in respect of Indebtedness to which USANi, the Borrower or any such Subsidiary is a party if as a result of such change of control or similar event USANi, the Borrower or any such Subsidiary is required to prepay, repurchase, redeem or defease such Indebtedness; or

(d) at any time after Barry Diller no longer maintains Voting Control of USANi or the Borrower, Seagram or Seagram through Universal shall maintain neither Voting Control of the Borrower nor ownership of at least 25% of the economic benefit of the equity of the Borrower.

For purposes of this definition, (i) "Voting Control" shall mean (A) control, directly or indirectly through Wholly Owned Subsidiaries, of at least 51% of the aggregate voting power of a Person and (B) the ability to elect a majority of the seats of the board of directors of such Person, (ii) a percentage of the "voting power" of any Person shall mean the voting power (through ownership of shares, beneficially or of record, by contract or otherwise) representing at least such percentage of the aggregate ordinary voting power represented by the issued and outstanding capital stock of such Person and (iii) "group" shall mean a group within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934, as amended from time to time.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Tranche A Term Loans, Tranche B Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment, Tranche A Commitment or Tranche B Commitment.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"CoDocumentation Agents" shall have the meaning assigned to such term in the preamble.

"Collateral Agent" shall have the meaning assigned to such term in the preamble.

"Combined Group" shall mean, at any time, USANi, the Borrower and their respective Subsidiaries, other than the SF Broadcasting Companies and the International Ventures.

"Commitment" shall mean a Revolving Commitment, Tranche A Commitment or Tranche B Commitment, or any combination thereof (as the context requires).

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. A Person shall be deemed to Control another Person if such Person (i) is an officer or director of such other Person or (ii) directly or indirectly owns or controls 10% or more of such other Person's capital stock. "Controlling" and "Controlled" have meanings correlative thereto.

"Core Business" shall mean any of the primary businesses in which USANi and the Acquired Assets are engaged on the date of this Agreement (including broadcast programming of SKTV and the Acquired Assets, as it may change from time to time, and third-party fulfillment business and natural extensions thereof such as teleservices and information services).

"Credit Parties" shall mean USANi, the Borrower, the other Guarantors and each other Person that shall have outstanding an Intercompany Note.

"Default" shall mean an Event of Default or any event or condition which with notice or lapse of time or both would constitute an Event of Default.

"dollars" and "$" shall mean lawful money of the United States of America.

"EBITDA" shall mean, for any period, the sum of the following for the Combined Group on a combined consolidated basis:

(a) operating profit of such Persons for such period; plus

(b) (to the extent already deducted in arriving at operating profit) depreciation and amortization expense for such Persons for such period; plus

(c) (to the extent already deducted in arriving at operating profit) noncash compensation expense;

all as shown on the combined consolidated financial statements, including the notes thereto, of the Combined Group for such period, determined in accordance with GAAP. "EBITDA" for any

Subsidiary for any period shall mean the sum for such Subsidiary and its consolidated subsidiaries of the items set forth in clauses (a), (b) and (c), all determined on a consolidated basis in accordance with GAAP.

"Effective Date" shall mean the date on which each of the conditions precedent set forth in Section 4.01 shall have been satisfied.

"Environmental Law" shall have the meaning assigned to such term in Section 3.14.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as any Credit Party or is under common control (within the meaning of Section 414(c) of the Code) with any Credit Party, or, solely for purposes of Section 412 of the Code, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" shall have the meaning assigned to such term in Article VI.

"Excluded Taxes" shall mean, with respect to the Administrative Agent, the Collateral Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.18(b)), any withholding tax that is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.16(a) and (c) any withholding tax attributable to a Foreign Lender's failure to comply with Section 2.16(e).

"Existing Credit Agreement" shall mean the Credit Agreement dated as of May 1, 1997, among HSN, Inc., the guarantors party thereto, the lenders party thereto, LTCB Trust Company and The Bank of New York Company, Inc., as codocumentation agents, and The Chase Manhattan Bank, as administrative agent.

"FCC" shall mean the Federal Communications Commission of the United States of America and any successor governmental agency or Governmental Authority.

"FCC Licenses" shall mean all licenses, permits and authorizations issued, granted or assigned by the FCC to USANi, the Borrower or any of their respective Subsidiaries

in connection with any of the stations owned by USANi, the Borrower or any of such Subsidiaries.

"Federal Funds Effective Rate" shall mean, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" shall mean the chief financial officer, the principal accounting officer, treasurer or controller of a Person.

"Financing Transactions" shall mean the execution, delivery and performance by each Credit Party of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Fiscal Quarter" shall mean a period of three consecutive calendar months commencing on any January 1, April 1, July 1 and October 1 in any Fiscal Year (or, in the case of Ticketmaster or the SF Broadcasting Companies, any of the four fiscal quarters comprising their respective Fiscal Years as determined in accordance with GAAP).

"Fiscal Year" shall mean, for any Credit Party or Subsidiary, the 12 consecutive calendar month period commencing on January 1 of each calendar year and ending on December 31 of such calendar year (or, in the case of Ticketmaster, the 12 calendar month period commencing on February 1 of each calendar year and ending on January 31 of the succeeding calendar year and, in the case of the SF Broadcasting Companies, the 52 or 53 week period ending on the last Sunday of each calendar year and commencing on the Monday immediately succeeding the last Sunday of the immediately preceding calendar year); and "Fiscal 1997", "Fiscal 1998", and any other year so designated shall mean the Fiscal Year ending on December 31 of the indicated calendar year (except as aforesaid).

"Fixed Charges" shall mean, for any period, Interest Expense plus, on a combined consolidated basis for the Combined Group, the aggregate amount of principal payments, Capital Expenditures (excluding Capital Expenditures by SKTV, the Home Shopping Persons and their respective subsidiaries), cash payments in connection with purchase accounting adjustments, taxes, cash payments for programming in excess of programming expense, and cash dividends and distributions (without duplication) to equity (other than to any Guarantor) for such period of the Combined Group (including distributions in respect of tax liabilities and excluding (a) distributions made on the Effective Date as part of the Transactions and (b) any distribution required to be made to Universal under the Investment Agreement in connection with the contribution by Liberty to the Borrower of cash in an amount no less than the amount of such distribution), determined in accordance with GAAP.

"Foreign Lender" shall mean any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" shall mean any Subsidiary that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"GAAP" shall mean generally accepted accounting principles in the United States of America, consistently applied, as in effect (unless otherwise specified in this Agreement) from time to time.

"Governmental Authority" shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") shall mean any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantee Agreement" shall mean the Guarantee Agreement, executed and delivered by the Guarantors party thereto in favor of the Collateral Agent, substantially in the form of Exhibit B.

"Guaranteed Program" shall have the meaning assigned to such term in Schedule 1.01(a).

"Guarantor" shall mean USANi, each Subsidiary (except for the Borrower, Foreign Subsidiaries, those subsidiaries listed on Schedule 1.01(b) and Non-Material Subsidiaries) and any other Person that provides a Guarantee of the Obligations pursuant to this Agreement. "Guarantors" shall mean all such entities, collectively.

"Hedging Agreements" shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Historical and Pro Forma Basis" shall have the meaning assigned to such term in Section 4.02(d).

"Home Shopping" shall mean Home Shopping Network, Inc., a Delaware corporation.

"Home Shopping Persons" shall mean each Subsidiary of the Borrower to which assets of Home Shopping are contributed on the Effective Date.

"Indebtedness" shall mean, for any Person (but without duplication):

() all indebtedness and other obligations of such Person for borrowed money or for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business and not overdue by more than 180 days), including all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

() all obligations of such Person under Hedging Agreements;

() the stated amount of all letters of credit (including the Letters of Credit) issued for the account of such Person and (without duplication) all drafts drawn thereunder, and the aggregate face amount of all banker's acceptances as to which such Person is obligated;

() all obligations of such Person under any Capital Leases;

() all obligations of such Person in connection with employee benefit or similar plans;

() all obligations of such Person in respect of Guarantees, whether direct or indirect (including agreements to "keep well" or otherwise ensure a creditor against loss) with respect to any indebtedness or other obligation of any other Person of the type described in any of clauses (a) through (e) above;

() all indebtedness or other obligations referred to in any of clauses (a) through (f) above secured by any Lien upon property owned by such Person, whether or not such Person is liable on any such obligation; and

() all obligations of Credit Parties or Subsidiaries under the Program, to the extent they exceed, in the aggregate for all such persons, $10,000,000.

Indebtedness shall not include the obligations of USANi, the Borrower or any Subsidiary to transfer cash to any subsidiary of Universal pursuant to Section 1.5 of the Investment Agreement.

"Indemnified Taxes" shall mean Taxes other than Excluded Taxes.

"Indemnity, Contribution and Subrogation Agreement" shall mean the Indemnity, Contribution and Subrogation Agreement, executed and delivered by the Borrower and the Guarantors party thereto, substantially in the form of Exhibit C.

"Information Memorandum" shall mean the Confidential Information Memorandum dated January 1998 relating to USANi, the Borrower and the Transactions.

"Intercompany Note" shall mean each note substantially in the form of Exhibit D evidencing advances by USANi, the Borrower or any Subsidiary to the issuer of such note.

"Interest Election Request" shall mean a request by the Borrower to convert or continue a Revolving Borrowing or Term Borrowing in accordance with Section 2.06.

"Interest Expense" shall mean, for any period, the combined consolidated cash interest expense for such period of the Combined Group, determined in accordance with GAAP.

"Interest Payment Date" shall mean (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the day that such loan is required to be repaid.

"Interest Period" shall mean with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, with the consent of each Lender, nine or twelve months) thereafter, as the Borrower may elect; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"International Ventures" shall mean each Person in which the Borrower or any Subsidiary shall have made an Investment under Section 5.19(g)(i).

"Investment" shall mean, for any Person, (a) the acquisition (whether for cash, property, services or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities or obligations of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any deposit with, or advance, or loan or other extension of credit to, any other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person, but excluding any such advance, loan or other extension of credit to customers of the Borrower or to customers of the Borrower's Subsidiaries having a term not exceeding 90 days arising in the ordinary course of business); (c) the entering into any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into any Hedging Agreement.

"Investment Agreement" shall mean the Investment Agreement dated as of October 19, 1997, as amended and restated as of December 18, 1997, among Universal, for itself and on behalf of certain of its subsidiaries, USANi, Home Shopping and Liberty, for itself and on behalf of certain of its subsidiaries.

"Issuing Bank" shall mean The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.04(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" shall mean a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" shall mean, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance or pursuant to Section 2.07(d). Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" shall mean any letter of credit issued pursuant to this Agreement, and shall include any letter of credit issued under the Existing Credit Agreement by the Issuing Bank for the account of USANi, the Borrower or any Subsidiary prior to the Effective Date that remains outstanding on the Effective Date.

"Liberty" shall mean Liberty Media Corporation, a Delaware corporation.

"Liberty Assets" shall mean the assets contributed to USANi, the Borrower or any other Credit Party by Liberty pursuant to Section 1.5(f) of the Investment Agreement.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, with respect to any asset or other property, (a) any mortgage, deed of trust, lien, pledge, hypothecation, charge, security interest or encumbrance of any kind in respect of such asset or property, any agreement to grant any of the foregoing with respect to such asset or property, and the filing of a financing statement or similar recording in any jurisdiction with respect to such asset or property, (b) the interest of a vendor or a lessor under any conditional sale agreement, Capital Lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset or property, (c) any account receivable transferred by it with recourse (including any such transfer subject to a holdback or similar arrangement that effectively imposes the risk of collectibility on the transferor) and (d) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" shall mean this Agreement, the Pledge Agreement, the other Security Documents, the Guarantee Agreement, the Indemnity, Contribution and Subrogation Agreement, the Letters of Credit, the letter of credit applications, each Intercompany Note and each amendment, supplement, modification, consent or waiver of, to or in respect of any of the foregoing.

"Loans" shall mean the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" shall mean any material adverse effect on (a) the business, operations or financial condition of USANi, the Borrower and their respective Subsidiaries taken as a whole or (b) the ability of any Credit Party to perform any of its obligations under any of the Loan Documents.

"Material Subsidiary" means (a) any Subsidiary that directly or indirectly owns or Controls any other Material Subsidiary, (b) each Subsidiary identified as a Material Subsidiary on Schedule 1.01(c) that is designated as a Material Subsidiary under this clause (b), (c) any Subsidiary designated from time to time by the Borrower as a Material Subsidiary by written notice to the Administrative Agent and (d) any other Subsidiary (i) the consolidated EBITDA of which was greater than 5% of the Combined Group's combined consolidated EBITDA for the period tested for compliance with Sections 5.11, 5.12 and 5.13 as of the last day of the most recent Fiscal Quarter for which financial statements have been delivered pursuant to Section 5.01 (or, prior to the first delivery of such financial statements, greater than 5% of the consolidated EBITDA of the Person in whose financial statements such Subsidiary is included in the most recent financial statements referred to in Section 3.02(a)) or (ii) the consolidated tangible assets of which as of the last day of such Fiscal Quarter were greater than 5% of the Combined Group's combined consolidated tangible assets as of such date (or, prior to the first delivery of such financial statements, greater than 5% of the consolidated tangible assets of the Person in whose financial statements such Subsidiary is included in the most recent financial statements referred to in Section 3.02(a)). For purposes of making the determinations required by this definition, EBITDA and assets of Foreign Subsidiaries shall be converted into dollars at the rates used in preparing the combined consolidated balance sheet of USANi (or, prior to the first delivery of financial statements pursuant to Section 5.01, the Person in whose financial statements such Foreign Subsidiary is included in the most recent financial statements referred to in Section 3.02(a)) included in the applicable financial statements. The Material Subsidiaries after giving effect to the transactions to occur on the Effective Date are listed on Schedule 1.01(c).

"Material Subsidiary Group" shall mean, at any time, a group of any two or more Subsidiaries the combined consolidated EBITDA or tangible assets of which at such time represent more than 10% of the Combined Group's combined consolidated EBITDA or tangible assets, respectively.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a plan defined as such in Section 3(37) of ERISA to which contributions have been made by any Credit Party or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Proceeds" shall mean, with respect to any event, without duplication, (a) (i) the cash proceeds received in respect of such event, including any cash received in respect of any non-cash proceeds, but only as and when received, net of (ii) the sum of all reasonable fees and out-of-pocket expenses paid by USANi, the Borrower and their respective Subsidiaries to third parties (other than Affiliates) in connection with such event, and (b) in connection with any sale or other disposition of any asset or any settlement by, or receipt of payment in respect of, any property or casualty insurance claim or condemnation award in respect thereof, (i) the cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received, and including any prepayment amount received in respect of any loan to Savoy Stations, Inc. as contemplated by Section 5.19(f)) of such sale, settlement or payment, net of (ii) reasonable and documented attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such sale, insurance claim or condemnation award in respect thereof, the proceeds of any such insurance claim or condemnation award to the extent used or committed for use within six months to replace or repair any assets subject to loss, damage, destruction or condemnation, any amounts required to be escrowed or reserved by USANi, the Borrower or their respective Subsidiaries with respect to liabilities or other obligations retained by USANi, the Borrower or such Subsidiaries in connection with such sale or disposition, including any indemnification or purchase price adjustments (provided, that if and to the extent any such amounts are released to USANi, the Borrower or such Subsidiaries from escrow or such reserve, such amounts will be treated as Net Proceeds) and other customary fees and other costs and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any tax sharing arrangements), provided that no proceeds realized in a single transaction or series of related transactions shall constitute Net Proceeds unless such proceeds shall exceed $250,000, and no such proceeds shall constitute Net Proceeds until the aggregate amount of all such proceeds since the Effective Date shall exceed $10,000,000 (at which time all such proceeds shall constitute Net Proceeds). Net Proceeds of transactions intended to constitute part of an Asset Swap shall be deemed to have been received on the date on which such Asset Swap is completed or, in the case of an Asset Swap that is not completed as intended, on the date such Asset Swap was required to be completed. "Net Proceeds" shall exclude the amount of Indebtedness required to be repaid under the SFB Credit Agreement in connection with any Prepayment Event. In the case of a Prepayment Event arising at any time under clause (b)(i) of the definition of "Prepayment Event", Net Proceeds shall be the lesser of (x) the amount determined as set forth above and (y) the minimum aggregate amount of reductions to the Term Loans required so that the Total Debt Ratio would be less than 4.0 to 1.0 at such time on a pro forma basis as if both the incurrence of Indebtedness under 5.07(j) and such reduction of Term Loans had occurred on the first day of the period for which EBITDA is tested at such time in

determining the Total Debt Ratio. In the case of a Prepayment Event arising at any time under clause (b)(ii) of the definition of "Prepayment Event", Net Proceeds shall be the excess of (I) the aggregate principal amount of Indebtedness outstanding under Section 5.07(j) after giving effect to such Prepayment Event over (II) the sum of $250,000,000 and the aggregate amount of Net Proceeds realized under this sentence in respect of prior Prepayment Events arising under such clause (b)(ii). In the case of any Asset Sale described in clause (g) of the definition of "Asset Sale", Net Proceeds shall be the lesser of (A) the amount determined as set forth above and (B) the aggregate amount of all Investments actually made in the applicable SF Broadcasting Company on or after the Effective Date.

"Non-Material Subsidiary" shall mean, at any time, a Subsidiary that is not a Material Subsidiary.

"Obligations" shall mean all obligations and liabilities of the Borrower to the Administrative Agent, the Collateral Agent, the Issuing Bank, and the Lenders (or any of the foregoing) now or in the future existing under or in connection with any Loan Document or any related document (as any Loan Document or document may from time to time be respectively amended, modified, substituted, extended or renewed), direct or indirect, absolute or contingent, due or to become due, now or hereafter existing, including (a) the payment of any principal of and interest on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set forth for prepayment or otherwise, and the payment of any fees, expenses or other amounts under any Loan Document, (b) each payment required to be made by the Borrower under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of LC Disbursements, interest thereon and the obligations to provide cash collateral in respect of any Letter of Credit and (c) all obligations of the Borrower, monetary or otherwise, under any Hedging Agreement entered into with a Person that is or was a Lender or any of its Affiliates at the time of entry into such Hedging Agreement.

"Other Taxes" shall mean any and all present or future transfer, recordation, stamp, documentary, excise, property or similar taxes, charges or levies (and any interest, penalties or additions relating thereto) arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean any individual, corporation, company, association, partnership, trust, joint venture, unincorporated organization, limited liability company, Governmental Authority or other entity.

"Plan" shall mean an employee benefit or other plan established or maintained by any Credit Party or any ERISA Affiliate and which is covered by Title IV of ERISA or Section 412 of the Code, other than a Multiemployer Plan.

"Pledge Agreement" shall mean the Pledge Agreement, executed and delivered by USANi, the Borrower and the other Credit Parties party thereto in favor of the Collateral Agent, substantially in the form of Exhibit E.

"Pledged Securities" shall have the meaning assigned to such term in the Pledge Agreement.

"Prepayment Event" shall mean (a) any Asset Sale and (b) the incurrence by USANi, the Borrower or any of their respective Subsidiaries of (i) any Indebtedness under Section 5.07(j)(i) at any time that the Total Debt Ratio shall be greater than or equal to 4.0 to 1.0 on a pro forma basis as if such Indebtedness had been incurred on the first day of the period for which EBITDA is tested at such time in determining the Total Debt Ratio, (ii) any Indebtedness under Section 5.07(j)(ii) if upon the issuance thereof the aggregate principal amount of Indebtedness outstanding under Section 5.07(j) would exceed $250,000,000 or (iii) any other Indebtedness not permitted by Section 5.07.

"Premises" shall have the meaning assigned to such term in Section 3.14.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Program" shall have the meaning assigned to that term in Schedule 1.01(a).

"Register" shall have the meaning set forth in Section 8.04.

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation G" shall mean Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation T" shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" shall mean, with respect to any specified Person, such Person's Affiliates and the respective directors, trustees, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" shall mean, at any time, Lenders having Revolving Exposures, Term Loans and unused Commitments representing at least 51% of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at such time.

"Revolving Availability Period" shall mean the period from and including the Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

"Revolving Commitment" shall mean, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 8.04. The initial amount of each Lender's Revolving Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Revolving Commitments is $600,000,000.

"Revolving Exposure" shall mean, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans and its LC Exposure and Swingline Exposure at such time.

"Revolving Lender" shall mean a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

"Revolving Loan" shall mean a Loan made pursuant to clause (c) of Section 2.01.

"Revolving Maturity Date" shall mean December 31, 2002.

"Savoy" shall mean Savoy Pictures Entertainment, Inc., a Delaware corporation.

"Seagram" shall mean The Seagram Company Ltd., a Canadian corporation.

"SEC Report" shall mean, with respect to any Person, any document filed at any time with the Securities and Exchange Commission (or any successor thereto) by or on behalf of such Person and available to the public.

"Secured Parties" shall mean (a) the Lenders and any Affiliate of a Lender party to a Hedging Agreement with the Borrower, and any Person that is or was a Lender or its Affiliate at the time such Person entered into such Hedging Agreement, (b) the Administrative Agent, (c) the Collateral Agent, (d) the Issuing Bank and (e) the successors and assigns of the foregoing.

"Securitization" shall mean the transfer or pledge of assets or interests in credit card receivables of the Home Shopping Persons to a trust, partnership, corporation or other entity, which transfer or pledge is funded by Indebtedness of such entity that is nonrecourse to USANi, the Borrower and their respective Subsidiaries (other than such entity), in whole or in part by the issuance of instruments or securities that are paid principally from the cash flow derived from such assets or interests in assets.

"Security Documents" means the Pledge Agreement and each other security agreement or other instrument or document executed and delivered thereunder or pursuant to Section 5.25 to secure any of the Obligations.

"SFB Credit Agreement" shall mean the Credit Agreement dated as of June 30, 1995, among the SF Broadcasting Companies, the lenders party thereto, The Chase Manhattan

Bank, as administrative agent and collateral agent, First Union National Bank of North Carolina, as managing agent, and The Bank of New York, Fleet Bank, N.A., and Banque Paribas as co-agents, as amended, waived, modified and in effect from time to time.

"SF Broadcasting Companies" shall mean Savoy Stations, Inc., a Delaware corporation, and each Person listed on Schedule 1.01(d).

"Short-Term Debt" shall mean, for any Person at any time, all Indebtedness of such Person which would at such time be short-term debt, whether direct or contingent, under GAAP as in effect on the date of this Agreement.

"SKTV" shall mean SKTV, Inc., a Delaware corporation.

"Special Program" shall have the meaning assigned to that term in Schedule 1.01(a).

"S&P" shall mean Standard & Poor's.

"Statutory Reserve Rate" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over $100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Debentures" shall mean (a) Home Shopping's 57/8% Convertible Subordinated Debentures due March 1, 2006, and (b) Savoy's 7% Convertible Subordinated Debentures due July 1, 2003, in each case as amended or supplemented prior to the date hereof.

"Subordinated Indebtedness" shall mean Indebtedness for borrowed money of USANi (a) no portion of the principal of which is required to be repaid, repurchased, defeased or reacquired by USANi or its Affiliates at any time prior to the date that is 60 days after the Tranche B Maturity Date, (b) all payments in respect of which are fully subordinated to the prior payment of the Obligations and (c) the terms of which (including the subordination terms) have been approved in writing by the Administrative Agent and the Required Lenders prior to the issuance thereof.

"Subsidiary" shall mean any subsidiary of USANi or the Borrower and their respective subsidiaries. For purposes of the representations and warranties made herein on the Effective Date, the term "Subsidiary" includes each Person included in the Acquired Assets on the Effective Date and the Home Shopping Persons.

"subsidiary" shall mean, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled (within the meaning of the first sentence of the definition of "Control"), by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Swingline Exposure" shall mean, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" shall mean The Chase Manhattan Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" shall mean a Loan made pursuant to Section 2.19.

"Taxes" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TCI" shall mean Tele-Communications, Inc., a Delaware corporation.

"Term Loans" shall mean Tranche A Term Loans and Tranche B Term Loans.

"ThreeMonth Secondary CD Rate" shall mean, for any day, the secondary market rate for threemonth certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for threemonth certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Ticketmaster" shall mean Ticketmaster Group, Inc., an Illinois corporation.

"Total Debt" shall mean, for any Person at any time, all Indebtedness of such Person and its subsidiaries at such time (including all long-term senior and subordinated Indebtedness, all Short-Term Debt, the stated amount of all letters of credit (including the Letters of Credit) issued for the account of such Person and (without duplication) all unreimbursed draws thereunder (but excluding trade letters of credit)), as shown on the combined consolidated quarterly or annual financial statements, including the notes thereto, of USANi, the Borrower and their respective Subsidiaries delivered for such period pursuant to Section 5.01 or referred to in Section 3.02.

"Total Debt Ratio" shall mean, at any time, the ratio of (a) Total Debt of the Combined Group on a combined consolidated basis as of such time to (b) EBITDA for the four Fiscal Quarter period ending as of the last day of the most recently ended Fiscal Quarter as of such time for which financial statements have been delivered pursuant to Section 5.01(a) or (b), as EBITDA is shown in the Total Debt Ratio Notice for such period; provided that in respect of the Fiscal Quarter ending March 31, 1998, the calculation of EBITDA will be determined on a pro forma basis as if the Transactions had occurred on January 1, 1998, and provided further that until financial statements shall have been delivered pursuant to Section 5.01(a) or (b) in respect of four Fiscal Quarter ends, EBITDA will be determined by multiplying EBITDA for the number of Fiscal Quarters for which financial statements have been delivered pursuant to Section 5.01(a) or (b) by a fraction, the numerator of which shall be four and the denominator of which shall be the number of Fiscal Quarters for which financial statements have been so delivered. At all times prior to delivery of the first Total Debt Ratio Notice, the Total Debt Ratio shall be deemed to be greater than 4.0 to 1.0.

"Total Debt Ratio Notice" shall mean each notice provided for in Section 5.01(g).

"Tranche A Commitment" shall mean, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche A Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Tranche A Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 8.04. The initial amount of each Lender's Tranche A Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche A Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche A Commitments is $750,000,000.

"Tranche A Lender" shall mean a Lender with a Tranche A Commitment or an outstanding Tranche A Term Loan.

"Tranche A Maturity Date" shall mean December 31, 2002.

"Tranche A Term Loan" shall mean a Loan made pursuant to clause (a) of Section 2.01.

"Tranche B Commitment" shall mean, with respect to each Lender, the commitment, if any, of such Lender to make a Tranche B Term Loan hereunder on the Effective Date, expressed as an amount representing the maximum principal amount of the Tranche B Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 8.04. The initial amount of each Lender's Tranche B Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Tranche A Commitment, as applicable. The initial aggregate amount of the Lenders' Tranche B Commitments is $250,000,000.

"Tranche B Lender" shall mean a Lender with a Tranche B Commitment or an outstanding Tranche B Term Loan.

"Tranche B Maturity Date" shall mean December 31, 2003.

"Tranche B Term Loan" shall mean a Loan made pursuant to clause (b) of Section 2.01.

"Transactions" shall mean the Financing Transactions, the transactions described in the preamble and the other transactions contemplated by the Investment Agreement to be consummated on or prior to the Effective Date.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Universal" shall mean Universal Studios, Inc., a Delaware corporation.

"USANi" shall have the meaning assigned to such term in the preamble.

"Wholly Owned Subsidiary" shall mean Home Shopping (so long as all the equity interests in Home Shopping are owned directly or indirectly by Liberty and/or USANi) and any Person all the ownership interests of which, other than directors' qualifying shares, are owned or controlled, directly or indirectly, by USANi or the Borrower.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally; Certain Accounting Matters. (a) The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) Unless otherwise disclosed to the Lenders in writing at the time of delivery thereof in the manner described in subsection (c) below, all financial statements and certificates and reports as to financial matters required to be delivered to the Administrative Agent on behalf of itself and the Lenders hereunder shall be prepared in accordance with GAAP applied on a

basis consistent with those used in the preparation of the latest financial statements furnished to the Lenders hereunder after the date hereof (or, prior to the delivery of the first financial statements furnished to the Lenders hereunder, on a basis consistent with those used in the preparation of the financial statements referred to in Section 3.02). All calculations made for the purposes of determining compliance with the terms of Sections 5.11, 5.12, 5.13, 5.14, 5.15, 5.16, 5.17, 5.18, 5.19 and 5.20 shall, except as otherwise expressly provided herein, be made by application of GAAP applied on a basis consistent with those used in the preparation of the annual or quarterly financial statements then most recently furnished to the Lenders pursuant to Section 5.01 (or referred to in Section 3.02, excluding the SF Broadcasting Companies) unless (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements or (ii) the Required Lenders shall so object in writing within 30 days after delivery of such financial statements, in either of which cases such calculations shall be made on a basis consistent with those used in the preparation of the most recent financial statements as to which such objection shall not have been made. For purposes of the preparation of financial statements or the making of calculations for the purposes of determining compliance with the terms of Sections 5.11, 5.12, 5.13, 5.14, 5.15, 5.16, 5.17, 5.18, 5.19 and 5.20, the "Fiscal Quarter" or "Fiscal Year" of Ticketmaster or any SF Broadcasting Company shall be the most recent Fiscal Quarter or four Fiscal Quarters, as the case may be, of such entity having ended prior to the relevant Fiscal Quarter or Fiscal Year, as the case may be, of the Borrower.

(c) The Borrower shall deliver to the Administrative Agent, with sufficient copies for delivery to the Lenders, contemporaneously with delivery of any annual or quarterly financial statement under Section 5.01 a description in reasonable detail of any material variation between the application of accounting principles employed in the preparation of such statement and the application of accounting principles employed in the preparation of the most recently preceding annual or quarterly financial statements as to which no objection shall have been made in accordance with the second to last sentence of subsection (b) above, and reasonable estimates of the difference between such statements arising as a consequence thereof.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees (a) to make a Tranche A Term Loan to the Borrower on the Effective Date in a principal amount not exceeding its Tranche A Commitment, (b) to make a Tranche B Term Loan to the Borrower on the Effective Date in a principal amount not exceeding its Tranche B Commitment and (c) to make Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans. Amounts repaid in respect of Term Loans may not be reborrowed.

SECTION 2.02. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. The failure of any Lender to make any Loan required to be made by it shall not

relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, each Revolving Borrowing and Term Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments. Each Swingline Loan shall be in an amount that is an integral multiple of $250,000 and not less than $1,000,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 15 Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Maturity Date, Tranche A Maturity Date or Tranche B Maturity Date, as applicable.

SECTION 2.03. Requests for Borrowings. To request a Revolving Borrowing or Term Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Revolving Borrowing, Tranche A Term Borrowing or Tranche B Term Borrowing;

(ii) the aggregate amount of such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Revolving Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $40,000,000 and (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Revolving Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof or, in the case of Letters of Credit outstanding on the Effective Date, upon the satisfaction or waiver of the conditions set forth in Section 4.01) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank

hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 9:30 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 9:30 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced with the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability

of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Collateral Agent or the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.11(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent (upon the request of the Required Lenders) or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to 105% of the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (e), (f) or (g) of Article VI. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and reasonable discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

SECTION 2.05. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.19. The Administrative Agent will make such

Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.04(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06. Interest Elections. (a) Each Revolving Borrowing and Term Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02 and paragraph (f) of this Section:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

(f) A Borrowing of any Class may not be converted to or continued as a Eurodollar Borrowing if after giving effect thereto (i) the Interest Period therefor would commence before and end after a date on which any principal of the Loans of such Class is scheduled to be repaid and (ii) the sum of the aggregate principal amount of outstanding Eurodollar Borrowings of such Class with Interest Periods ending on or prior to such scheduled repayment date plus the aggregate principal amount of outstanding ABR Borrowings of such Class would be less than the aggregate principal amount of Loans of such Class required to be repaid on such scheduled repayment date.

SECTION 2.07. Termination; Reduction; and Increase of Commitments. (a) Unless previously terminated, (i) the Tranche A Commitments and Tranche B Commitments shall terminate at 5:00 p.m., New York City time, on the Effective Date and (ii) the Revolving Commitments shall terminate on the Revolving Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments of any Class; provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.10, the sum of the Revolving Exposures would exceed the total Revolving Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

(d) On one occasion at any time before February 12, 2000, the Borrower may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request the addition of a new tranche of Term Loans (the "New Term Loans"). The New Term Loans (i) shall be in an aggregate principal amount not in excess of $250,000,000, (ii) shall rank pari passu in right of payment and of security with the Tranche A Term Loans and shall mature no sooner than the Tranche A Maturity Date, (iii) shall have an amortization schedule no more accelerated on a proportional basis than the Tranche A Term Loans and (iv) shall have such pricing as may be agreed by the Borrower and the Lenders providing such New Term Loans and shall otherwise be treated hereunder no more favorably than the Tranche A Term Loans, including for purposes of Section 2.10(c). Such notice shall set forth the requested amount of New Term Loans, and shall offer each Lender the opportunity to offer a commitment to provide New Term Loans by giving written notice of such offered commitment to the Administrative Agent and the Borrower within 10 Business Days after the date of the Borrower's notice. In the event that, on the 10th Business Day after the Borrower shall have delivered a notice pursuant to the first sentence of this paragraph, Lenders shall have provided commitments in an aggregate amount less than the total amount of the New Term Loans requested by the Borrower, the Borrower shall have the right to arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an "Additional Lender") to extend commitments to provide New Term Loans in an aggregate amount equal to the unsubscribed amount, provided that each Additional Lender shall be subject to the approval of the Borrower and the Administrative Agent (which approval shall not be unreasonably withheld). Commitments in respect of New Term Loans shall become Commitments under this Agreement pursuant to an amendment to this Agreement executed by each of USANi, the Borrower, each Lender agreeing to provide such Commitment, each Additional Lender, if any, the Issuing Bank and the Administrative Agent, and such amendments to the other Loan Documents as the Administrative Agent shall reasonably deem appropriate. The effectiveness of such amendment shall be subject to the satisfaction on the date thereof and, if different, on the date on which the New Term Loans are made, of each of the conditions set forth in paragraphs (b), (c), (d) and (e) of Section 4.02.

(e) On one occasion at any time on or before June 30, 1998, the Borrower may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request the addition of a new tranche of Term Loans in addition to, and without prejudice to its right to request, any new tranche of Term Loans under paragraph (d) above (the "Additional New Term Loans"). The Additional New Term Loans (i) shall be in an aggregate principal amount not in excess of $205,000,000, (ii) shall reduce the amount of the Revolving Commitments at any time otherwise available to be utilized in the form of Revolving Loans, LC

Exposure or Swingline Exposure by an amount equal to the aggregate principal amount of the Additional New Term Loans outstanding at such time, (iii) shall have terms substantially the same as those set forth in the term sheet contained in Schedule 2.07(e), (iv) shall have the same Applicable Rates as the Revolving Loans and (v) shall otherwise be treated hereunder no more favorably than the Tranche A Term Loans. Such notice shall set forth the requested amount of Additional New Term Loans, and shall offer each Revolving Lender on a pro rata basis based upon its proportional share of the Revolving Commitments the opportunity to offer a commitment to provide Additional New Term Loans by giving written notice of such offered commitment to the Administrative Agent and the Borrower within 10 Business Days after the date of the Borrower's notice. In the event that, on the 10th Business Day after the Borrower shall have delivered a notice pursuant to the first sentence of this paragraph, Lenders shall have provided commitments in an aggregate amount less than the total amount of the Additional New Term Loans requested by the Borrower, the Borrower shall have the right to arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an "Additional Lender") or Lenders to extend commitments to provide Additional New Term Loans in an aggregate amount equal to the unsubscribed amount, provided that each Additional Lender shall be subject to the approval of the Borrower and the Administrative Agent (which approval shall not be unreasonably withheld). Commitments in respect of Additional New Term Loans shall become Commitments under this Agreement pursuant to an amendment to this Agreement effecting the Additional New Term Loans in accordance with this paragraph (e) executed by each of USANi, the Borrower, each Lender agreeing to provide such Commitment, each Additional Lender, if any, the Issuing Bank and the Administrative Agent, and such amendments to the other Loan Documents as the Administrative Agent shall reasonably deem appropriate. The effectiveness of such amendment shall be subject to the satisfaction on the date thereof and, if different, on the date on which the Additional New Term Loans are made, of each of the conditions set forth in paragraphs (b), (c), (d) and (e) of Section 4.02.

SECTION 2.08. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan of such Lender on the Revolving Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Term Loan of such Lender as provided in Section 2.09 and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least three Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 8.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. Amortization of Term Loans. (a) Subject to adjustment pursuant to paragraph (d) of this Section, the Borrower shall repay Tranche A Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
March 31, 1999	18,750,000
June 30, 1999	18,750,000
September 30, 1999	18,750,000
December 31, 1999	18,750,000
March 31, 2000	37,500,000
June 30, 2000	37,500,000
September 30, 2000	37,500,000
December 31, 2000	37,500,000
March 31, 2001	56,250,000
June 30, 2001	56,250,000
September 30, 2001	56,250,000
December 31, 2001	56,250,000
March 31, 2002	75,000,000
June 30, 2002	75,000,000
September 30, 2002	75,000,000
December 31, 2002	75,000,000

(b) Subject to adjustment pursuant to paragraph (d) of this Section, the Borrower shall repay Tranche B Term Borrowings on each date set forth below in the aggregate principal amount set forth opposite such date:

Date	Amount
March 31, 1999	312,500
June 30, 1999	312,500
September 30, 1999	312,500
December 31, 1999	312,500
March 31, 2000	312,500

June 30, 2000	312,500
September 30, 2000	312,500
December 31, 2000	312,500
March 31, 2001	312,500
June 30, 2001	312,500
September 30, 2001	312,500
December 31, 2001	312,500
March 31, 2002	312,500
June 30, 2002	312,500
September 30, 2002	312,500
December 31, 2002	312,500
March 31, 2003	61,250,000
June 30, 2003	61,250,000
September 30, 2003	61,250,000
December 31, 2003	61,250,000

(c) To the extent not previously paid, (i) all Tranche A Term Loans shall be due and payable on the Tranche A Maturity Date and (ii) all Tranche B Term Loans shall be due and payable on the Tranche B Maturity Date.

(d) If the initial aggregate amount of the Lenders' Term Commitments of either Class exceeds the aggregate principal amount of Term Loans of such Class that are made on the Effective Date, then the scheduled repayments of Term Borrowings of such Class to be made pursuant to this Section shall be reduced ratably by an aggregate amount equal to such excess. Any prepayment of a Term Borrowing of either Class shall be applied ratably to reduce the subsequent scheduled repayments of the Term Borrowings of such Class to be made pursuant to this Section.

(e) Prior to any repayment of any Term Borrowings of either Class hereunder, the Borrower shall select the Borrowing or Borrowings of the applicable Class to be repaid and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such repayment; provided that each repayment of Term Borrowings of either Class shall be applied to repay any outstanding ABR Term Borrowings of such Class before any other Borrowings of such Class. Each repayment of a Borrowing shall be applied ratably to the Loans included in the repaid Borrowing. Repayments of Term Borrowings shall be accompanied by accrued interest on the amount repaid.

SECTION 2.10. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) In the event and on each occasion that any Net Proceeds are received by or on behalf of USANi, the Borrower or their respective Subsidiaries in respect of any Prepayment Event, the Borrower shall, within seven Business Days after such Net Proceeds are received, prepay Term Borrowings in an aggregate amount equal to 100% of such Net Proceeds, except in the case of an Asset Sale of any television station owned by SKTV or any of its subsidiaries, in which case the Borrower shall, within seven Business Days after such Net Proceeds are received, prepay Term Borrowings in an aggregate amount equal to 50% of such Net Proceeds. Concurrently with the occurrence of any Prepayment Event, the Borrower shall deliver to the

Administrative Agent and each Lender a written notice of such occurrence which shall set forth a calculation of the Net Proceeds received in respect of such Prepayment Event.

(c) Prior to any optional or mandatory prepayment of Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings and, in the case of any optional prepayment, the Class or Classes to be prepaid and shall specify such selection in the notice of such prepayment pursuant to paragraph (d) of this Section; provided that each prepayment of Borrowings of any Class shall be applied to prepay ABR Borrowings of such Class before any other Borrowings of such Class. In the event of any mandatory prepayment of Term Borrowings made at a time when Term Borrowings of both Classes remain outstanding, the Borrower shall select Term Borrowings to be prepaid so that the aggregate amount of such prepayment is allocated between the Tranche A Term Borrowings and Tranche B Term Borrowings pro rata based on the aggregate principal amount of outstanding Borrowings of each such Class. Any Tranche B Lender may elect, by notice to the Administrative Agent by telephone (confirmed by telecopy) at least two Business Days prior to the prepayment date, to decline all or any portion of any prepayment of its Tranche B Term Loans pursuant to this Section (other than an optional prepayment pursuant to paragraph (a) of this Section, which may not be declined), in which case the aggregate amount of the prepayment that would have been applied to prepay Tranche B Term Loans but was so declined shall be applied to prepay Tranche A Term Borrowings, provided that, if the Borrower so requests in writing promptly after notice that any such Tranche B Lender has declined all or any portion of any prepayment, such declined prepayments shall instead be applied to prepay Tranche A Term Borrowings and the Tranche B Term Loans of Tranche B Lenders that did not decline such prepayment allocated pro rata based on the aggregate principal amount of Tranche A Term Borrowings and such Tranche B Term Loans and the Administrative Agent shall advise each Tranche B Lender eligible to receive such an additional prepayment of the amount of such prepayment so reallocated to such Tranche B Lender and, provided further, that any such Tranche B Lender may elect, by notice to the Administrative Agent by telephone (confirmed by telecopy) at least one Business Day prior to the prepayment date, to decline all or any portion of any prepayment of its Tranche B Term Loans pursuant to such reallocation, in which case the aggregate amount of the prepayment that would have been applied to prepay Tranche B Term Loans but was so declined shall be applied to prepay Tranche A Term Loans.

(d) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, five (or, in the case of an optional prepayment, three) Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, three (or, in the case of an optional prepayment, one) Business Days before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment; provided that, if a notice of optional prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.07. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02, except as

necessary to apply fully the required amount of a mandatory prepayment. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.11. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of each Commitment of such Lender during the period from and including the date of this Agreement, to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears (i) in the case of commitment fees in respect of the Revolving Commitments, on the last day of March, June, September and December of each year and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof, and (ii) in the case of commitment fees in respect of the Tranche A Term Commitments and Tranche B Term Commitments, on the Effective Date or any earlier date on which such Commitments terminate. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees with respect to Revolving Commitments, a Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose). Reduction of the availability of Revolving Commitments as contemplated by clause (ii) of Section 2.07(e) shall not constitute usage of such Revolving Commitments for purposes of this Section 2.11(a).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure at a rate equal for each date in such period to (x) in the case of trade Letters of Credit, 40% of the Applicable Rate for Eurodollar Borrowings on such date and (y) in the case of all other Letters of Credit, the Applicable Rate for Eurodollar Borrowings on such date, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for prompt distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.12. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or LC Disbursement or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Revolving Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.14. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase by an amount deemed material by such Lender the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise) by an amount deemed material by such Lender or the Issuing Bank, then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy) by an amount deemed material by such Lender or the Issuing Bank, then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the

Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.15. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan or Term Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.10(d) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.18, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, the Collateral Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, the Collateral Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, the Collateral Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, the Collateral Agent or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender, the Collateral Agent or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, including in the case of a Foreign Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto, accompanied by a certificate representing that such Foreign Lender is not a bank for purposes of Section 881(c) of the Code, is not a ten percent shareholder of the Borrower (within the meaning of 871(h)(3)(B) of the Code) and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code).

SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.14, 2.15 or 2.16, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent in care of the Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.14, 2.15, 2.16 and 8.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payments received by it for the

account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans, Term Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Term Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders, the Collateral Agent or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the Collateral Agent or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, the Collateral Agent or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater

of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(d) or (e), 2.05(b), 2.17(d), 2.19(c) or 8.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.18. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.14, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.14, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 8.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.19. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $25,000,000 or (ii) the sum of the total Revolving Exposures exceeding the total Revolving Commitments; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and

subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

ARTICLE III

Representations and Warranties

Each of USANi and the Borrower represents and warrants to the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders that:

SECTION 3.01. Corporate Existence. Each Credit Party and each of the Material Subsidiaries (a) is a corporation, a limited partnership or a limited liability company duly organized and validly existing under the laws of the jurisdiction of its incorporation or formation; (b) has all requisite corporate, partnership or company power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as presently conducted, and conducts its business in compliance with the requirements set forth in Section 5.03; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

SECTION 3.02. Financial Condition. (a) Each of (i) the consolidated balance sheet of USANi and its consolidated subsidiaries as at December 31, 1996, and the related consolidated statements of income, retained earnings and changes in financial position of USANi and its consolidated subsidiaries for the Fiscal Year ended on such date, audited by and with the opinion thereon of Ernst & Young LLP, the independent auditors of USANi, (ii) the unaudited consolidated balance sheet of USANi and its consolidated subsidiaries as at September 30, 1997, and the related consolidated statements of income, retained earnings and changes in financial position for the three-Fiscal Quarter period ended on such date and (iii) the financial statements for USA Networks and Universal Television Group contained in Appendix H and Appendix I, respectively, of the Proxy Statement of USANi dated January 12, 1998, each of which has been heretofore furnished to the Administrative Agent and each of the Lenders, are complete and correct and fairly present in all material respects the consolidated financial condition of USANi, USA Networks or Universal Television Group, as the case may be, and its consolidated subsidiaries as at such dates and the consolidated results of their operations for such Fiscal Year or period, as the case may be, ended on such dates, all in accordance with GAAP applied on a consistent basis subject, in the case of clause (ii), to normal yearend adjustments. Neither USANi nor USA Networks nor Universal Television Group nor any of their consolidated subsidiaries had on either such date any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such balance sheets as at such dates. Since December 31, 1996, there has been no material adverse effect on the business, operations or financial condition of (A) USANi and its consolidated Subsidiaries (including the Home Shopping Persons) taken as a whole or (B) the Acquired Assets (excluding the Home Shopping Persons) taken as a whole (in such case except as disclosed in any SEC Report of USANi or in the Information Memorandum delivered to the Lenders prior to the date hereof).

(b) The Borrower has heretofore furnished to the Lenders a pro forma combined consolidated and a pro forma combining consolidating balance sheet for USANi, the Borrower and their respective Subsidiaries as of September 30, 1997, prepared giving effect to the Transactions as if the Transactions had occurred on such date. Such pro forma balance sheets (i) have been prepared in good faith, (ii) are based on the best information available to USANi and the Borrower, (iii) accurately reflect all material adjustments believed by the Borrower and USANi necessary to give effect to the Transactions and (iv) fairly present, in all material respects, the pro forma financial position of USANi and the Borrower and such Subsidiaries as of September 30, 1997, as if the Transactions had occurred on such date. The historical financial

information used in the preparation of such pro forma balance sheets was prepared in accordance with GAAP applied on a consistent basis.

SECTION 3.03. Litigation. Except as heretofore disclosed to the Lenders in writing or in any SEC Report of USANi delivered to the Lenders prior to the date hereof, there is no action, proceeding or investigation by or before any court or any arbitral, governmental or regulatory authority or agency, pending or (to the knowledge of any Credit Party) threatened against any such Credit Party or any Subsidiary as to which there is a reasonable possibility of an adverse determination (i) which, if adversely determined, could reasonably be expected to have a Material Adverse Effect or (ii) that involves any of the Loan Documents or the Transactions.

SECTION 3.04. No Breach or Default, etc. Neither the execution and delivery of each of the Loan Documents, nor the consummation of the Transactions, nor the compliance by any Credit Party with the terms and provisions hereof or thereof will (a) conflict with or result in a breach of, or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under, or require any consent or vote of any Person under, the certificate of incorporation or certificate of formation or bylaws, partnership agreement or operating agreement of any Credit Party, or any agreement or instrument to which any Credit Party or any Subsidiary is a party (including employment and affiliation agreements) or to which it is subject, (b) violate any applicable law, regulation, order, writ, injunction or decree of any court or Governmental Authority, or (c) constitute a default or, except as set forth in the Pledge Agreement, result in the imposition of any Lien on any of the assets, revenues or other properties of any Credit Party or any Subsidiary under any such agreement or instrument.

SECTION 3.05. Corporate Action. The execution, delivery and performance by each Credit Party of each of the Loan Documents to which it is a party, and the consummation of the Transactions, are within the scope of its corporate, partnership or company powers, and have been duly authorized by all necessary corporate, company or partnership and, if required, stockholder or member action on the part of each of them. This Agreement constitutes, and each of the other Loan Documents, when duly executed and delivered by each Credit Party thereto will constitute, the legal, valid and binding obligation of each such Credit Party, enforceable against each of them, in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 3.06. Approvals. Except such as have been obtained or made and are in full force and effect, no authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary for the execution, delivery of performance by any Credit Party of any of the Loan Documents or for the validity or enforceability hereof or thereof, or for the consummation of the Transactions.

SECTION 3.07. Use of Loans. Neither any Credit Party nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation G, T, U or X of the Board) and no part of the proceeds of any Loan or any Letter of Credit will be used to buy or carry any margin stock.

SECTION 3.08. ERISA. Each Credit Party and each ERISA Affiliate has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, are in compliance in all material respects with the presently applicable provisions of ERISA and the Code and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan, other than any such failure, noncompliance or incurrence of liability that would not be reasonably expected to have a Material Adverse Effect.

SECTION 3.09. Taxes. Each Credit Party and the Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by any Credit Party or any Subsidiary. The charges, accruals and reserves on the books of the Credit Parties and the Subsidiaries in respect of taxes and other governmental charges are, in the opinion of each Credit Party, adequate.

SECTION 3.10. Credit Agreements. Schedule 3.10 hereto and all SEC Reports of USANi delivered to the Lenders prior to the date hereof completely and correctly disclose each credit agreement, loan agreement, indenture, purchase agreement, Guarantee or other arrangement providing for or otherwise relating to any extension of credit or commitment for any extension of credit (other than pursuant to any letter of credit excepted from the definition of Indebtedness herein under paragraph (c) thereof) to, or Guarantee by, any Credit Party or any Material Subsidiary the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) $10,000,000, and accurately describes the aggregate principal or face amount outstanding and which may become outstanding under each thereof.

SECTION 3.11. Ownership of Assets. Each Credit Party and each Material Subsidiary has good and marketable title to all assets (except assets disposed of in the ordinary course of its business) reflected on the audited consolidated balance sheet as of December 31, 1996, or on the pro forma combined consolidated balance sheet as of September 30, 1997, referred to in Section 3.02, subject to:

(a) no Liens other than such Liens as are listed on Schedule 5.05 or otherwise permitted by Section 5.05 and either (i) listed in notes to the financial statements delivered pursuant to Section 5.01(a) or (b) or (ii) otherwise communicated to the Lenders in writing; and

(b) on any date hereafter, dispositions permitted by Section 5.17 and reflected in the financial statements, including any notes thereto, delivered pursuant to Section 5.01(a) or (b).

SECTION 3.12. Status of Obligations. The obligations of each Credit Party under this Agreement, the Letters of Credit, the Guarantee Agreement, each other Loan Document and each other document now or hereafter entered into with respect hereto or thereto rank and will rank at least pari passu in all respects with all other senior Indebtedness of such Credit Party, except that Indebtedness secured by any Lien permitted by Section 5.05 ranks senior in right of security with respect to the collateral therefor. The obligations of USANi, the Borrower and each Guarantor (including each Guarantor's Guarantee) under the Loan Documents are "senior debt" and "senior indebtedness" (or any other defined term intended to describe Senior Indebtedness) as defined in, and for all purposes of, any indenture (including the indentures relating to the Subordinated Debentures) or other instrument (other than the guarantees by USANi of the Subordinated Debentures) to which each such party is a party

relating to subordinated debt, and the Secured Parties are entitled to the benefits of the subordination provisions relating thereto.

SECTION 3.13. Investment Company Act; Public Utility Holding Company Act. (a) Neither the Borrower nor any Guarantor is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(b) Neither the Borrower nor any Guarantor is a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 3.14. Environmental Matters. To the best of the knowledge of each Credit Party, all operations and conditions at or in the premises which each Credit Party owns, leases or operates (collectively, the "Premises") comply in all material respects with all Federal, state and local laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements relating to environmental matters, contamination, pollution, waste disposal, hazardous materials, substances or wastes or industrial hygiene, including such laws, rules, regulations, codes, ordinances, orders, devices, judgments, injunctions, notices or binding agreements relating to asbestos and electromagnetic fields (collectively, "Environmental Laws"). None of the Premises nor any Credit Party has knowledge of or is subject to any pending or threatened judicial or administrative proceeding alleging the violation of or liability under any Environmental Law.

SECTION 3.15. FCC Matters. Except as set forth on Schedule 3.15, USANi, the Borrower and their respective Subsidiaries have all licenses, consents and approvals from the FCC, other applicable Governmental Authorities and other third parties necessary or advisable to authorize USANi, the Borrower and such Subsidiaries to consummate the Transactions, to own and operate the businesses of USANi, the Borrower and such Subsidiaries and to conduct their operations as contemplated by their business plan, all of which are in full force and effect, and no action has been taken by the FCC or any other person or threatened by any competent authority to challenge any such license, consent or approval or that would otherwise restrain, prevent or otherwise impose material adverse conditions on the financings contemplated hereby or in the business, operations or financial condition of USANi, the Borrower and such Subsidiaries taken as a whole.

SECTION 3.16. Pledge Agreement. By virtue of the execution and delivery of the Pledge Agreement by the parties thereto, when the Pledged Securities are delivered to the Collateral Agent in accordance with the Pledge Agreement, the Collateral Agent will obtain and, so long as the Collateral Agent maintains possession of the Pledged Securities (and subject to Section 8.13), will have and will continue to have a valid and perfected first priority security interest in such Pledged Securities, for the benefit of the Secured Parties, as security for the repayment and performance in full of the Obligations, prior to all other Liens thereon.

SECTION 3.17. Labor Matters. There are no strikes, lockouts or slowdowns against any Credit Party or any Subsidiary pending or, to the knowledge of any Credit Party, threatened. There is no pending (or to the knowledge of any Credit Party) threatened action, proceeding or investigation by or before any court or any arbitral, governmental or regulatory authority or agency against any Credit Party in connection with the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters which, if adversely determined, could have a Material Adverse Effect. All payments due from any Credit Party or any Subsidiary, or for which any claim may be made against any Credit Party or any

Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Credit Party or Subsidiary through the end of the most recent fiscal quarter of such Credit Party or Subsidiary as to which financial statements have been delivered to the Lenders. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Credit Party or Subsidiary is bound other than rights which, if exercised, could not have a Material Adverse Effect.

SECTION 3.18. Solvency. Immediately after the consummation of the Transactions to occur on the Effective Date and immediately following the making of each Loan and issuing of each Letter of Credit made on the Effective Date and after giving effect to the application of the proceeds of such Loans and Letters of Credit, (i) the fair value of the assets of each Credit Party and each of the Subsidiaries, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (ii) the present fair saleable value of the property of each Credit Party and each of the Subsidiaries will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) each Credit Party and each of the Subsidiaries do not intend to incur and do not believe it will incur debts and liabilities, subordinated, contingent or otherwise, beyond its ability to pay such debts and liabilities as they become absolute and matured; and (iv) each Credit Party and each of the Subsidiaries will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Effective Date.

ARTICLE IV

Conditions Precedent

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 8.02):

(a) the Administrative Agent shall have received certified copies of the certificate of incorporation or certificate of formation and bylaws, operating agreement or partnership agreement of each Credit Party and all corporate, partnership or company action and, if necessary, stockholder or member action taken by each Credit Party approving this Agreement and the other Loan Documents and borrowings by the Borrower hereunder (including a certificate setting forth the resolutions of the boards of directors (or equivalent body) of each Credit Party adopted in respect of the Transactions), all in form and substance reasonably satisfactory to the Administrative Agent and its counsel;

(b) the Administrative Agent shall have received a certificate of each Credit Party in respect of each of the officers (i) who is authorized to sign this Agreement and the other Loan Documents on its behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement, the other Loan Documents and the Transactions, all in

form and substance reasonably satisfactory to the Administrative Agent and its counsel. Each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders may conclusively rely on such certificate until it receives notice in writing from the applicable Credit Party to the contrary;

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of any Credit Party, the authorization of the Transactions and any other legal matters relating to any Credit Party, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) the conditions set forth in Section 4.02 shall have been satisfied and the Administrative Agent shall have received a certificate of a senior officer of each Credit Party to the effect set forth in paragraphs (b), (c) and (e) of Section 4.02;

(e) the Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) from each of James G. Gallagher, Vice President, General Counsel and Corporate Secretary of USANi, Wachtell, Lipton, Rosen & Katz, special counsel to USANi and the Borrower, and other counsel reasonably satisfactory to the Administrative Agent, collectively to the effect set forth in Exhibit F;

(f) (i) the Guarantee Agreement shall have been duly executed by the parties thereto and delivered to the Collateral Agent and shall be in full force and effect, and (ii) the Indemnity, Subrogation and Contribution Agreement shall have been duly executed by the parties thereto and delivered to the Collateral Agent and shall be in full force and effect;

(g) the Pledge Agreement shall have been duly executed by the parties thereto and delivered to the Collateral Agent and shall be in full force and effect, and (i) Intercompany Notes evidencing all Indebtedness of USANi and Ticketmaster to the Borrower, (ii) Intercompany Notes evidencing all other Indebtedness outstanding on the Effective Date under Section 5.07(c) and (iii) all the outstanding capital stock of or equity interests in the Borrower and each Guarantor (other than USANi, but including any special purpose Person formed by the Borrower to hold all the equity interests held by the Borrower in its Subsidiaries), in each case as of the Effective Date after giving effect to the Transactions, shall have been duly and validly pledged thereunder to the Collateral Agent, for the ratable benefit of the Secured Parties, and certificates representing such stock or equity interests (except with respect to USA Network, a New York partnership), and such notes evidencing such Indebtedness, accompanied by undated stock powers or other instruments of transfer, endorsed in blank, with respect to such certificates and such notes, shall be in the actual possession of the Collateral Agent, and the Collateral Agent shall have received all other documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Collateral Agent to be filed, registered or recorded to create or perfect the Liens intended to be created under the Pledge Agreement;

(h) the Administrative Agent shall have received counterparts of this Agreement which, when taken together, bear the signatures of all the parties hereto;

(i) the Administrative Agent shall have received (i) financial projections for Fiscal Years 19982002 for the Combined Group and (ii) the financial statements described in Section 3.02(a) and (b), together with a certificate of a Financial Officer of the Borrower to the effect that the financial statements described in 3.02(b) fairly present, in all material respects, the pro forma financial position of USANi, the Borrower and such Subsidiaries, as of September 30, 1997, as if the Transactions had occurred on such date, and that the historical financial information used in the preparation of such pro forma financial statements was prepared in accordance with GAAP applied on a consistent basis. The Borrower shall have exercised its option under the first sentence of Section 1.5(e) of the Investment Agreement to substitute equity interests in the Borrower for up to $75,000,000 in cash otherwise payable to a subsidiary of Universal on the Effective Date and the Lenders shall be reasonably satisfied that such financial statements and the Transactions are otherwise consistent with the sources and uses shown on Schedule 4.01(i) and are not materially inconsistent with the information or projections and the financial model delivered to the Lenders prior to the date hereof. USANi and the Borrower shall have also provided such other financial information as the Lenders may have reasonably requested through the Administrative Agent in connection with the Transactions;

(j) the Administrative Agent shall have received evidence reasonably satisfactory to it that the insurance required by Section 5.03(f) is in effect;

(k) the Administrative Agent shall have received evidence reasonably satisfactory to it that, after giving effect to the transactions contemplated hereby, the commitments under the Existing Credit Agreement have been terminated and all loans thereunder have been repaid or terminated in full, all accrued interest, fees and other amounts payable thereunder have been paid in full and all Liens on collateral thereunder have been released;

(l) the Lenders shall have received a certificate of a Financial Officer of the Borrower, in form and substance reasonably satisfactory to the Lenders, as to the solvency of USANi, the Borrower and their respective Subsidiaries on a combined consolidated basis after giving effect to the Transactions;

(m) the Administrative Agent shall have received (i) copies of the Investment Agreement and all certificates, opinions and other documents delivered thereunder and (ii) such other documents as the Administrative Agent or any Lender may reasonably request in connection therewith, including all requisite governmental approvals and filings, if any;

(n) all approvals of Governmental Authorities and third parties necessary or legally advisable in connection with the Transactions and the continuing operations of each of USANi, the Borrower and their respective Subsidiaries (after giving effect to the Transactions) shall have been obtained, be final and nonappealable and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which could restrain, prevent or otherwise impose adverse conditions on the Transactions or could reasonably be expected to have a Material Adverse Effect;

(o) the Transactions intended to be consummated on the Effective Date shall have been, or contemporaneously with the initial funding of Loans on the Effective Date shall be, consummated in accordance with applicable law and the Investment Agreement and all related documentation, in each case in the form previously approved by the Lenders, and otherwise on terms reasonably satisfactory to the Lenders, and the Lenders shall be satisfied with the Acquired Assets contributed to the Borrower on the Effective Date. The Lenders shall be satisfied that the conditions to the obligations of USANi, Home Shopping and the Borrower set forth in the Investment Agreement shall have been satisfied without giving effect to waivers or amendments not approved by the Lenders that are material to the Lenders;

(p) after giving effect to the Transactions, (i) USANi, the Borrower and their respective Subsidiaries shall have outstanding no preferred stock and no Indebtedness other than (A) the Loans, (B) Indebtedness of non-Wholly Owned Subsidiaries set forth on Schedule 5.07, and (C) letters of credit in an aggregate stated amount not in excess of $25,000,000 issued under USANi's letter of credit facility with The Bank of New York, and (ii) the Borrower shall have outstanding no equity interests (or options or warrants for the purchase thereof) other than as contemplated by the Investment Agreement;

(q) the Lenders shall be reasonably satisfied with the sufficiency of the aggregate unused amount of the Revolving Commitments to meet the ongoing working capital needs of USANi, the Borrower and their respective Subsidiaries;

(r) the Lenders shall be reasonably satisfied in all respects with the tax position and the contingent tax and other liabilities of USANi, the Borrower and their respective Subsidiaries and the plans of each of them with respect thereto;

(s) the Lenders shall be reasonably satisfied as to the amount and nature of any environmental and employee health and safety exposures to which USANi, the Borrower and their respective Subsidiaries may be subject and the plans of each of them with respect thereto; and

(t) all legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder and the other Loan Documents shall be reasonably satisfactory to the Lenders.

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (including the initial Loans), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, shall be subject to satisfaction of the further conditions that, as of the date of the making of such Loans and the issuance, amendment, renewal or extension of such Letters of Credit and after giving effect thereto:

(a) the Administrative Agent shall have received a Borrowing Request as required by Section 2.03 or, in the case of the issuance of a Letter of Credit, receipt by the Issuing Bank and Administrative Agent of a notice requesting the issuance, renewal or extension of such Letter of Credit, as required by Section 2.04(b);

(b) no Default or Event of Default shall have occurred and be continuing;

(c) the representations and warranties made by each Credit Party in Article III, in the other Loan Documents and in any other certificate or other document delivered in connection herewith or therewith shall be true in all material respects on and as of the date of the making of such Loans, or the issuance, amendment, renewal or extension of such Letter of Credit, with the same force and effect as if made on and as of such date;

(d) the Borrower shall be in compliance with the financial covenants in this Agreement both before and immediately after the making of such Loan or the issuance, amendment, renewal or extension of such Letter of Credit both on an historical basis as of the last day of the most recent Fiscal Quarter in respect of which financial statements have been delivered pursuant to Section 5.01(a) or (b) and on a pro forma basis as if such transaction occurred on the first day of the period tested as of such day to determine compliance with Sections 5.11, 5.12 and 5.13 (on an "Historical and Pro Forma Basis"); and

(e) all fees and expenses then payable pursuant to Sections 2.11 and 8.03(a) and all other fees then payable and theretofore agreed between the Borrower and the Administrative Agent or the Issuing Bank shall have been paid.

Each Borrowing made pursuant to Section 2.02 and each issuance of a Letter of Credit made pursuant to Section 2.04 shall constitute a certification by each Credit Party as to the circumstances specified in paragraphs (b), (c) and (d) above (both as of the date of such notice and, unless any Credit Party otherwise notifies the Administrative Agent prior to the date of such Borrowing or issuance of a Letter of Credit, as of the date of such credit event).

ARTICLE V

Covenants of the Borrower and the Guarantors

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of USANi and the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; Reports and Other Information. The Borrower shall deliver to the Administrative Agent, with sufficient copies for each of the Lenders and the Issuing Bank:

(a) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, unaudited combined consolidated statements of income, retained earnings and changes in financial position of USANi and the Borrower and their respective consolidated Subsidiaries (including the Guarantors) for such period and for the period from the beginning of such Fiscal Year to the end of such period, and the related combined consolidated balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding Fiscal Year (including in each case, but only with respect to periods commencing after the Effective Date, combining consolidating (by operating segment) income statements and balance sheets for USANi, the Borrower and the Material Subsidiaries) (provided that with respect to corresponding

comparative figures with respect to Fiscal 1997, the Borrower shall only be required to provide pro forma combined consolidated statements of income), accompanied by a certificate of a Financial Officer of the Borrower, which certificate shall state that such financial statements fairly present the combined consolidated financial condition and results of operations of USANi, the Borrower and such Subsidiaries, all in accordance with GAAP consistently applied (except with respect to pro forma financial information, for which such certificate need only state that the historical financial information used in the preparation of such pro forma financial information was prepared in accordance with GAAP consistently applied), as at the end of and for such period (subject to normal year-end audit adjustments);

(b) as soon as available and in any event within 120 days after the end of each Fiscal Year of the Borrower, audited combined consolidated statements of income, retained earnings and changes in financial position of USANi, the Borrower and their respective consolidated Subsidiaries (including the Guarantors) for such year and the related combined consolidated balance sheet as at the end of such year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year (including in each case combining consolidating (by operating segment) income statements and balance sheets for USANi, the Borrower and the Material Subsidiaries) (provided that with respect to corresponding comparative figures with respect to Fiscal Year 1997, the Borrower shall only be required to provide pro forma combined consolidated statements of income), accompanied (i) in the case of the combined financial statements, by an opinion thereon of independent certified public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit), which opinion shall state that such combined financial statements fairly present the combined consolidated financial condition and results of operations of USANi, the Borrower and such Subsidiaries as at the end of and for such Fiscal Year and (ii) in the case of combining consolidating financial statements, by a certificate of a Financial Officer of the Borrower, which certificate shall state that such financial statements fairly present the combined consolidated financial condition and results of operations of USANi, the Borrower and such Subsidiaries, all in accordance with GAAP consistently applied (except with respect to pro forma financial information, for which such certificate need only state that the historical financial information used in the preparation of such pro forma financial information was prepared in accordance with GAAP consistently applied), as at the end of and for such Fiscal Year (subject to normal year-end audit adjustments);

(c) promptly upon their becoming available, copies of all registration statements and regular SEC Reports, if any, which USANi shall have filed with the Securities and Exchange Commission (or any governmental agency substituted therefor) or any national securities exchange;

(d) promptly upon the mailing thereof to the shareholders of USANi generally, copies of all financial statements, reports and proxy statements so mailed;

(e) as soon as possible, and in any event within twenty-five days after any Credit Party knows or has reason to know that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a Financial Officer of the relevant Credit Party setting forth details respecting

such event or condition and the action, if any, which such Credit Party or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by any Credit Party or an ERISA Affiliate with respect to such event or condition):

(i) any reportable event, as defined in Section 4043 of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code);

(ii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by any Credit Party or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal by any Credit Party or any ERISA Affiliate under Title IV of ERISA from a Multiemployer Plan, or the receipt by any Credit Party or any ERISA Affiliate of notice from a Multiemployer Plan that is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA; and

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against any Credit Party or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(f) promptly after any Credit Party knows or has reason to know that (i) any Default or any Event of Default has occurred, (ii) any development that, in the opinion of the senior management of USANi or the Borrower, could reasonably be expected to result in a Material Adverse Effect has occurred, (iii) any development relating to any deleveraging event contemplated by Section 5.21 has occurred or (iv) any material notice has been delivered or any material event has occurred under the Investment Agreement or under any of the agreements entered into in connection therewith, in each case, a notice thereof describing the same in reasonable detail and the corrective action taken or proposed to be taken with respect thereto;

(g) not later than (i) 60 days after the last day of each of the first three Fiscal Quarters of each of the Borrower's Fiscal Years and (ii) 120 days after the last Fiscal Quarter of each such Fiscal Year, a notice, executed by a Financial Officer of the Borrower, substantially in the form of Exhibit G (the "Total Debt Ratio Notice"), setting forth the Total Debt Ratio for the last day of such Fiscal Quarter, which notice shall set forth calculations and computations in sufficient detail to show the amount and nature of each of the components of the Total Debt Ratio as of such day; provided that in the case

of the Total Debt Ratio Notice delivered with respect to each Fiscal Quarter specified in clause (i) above, the Borrower shall (if the final form of either of such Notices is not yet available) deliver such Notice in a preliminary form within 60 days of the end of such Fiscal Quarter setting forth all matters required by this paragraph (g) to be included in the final form thereof as accurately as shall be possible based upon information available to the Borrower at such time;

(h) as soon as available and in any event within 10 days after preparation thereof (but in any event, not later than 90 days after the commencement of any Fiscal Year), a detailed annual budget of USANi and the Borrower and their respective consolidated Subsidiaries (including the Guarantors) for each Fiscal Year commencing with Fiscal Year 1999, which budget has been prepared in good faith based upon assumptions believed by the Borrower's senior management to be reasonable, and to the extent materially different from the most recently delivered budget, any update of any business plans or financial projections; and

(i) from time to time such other information regarding the business, operations or financial condition of USANi, the Borrower or their respective Subsidiaries (including any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender, the Administrative Agent, the Collateral Agent or the Issuing Bank may reasonably request through the Administrative Agent.

The Borrower will furnish to the Administrative Agent, with sufficient copies for the Lenders and the Issuing Bank, at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate of a Financial Officer of the Borrower, substantially in the form of Exhibit H (i) to the effect that, to the best of his or her knowledge, after full inquiry, no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail and the corrective action taken or proposed to be taken with respect thereto), (ii) setting forth in reasonable detail the computations necessary to determine whether the Credit Parties are in compliance with Sections 5.11, 5.12, 5.13 and 5.14 as at the end of the respective Fiscal Quarter or Fiscal Year, (iii) setting forth additions to the list of Subsidiaries that are Material Subsidiaries contained in the certificate most recently delivered pursuant to this provision and containing either (A) a representation that all other Subsidiaries combined do not constitute a Material Subsidiary Group as at such date or (B) a representation that all other Subsidiaries do constitute a Material Subsidiary Group as at such date and either designating additional Subsidiaries as Material Subsidiaries or providing the Administrative Agent with information relevant to such designation and (iv) certifying as to the accuracy of any information provided under Section 1.03(c), if any, in connection with the delivery of such financial statements. In addition, the Borrower hereby agrees to furnish the Administrative Agent and the Issuing Bank with an updated notice with respect to the information specified in clause (iii) of the preceding sentence upon the occurrence of any event either that has resulted or could result in a Subsidiary becoming a Material Subsidiary or a group of Subsidiaries becoming a Material Subsidiary Group or that could make the representation contained in the most recently delivered certificate furnished pursuant to this Section 5.01 no longer accurate.

SECTION 5.02. Litigation. Without limiting the obligations of the Borrower under Section 5.01(i), each Credit Party shall promptly give to each Lender notice of any threat or notice of intention of any person to file or commence any court or arbitral proceedings or investigations, or proceedings or investigations before any governmental or regulatory authority or agency, affecting any Credit Party or any Subsidiary, as to which there is a reasonable

probability of an adverse determination and which, if adversely determined, could have a Material Adverse Effect.

SECTION 5.03. Legal Existence, etc. Each Credit Party will, and will cause each of its respective Subsidiaries (but in the case of clauses (a), (d) and (e) of this Section 5.03, only those Subsidiaries which are Material Subsidiaries) to:

(a) except as permitted by Section 5.16, preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises;

(b) comply with the requirements of all applicable laws, rules, regulations and orders of Governmental Authorities if failure to comply with such requirements would have a Material Adverse Effect;

(c) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained in accordance with GAAP;

(d) maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted;

(e) keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all requirements of law are made of all dealings and transactions in relation to its business and activities and upon request by the Administrative Agent permit representatives of any Lender, the Administrative Agent, the Collateral Agent or the Issuing Bank, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and financial condition with its officers, all to the extent reasonably requested by such person; and

(f) keep insured by financially sound and reputable insurers all property of a character usually insured by businesses engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such businesses and carry such other insurance as is usually carried by such businesses.

SECTION 5.04. Payment of Obligations. Without limiting the obligations of the Credit Parties under Section 5.03, each Credit Party will, and will cause each of its respective subsidiaries to, pay and discharge at or before the date when due, all of their respective material obligations and other liabilities, including material tax and pension liabilities, except where such obligations or liabilities are being contested in good faith and by appropriate proceedings, and maintain, in accordance with GAAP, appropriate reserves for the accrual of all of the foregoing.

SECTION 5.05. Liens. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, create, incur, assume or suffer to exist any Lien on any asset, revenue or other property now or hereafter owned or acquired by it (including the assets and capital stock acquired as permitted by Sections 5.19 and 5.20), or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens existing on the Effective Date securing Indebtedness for borrowed money outstanding on the Effective Date and identified in Schedule 5.05;

(b) any purchase money security interest hereafter created on any property of any Credit Party or any Subsidiary securing Indebtedness incurred solely for the purpose of financing all or a portion of the purchase price of such property; provided that (i) such Lien (A) is created within six months of the acquisition of such property, (B) extends to no other property and (C) secures no other Indebtedness; (ii) the principal amount of Indebtedness secured by such Lien shall at no time exceed the lesser of (A) the cost to the owner of the property subject thereto and (B) the fair value of such property (as determined in good faith by the Board of Directors of such owner) at the time of the acquisition thereof; (iii) such Lien does not extend to or in any way encumber any inventory purchased in the ordinary course of business; and (iv) the aggregate principal amount of all Indebtedness secured by all such Liens shall not exceed at any time $30,000,000 less the aggregate principal amount of all Indebtedness secured by Liens permitted under Section 5.05(k);

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's liens or other similar liens arising in the ordinary course of business of any Credit Party or any Subsidiary and not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings;

(d) Liens in favor of consignors against inventory being sold on consignment in the ordinary course of business by any Credit Party or any Subsidiary;

(e) Liens created in substitution for any Liens permitted by paragraphs (a) and (b) of this Section 5.05; provided that (i) any such newly-created Lien does not extend to any other or additional property and (ii) if permitted by such paragraph (a) or (b), does not secure any other (or additional principal amount of) Indebtedness;

(f) Liens existing on assets at the time of acquisition thereof or of a Subsidiary owning such assets and not incurred in anticipation of or in connection with such acquisition;

(g) operating leases and Capital Leases, to the extent the same would constitute Liens, pursuant to which any Credit Party or its Subsidiary is lessee, and incurred by such Person in the ordinary course of its business;

(h) Liens which secure Indebtedness under trade letters of credit having an aggregate principal amount not exceeding at any time $35,000,000; provided that such Liens shall be limited to the related merchandise (and not a general Lien on all assets of any Person);

(i) Liens arising in connection with, or the sale of receivables under, the Program (as contemplated by paragraph 1 of Schedule 1.01(a)) or a Securitization in an aggregate amount not exceeding $200,000,000 of sold receivables outstanding at any time, limited to the credit card receivables of the Home Shopping Persons and interests therein, under the Program or in any trust or similar entity utilized to effect any Securitization, in each case on a nonrecourse basis to USANi, the Borrower and their respective Subsidiaries

other than to such trust or similar entity (and, in the case of any Securitization, subject to (i) an average advance rate of 80% or higher and (ii) the seller's retained residual interest in such accounts receivable not exceeding $40,000,000 at any time), it being understood that the grant of security interests described in clauses (i), (ii), (iii), (v) and (vi) of paragraph 6 of Schedule 1.01(a), to the extent that such security interests relate to the same property that is "sold" by any of the Home Shopping Persons under the Program, as described in paragraph 1 of said Schedule, will not "constitute a Lien on assets of any Person" for the purposes of this Section 5.05;

(j) Liens arising under the Security Documents in favor of the Secured Parties;

(k) in addition to Liens otherwise permitted by this Section 5.05, Liens on property of any Credit Party or any of their respective subsidiaries (i) which secure Indebtedness (other than any Hedging Agreement) having an aggregate principal amount not exceeding at any time $30,000,000 less the aggregate principal amount of all Indebtedness secured by Liens permitted under Section 5.05(b) and (ii) each of which shall be limited to specified items of collateral (and not a general Lien on all assets of any Person) having a book value not greater than 150% of the aggregate principal amount of the Indebtedness secured by such Lien;

(l) liens for taxes, assessments and governmental charges or levies (including liens arising under ERISA) to the extent not required to be paid under Section 5.04;

(m) deposits or pledges to secure the performance of bids, contracts (other than for borrowed money), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(n) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security obligations; and

(o) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which do not, individually or in the aggregate, materially detract from the value of the property subject thereto;

provided, however, that, notwithstanding the foregoing, at no time and under no circumstances will any of USANi, the Borrower or any of their respective Subsidiaries create, incur, assume or suffer to exist any Lien on any Intercompany Note or on any equity interest held by any of them in any of their Subsidiaries, and all Intercompany Notes and all such equity interests will in any event be maintained free and clear of all Liens whatsoever, except for the Liens created pursuant to the Security Documents and the SFB Credit Agreement.

SECTION 5.06. Sale and LeaseBack Transactions. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred, except for any such arrangement or arrangements having an aggregate principal amount not exceeding at any time $20,000,000.

SECTION 5.07. Indebtedness. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, create, incur, assume or permit to exist any Indebtedness whatsoever except for:

(a) (i) Indebtedness, not under this Agreement, outstanding on the Effective Date as described in Schedule 5.07, but not any extension, renewal, refinancing or replacement thereof, (ii) Indebtedness under the SFB Credit Agreement and any extension, renewal, refinancing or replacement thereof that does not increase the outstanding principal amount thereof and that is under terms no less favorable to the SF Broadcasting Companies and (iii) a Guarantee of Indebtedness of an SF Broadcasting Company made in accordance with Section 5.19(c);

(b) Loans or Letters of Credit under this Agreement;

(c) Indebtedness (i) between any of the Borrower, USANi or any Wholly Owned Subsidiary that is a Guarantor, (ii) of the Borrower, USANi or any Wholly Owned Subsidiary that is a Guarantor to any Subsidiary and (iii) at any time that all the common stock of Ticketmaster is owned by any of the Borrower, USANi, or any Wholly Owned Subsidiary that is a Guarantor and all such common stock has been pledged under the Pledge Agreement, between the Borrower and Ticketmaster, in each case evidenced by an Intercompany Note duly and validly pledged under the Pledge Agreement for the ratable benefit of the Secured Parties;

(d) Capital Lease Obligations in an aggregate principal amount outstanding at any time not in excess of $100,000,000;

(e) Indebtedness of any Guarantor under the Guarantee Agreement;

(f) the joint and several liability of any of the Home Shopping Persons and the other "Participating Subsidiaries" identified in Schedule 1.01(a) under the Program arising in the context of customary credit card chargebacks, as described in paragraph 4 of said Schedule, for accounts that are sold without recourse;

(g) the joint and several liability of the Home Shopping Persons and the other "Participating Subsidiaries" for the obligations under the Special Program and the Guaranteed Program, but only if and for so long as the Home Shopping Persons cause the Special Program and the Guaranteed Program at all times to comply with the requirements of Section 5.05(k) (including the $30,000,000 and 150% tests set forth therein) when taken together with all amounts outstanding under Section 5.05(k) assuming for such purpose with respect to any sold receivable that the amount of such receivable is the book value thereof and that the amount of the Indebtedness secured is the aggregate amount of the obligations under the Special Program and the Guaranteed Program;

(h) Indebtedness incurred under uncommitted lines of credit or in connection with trade letters of credit in an aggregate principal and stated amount at any time outstanding not in excess of $35,000,000;

(i) Indebtedness (other than Indebtedness permitted by subsection (k) of this Section) incurred, issued, assumed or acquired in connection with an acquisition

permitted by Section 5.20 in an aggregate amount that, shall not exceed $500,000,000 in the aggregate, provided that no more than $200,000,000 aggregate principal amount of such Indebtedness may be recourse to USANi, the Borrower or any Subsidiary (other than the acquired Person);

(j) (i) Subordinated Indebtedness in an aggregate amount that, shall not exceed $250,000,000 and (ii) senior unsecured Indebtedness of the Borrower or Subordinated Indebtedness, in each case incurred at any time that the Term Loans have a rating from S&P of BBB- or better, or a rating from Moody's of Baa3 or better, in an aggregate amount that, taken together with Indebtedness incurred under clause (i) of this subsection (j), shall not exceed $500,000,000;

(k) Indebtedness that is (i) assumed or acquired in connection with an acquisition permitted by Section 5.20(b) and (ii) is nonrecourse to USANi, the Borrower or any of their respective Subsidiaries (other than the acquired Person);

(l) other Indebtedness of the Borrower, USANi or any Guarantor in an aggregate principal amount at any time outstanding not in excess of $25,000,000; and

(m) Indebtedness of any Subsidiary that is not a Guarantor to the Borrower, USANi or any Guarantor in an aggregate principle amount (together with the aggregate amount of dispositions made under Section 5.17(c)(iv) and Investments outstanding under Section 5.19(h)) at any time outstanding not in excess of $20,000,000.

SECTION 5.08. Ranking. (a) Each Credit Party will cause its obligations under this Agreement, the Letters of Credit, the Guarantee Agreement, each other Loan Document and each other document now or hereafter entered into with respect hereto or thereto to rank at least pari passu in right of payment and of security with all other senior Indebtedness of such Credit Party, except that Indebtedness secured by any Lien permitted by Section 5.05 may rank senior in right of security with respect to the collateral subject to such Lien. Without limiting the generality of the foregoing, USANi, the Borrower and each Guarantor will take all steps reasonably necessary to assure that its obligations (including each Guarantor's Guarantee) under the Loan Documents will at all times constitute "Senior Indebtedness" or "Senior Debt" (or any other defined term intended to describe senior Indebtedness) as defined in, and for all purposes of, any indenture (including the indentures relating to the Subordinated Debentures) or other instrument (other than the guarantees by USANi of the Subordinated Debentures) to which each such party is a party relating to subordinated debt (and that the Secured Parties will be entitled to the benefits of the subordination provisions relating thereto).

(b) Each Credit Party will cooperate with the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders and will execute such further instruments and documents as any such person may reasonably request to carry out the intentions of this Section. Without limiting the generality of the foregoing, if any Credit Party hereafter issues or otherwise incurs any Subordinated Indebtedness (other than the Subordinated Debentures), each of them will execute and cause to be executed such further documents as the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender may reasonably request to ensure that the obligations of the Credit Parties under this Agreement and the Letters of Credit at all times rank senior to such Subordinated Indebtedness.

(c) Nothing in this Section shall be construed so as to limit the ability of such Credit Party to incur any Indebtedness (consistent with paragraphs (a) and (b) above and otherwise permitted by this Agreement) on a basis pari passu with its Indebtedness under this Agreement and the Letters of Credit.

SECTION 5.09. Business; Fiscal Year. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, make any material change in the nature of its business from that in which it is engaged on the date of this Agreement or to engage to any material extent in any business other than a Core Business. No Credit Party will change its fiscal year from that set forth in the definition of "Fiscal Year", except that Ticketmaster may change its fiscal year to a year ending on December 31 of each calendar year.

SECTION 5.10. Transactions with Affiliates. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, enter into or be a party to any transaction (including any merger, consolidation or sale of substantially all assets otherwise permitted by Section 5.16) with any Affiliate of any Credit Party (other than a Wholly Owned Subsidiary), except upon fair and reasonable terms no less favorable to such Credit Party or Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of such Credit Party. Nothing in this Section 5.10 shall prohibit USANi, the Borrower or any Guarantor from complying with the provisions of the Investment Agreement and the agreements listed on Schedule 5.17.

SECTION 5.11. Interest Coverage Test. Neither USANi nor the Borrower will permit the ratio of EBITDA to Interest Expense for the four-Fiscal Quarter period ended as of the last day of any Fiscal Quarter ending during any period set forth below to be less than the ratio set forth below opposite such period:

Period	Ratio
Effective Date--December 30, 1998	2.0 to 1.0
December 31, 1998 and thereafter	2.5 to 1.0

provided that in respect of the Fiscal Quarter ending March 31, 1998, the calculations of EBITDA and Interest Expense will be determined on a pro forma basis as if the Transactions had occurred on January 1, 1998, and provided further that until financial statements shall have been delivered pursuant to Section 5.01(a) or (b) in respect of four Fiscal Quarter ends, the foregoing ratio shall be calculated in respect of all the Fiscal Quarters ending after the Effective Date in respect of which such financial statements shall have been delivered.

SECTION 5.12. Total Debt Ratio. Neither USANi nor the Borrower will at any time on or after the first day on which EBITDA may be calculated for the Fiscal Quarter ended March 31, 1998, permit the Total Debt Ratio as of the last day of any Fiscal Quarter period ended during any period set forth below to be in excess of the ratio set forth below opposite such period:

Period	Ratio
Effective Date--June 29, 1999	5.0 to 1.0
June 30, 1999--December 30, 1999	4.5 to 1.0
December 31, 1999 and thereafter	4.0 to 1.0

SECTION 5.13. Fixed Charges Ratio. Neither USANi nor the Borrower will permit the ratio of EBITDA to Fixed Charges for the four-Fiscal Quarter period ended as of the last day of any Fiscal Quarter ending during any period set forth below to be less than the ratio set forth below opposite such period:

Period	Ratio
Effective Date--March 30, 2000	1.0 to 1.0
March 31, 2000 and thereafter	1.1 to 1.0

provided that in respect of the Fiscal Quarter ending March 31, 1998, the calculations of EBITDA and Fixed Charges will be determined on a pro forma basis as if the Transactions had occurred on January 1, 1998, and provided further that until financial statements shall have been delivered pursuant to Section 5.01(a) or (b) in respect of four Fiscal Quarter ends, the foregoing ratio shall be calculated in respect of all the Fiscal Quarters ending after the Effective Date in respect of which such financial statements shall have been delivered.

SECTION 5.14. Capital Expenditures. (a) Neither SKTV nor any of its subsidiaries will, directly or indirectly (by way of the acquisition of the securities of a Person or otherwise), make or commit to make any Capital Expenditure (an "SKTV Capital Expenditure") if upon the making of such SKTV Capital Expenditure the aggregate amount of SKTV Capital Expenditures in any Fiscal Year would exceed the amount set forth below as the "SKTV Base Amount" for such Fiscal Year; provided that the amount of permitted SKTV Capital Expenditures in any Fiscal Year shall be increased by an amount equal to the lesser of (i) the total amount of unused permitted SKTV Capital Expenditures for the immediately preceding Fiscal Year (including the amount of any unused SKTV Capital Expenditures carried forward to such preceding year pursuant to this proviso) and (ii) the SKTV Base Amount for the immediately preceding Fiscal Year:

Fiscal Year	SKTV Base Amount
1998	$ 30,000,000
1999	100,000,000
2000	75,000,000
2001	40,000,000
2002	30,000,000
2003	30,000,000

(b) Neither the Home Shopping Persons nor any of their subsidiaries will, directly or indirectly (by way of the acquisition of the securities of a Person or otherwise), make or commit to make any Capital Expenditure (an "HSN Capital Expenditure") if upon the making of such HSN Capital Expenditure the aggregate amount of HSN Capital Expenditures in any Fiscal Year would exceed the amount set forth below as the "HSN Base Amount" for such Fiscal Year; provided that the amount of permitted HSN Capital Expenditures in any Fiscal Year shall be increased by an amount equal to the lesser of (i) the total amount of unused permitted HSN Capital Expenditures for the immediately preceding Fiscal Year (including the amount of any unused HSN Capital Expenditures carried forward to such preceding year pursuant to this proviso) and (ii) the HSN Base Amount for the immediately preceding Fiscal Year:

Fiscal Year	HSN Base Amount
1998	$50,000,000
1999	40,000,000
2000	30,000,000
2001	30,000,000
2002	30,000,000
2003	30,000,000

SECTION 5.15. Notification of Incurrence of Debt. Prior to the incurrence by USANi, the Borrower, any Guarantor or any of their respective subsidiaries of Indebtedness (other than Indebtedness under this Agreement) for borrowed money in excess of $10,000,000 or upon obtaining commitments for such Indebtedness, in each case as permitted by Section 5.07, the Borrower shall deliver notice to the Administrative Agent and the Lenders, certifying, on the basis of its financial statements for the four Fiscal Quarters most recently ended, USANi's and the Borrower's compliance with Sections 5.11, 5.12, 5.13 and 5.14 under this Agreement both before and immediately after the incurrence of such Indebtedness or commitment therefor.

SECTION 5.16. Mergers and Sale of Assets. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any Material Subsidiary or Subsidiaries constituting a Material Subsidiary Group to,

(a) consolidate or merge with or into any other Person, except that a Guarantor or a Wholly Owned Subsidiary may merge with or consolidate into USANi, the Borrower or a Wholly Owned Subsidiary that is a Guarantor and is not a Foreign Subsidiary (provided that USANi, the Borrower or such Wholly Owned Subsidiary, as the case may be, shall be the survivor of such merger or consolidation; provided further that no Subsidiary that is a Guarantor that holds an FCC license may be a party to any merger or consolidation); or

(b) except as specifically permitted by Section 5.17, sell, assign, convey, lease, sublet, transfer or otherwise dispose of all or substantially all of its assets to any Person, whether in a single transaction or in a series of related transactions, except that a Guarantor or a Wholly Owned Subsidiary may sell, assign, convey, lease, sublet, transfer or otherwise dispose of all or substantially all of its assets to USANi, the Borrower or to a Wholly Owned Subsidiary that is a Guarantor and is not a Foreign Subsidiary;

provided, however, that none of the foregoing transactions shall be permitted if a Default or an Event of Default has occurred and is continuing or would result from the consummation of any such transaction.

It is understood and agreed that any consolidation, merger, sale, assignment, conveyance, letting, subletting, transfer or other disposition of all or substantially all of the assets of a Non-Material Subsidiary shall be permitted under this Section, so long as such Non-Material Subsidiary, together with all other Non-Material Subsidiaries (other than Non-Material Subsidiaries permitted to be sold or exchanged pursuant to Section 5.17(d)) with respect to which there has been, since the date hereof, a consolidation, merger, sale, assignment, conveyance, letting, subletting, transfer or other disposition of all or substantially all of its assets, would not (in the absence of such transactions) constitute a Material Subsidiary Group.

SECTION 5.17. Dispositions of Assets. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any Material Subsidiary to, sell, assign, convey, lease, sublet, transfer, swap, exchange or otherwise dispose of any of the assets, businesses or other properties of USANi, the Borrower, any Credit Party or any Material Subsidiary to any Person, whether in a single transaction or in a series of related transactions, except for:

(a) sales of inventory (but not of accounts receivable) in the ordinary course of business of such Credit Party or any Subsidiary;

(b) dispositions of assets in the ordinary course of business in arm's-length transactions by such Credit Party or any Subsidiary to the extent such assets either are no longer used or useful to such Credit Party or such Subsidiary or are promptly replaced by other assets of at least equivalent usefulness;

(c) any such disposition (i) by any Material Subsidiary that is a Guarantor to USANi, the Borrower or any Wholly Owned Subsidiary that is a Guarantor and is not a Foreign Subsidiary, (ii) by USANi or the Borrower to the Borrower or any Wholly Owned Subsidiary that is a Guarantor and is not a Foreign Subsidiary, (iii) by any Material Subsidiary that is not a Guarantor to a Wholly Owned Subsidiary of the Borrower or (iv) by USANi, the Borrower or a Material Subsidiary to any Subsidiary (provided that the aggregate fair market value of assets disposed of pursuant to this clause (iv) (together with the aggregate amount of Indebtedness outstanding under Section 5.07(m) and Investments outstanding under Section 5.19(h)) shall not exceed $20,000,000); provided that no Person shall make any disposition to any SF Broadcasting Company pursuant to this clause (c);

(d) (i) Asset Swaps involving in the aggregate up to four television broadcast stations of SKTV or any of its subsidiaries, on an arm's-length basis for at least fair consideration, or (ii) Asset Sales by SKTV or any of its subsidiaries of assets having an aggregate fair market value not in excess of $250,000,000, as determined in good faith by the board of directors of the Borrower (it being understood that for purposes of determining compliance with such limit, any transaction that would constitute an Asset Sale but for its being intended to constitute part of an Asset Swap under clause (i) shall be counted as an Asset Sale until such time as such Asset Swap is completed) for consideration consisting solely of cash, or (iii) any sale or disposition of any of the SF Broadcasting Companies or any sale or disposition by any of the SF Broadcasting Companies of all or substantially all of such entity's assets on an arm's-length basis for at

least fair consideration; and in each case pursuant to clauses (i), (ii) and (iii) subject to the following conditions:

(x) no Default or Event of Default shall have occurred and be continuing, both before and immediately after the making of such sale or Asset Swap; and

(y) the Credit Parties shall be in compliance with Sections 5.11, 5.12, 5.13, 5.14, 5.16, 5.17, 5.18, 5.19 and 5.20 both before and immediately after the making of such sale or Asset Swap on an Historical and Pro Forma basis.

(e) sales by USANi, the Borrower or any Material Subsidiary of the shares of capital stock or other equity interests of WHSW TV, Vela Research LP, Internet Shopping Network LP, The National Registry Inc., Body By Jake Enterprise LLC or any other Non-Material Subsidiary, on an arm's-length basis for at least fair consideration paid solely in cash, so long as each such other Non-Material Subsidiary, together with all other Non-Material Subsidiaries (other than Vela Research LP, Internet Shopping Network LP, and the SF Broadcasting Companies) with respect to which there has been, since the date of this Agreement, such a sale, would not (had such sales not been made) constitute a Material Subsidiary Group;

(f) sales of movie rights in the ordinary course of business on an arm's-length basis;

(g) sales of programming rights in the ordinary course of business on an arm's-length basis;

(h) nonrecourse sales of receivables described in Schedule 1.01(a), if transacted in accordance with paragraph 1 thereof, or pursuant to Section 5.05(i); and

(i) the transactions with Universal or Liberty described in the agreements listed on Schedule 5.17.

SECTION 5.18. Restricted Payments; Restrictions on Ability of Subsidiaries to Pay Dividends. (a) Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit their respective subsidiaries to:

(i) repurchase, redeem or otherwise acquire any of the shares of capital stock of or any other equity interest in the Borrower, any Guarantor or any Subsidiary, except that USANi may spend up to $100,000,000 in the aggregate to repurchase or redeem shares of its capital stock from time to time at any time that the Total Debt Ratio is less than 4.0 to 1.0, and in connection therewith the Borrower may make any purchase of its capital stock required or permitted under Section 1.6(c) or 1.7(b) of the Investment Agreement as a result of such repurchase or redemption;

(ii) declare or make, or agree to pay or make, directly or indirectly, any dividend or other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a contribution thereof, with respect to any shares of any class of capital stock or other equity interest of the Borrower, any Guarantor or any Subsidiary, except that (A) any Wholly Owned Subsidiary may declare and pay dividends and make other

distributions with respect to its capital stock or other equity interest to any other Wholly Owned Subsidiary or to USANi or the Borrower, (B) the Borrower may make cash distributions to its owners in respect of their ownership interests in the Borrower in amounts determined in accordance with Section 8.2 of the Operating Agreement of the Borrower as in effect on the date hereof and (C) the Borrower may make any payment required by it under Sections 1.5(d) or 1.5(e) of the Investment Agreement; or

(iii) make any optional payment or prepayment on or redemption or acquisition of any Indebtedness of the Borrower, any Guarantor or any Subsidiary other than (x) the conversion of Subordinated Debentures into common equity of USANi required by Section 5.21(a), (y) the prepayment of Indebtedness of Ticketmaster under credit facilities existing on the date hereof or the prepayment of Indebtedness under the SFB Credit Agreement contemplated by Section 5.19(f) and (z) the repurchase, redemption or prepayment of up to $1,000,000 of other Indebtedness, provided that no Default or Event of Default shall have occurred and be continuing, both before and immediately after the making of such repurchase, redemption or prepayment.

(b) Neither the Borrower nor USANi will, and none of them will permit any of their respective Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (i) pay any dividends or make any other distributions on its capital stock or any other equity interest or (ii) make or repay any loans or advances to USANi, the Borrower or to the parent of such Subsidiary.

SECTION 5.19. Restricted Investments. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, make any Investments, except for:

(a) (i) Investments in any Wholly Owned Subsidiary that is a Guarantor, which Guarantor exists as of the Effective Date and is identified on Schedule 5.19 and (ii) Investments in any other Wholly Owned Subsidiary that is a Guarantor created or acquired after the Effective Date to be solely engaged in a Core Business; provided that the aggregate principal amount of such Investments referred to in this paragraph (a)(ii) together with Investments referred to in paragraphs (e) and (g)(ii) below shall not exceed $125,000,000;

(b) loans or advances between any of USANi, the Borrower and any Wholly Owned Subsidiary that is a Guarantor or loans or advances made by the Borrower to Ticketmaster, provided that any such loans or advances shall be evidenced by an Intercompany Note duly and validly pledged under the Pledge Agreement to the Collateral Agent for the ratable benefit of the Secured Parties;

(c) (i) the Guarantee by the Borrower of Indebtedness of an SF Broadcasting Company incurred to finance improvements on a property in Hawaii and secured by a mortgage on such property and improvements and (ii) other Guarantees by the Borrower of Indebtedness of any SF Broadcasting Company in an aggregate amount not to exceed $20,000,000;

(d) Investments in (i) commercial paper rated A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's and in each case maturing within six

months after the date of acquisition thereof, (ii) debt securities issued by any corporation incorporated in the United States of America or any state thereof that has a short-term credit rating of at least A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's and in each case maturing within six months after the date of acquisition thereof, (iii) eurodollar time deposits, certificates of deposit and bankers' acceptance with maturities of six months or less from the date of acquisition, and overnight bank deposits, in each case, with any Lender or with any domestic commercial bank having capital and surplus in excess of $100,000,000, (iv) tax exempt securities rated MIG1 or the equivalent thereof by Moody's with maturities of six months or less from the date of acquisition, (v) securities issued or fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition and (vi) Hedging Agreements entered into for bona fide hedging purposes and not for speculation; and

(e) Investments made after the date hereof in any joint venture, partnership or any other entity solely engaged or to be solely engaged in a Core Business, or in any SF Broadcasting Company, in an aggregate principal amount for all such Investments (together with Investments referred to in paragraphs (a)(ii) above and (g)(ii) below) not in excess of $125,000,000 (provided that Investments made in the SF Broadcasting Companies under this paragraph (e) (other than as a result of a Guarantee under paragraph (c) above being drawn upon) shall not exceed $20,000,000);

(f) a loan by the Borrower to Savoy Stations, Inc. in an aggregate principal amount not to exceed $70,000,000 that is guaranteed by, and secured by a pledge of all the equity interests in, each of the SF Broadcasting Companies that is or owns an operating subsidiary, provided that (i) the commitments under the SFB Credit Agreement shall have been terminated, all loans and letters of credit thereunder shall have been repaid or terminated in full, all accrued interest, fees and other amounts payable thereunder shall have been paid in full and all Liens on collateral thereunder shall have been released and (ii) the documentation for such loan shall require that all net proceeds (determined on the same basis as Net Proceeds) of any sale of Savoy Stations, Inc. or any asset of Savoy Stations, Inc. or any of its subsidiaries shall be required to be paid to the Borrower to be applied as a prepayment of such loan;

(g)(i) Investments in international operations of subsidiaries or joint ventures of the Borrower required to be made under agreements existing on the date of this Agreement and described in Schedule 5.19 in an aggregate amount not to exceed $50,000,000 and (ii) international Investments in a Core Business in an aggregate amount (together with Investments referred to in paragraphs (a)(ii) and (e) above) not to exceed $125,000,000 (provided that no Investments shall be made in the SF Broadcasting Companies under this paragraph (g)); and

(h) Investments made after the Effective Date in any Subsidiary that is not a Guarantor in an aggregate amount (together with the aggregate amount of dispositions made under Section 5.17(c)(iv) and Indebtedness outstanding under Section 5.07(m)) not to exceed $20,000,000.

Each Investment made under paragraph (a), (e), (f) or (g) is subject to the following conditions:

(i) no Default or Event of Default having occurred and be continuing, both before and immediately after the making of such Investment; and

(ii) the Credit Parties being in compliance with Sections 5.11, 5.12, 5.13, 5.14, 5.16, 5.17, 5.18, 5.19, 5.20 and 5.25 both before and immediately after the making of such Investment on an Historical and Pro Forma Basis.

It is understood and agreed that any acquisitions made pursuant to Section 5.20 will not constitute an Investment for purposes of this Section. Notwithstanding anything in this Section to the contrary, it is understood that if any Guarantee permitted by paragraph (c) of this Section shall be drawn upon and remain unreimbursed, such unreimbursed amount shall be counted toward the aggregate $125,000,000 limit applicable to paragraphs (a)(ii), (e) and (g)(ii) of this Section.

SECTION 5.20. Acquisitions. Neither USANi, the Borrower nor any Guarantor will, nor will any of them permit any of their respective subsidiaries to, purchase, lease or otherwise acquire (in one or in a series of transactions) (whether for cash, property, services or assumption or acquisition of debt) any assets or properties, or any class of capital stock, of any other Person outside the ordinary course of business, except for:

(a) any nonhostile acquisition (i.e., any acquisition that is neither subject to an unsolicited tender offer that is subject to the provisions of the Williams Act nor subject to any unsolicited merger offer not approved by the board of directors of the target company at the time of the initial public announcement thereof) for consideration consisting in whole or part of cash or noncash consideration, in which the aggregate consideration thereof paid or delivered by the Borrower or any Guarantor (including the fair market value of any noncash consideration (other than (A) any Indebtedness incurred, issued, assumed or acquired pursuant to Section 5.07(i) and (B) any capital stock or other equity interests of the Borrower, any Guarantor or any of their respective Subsidiaries) issued as part of such consideration) shall not exceed $200,000,000 in the aggregate for all such acquisitions; provided, however, that any such acquisitions are subject to the following conditions:

(i) in the case of any assumed or acquired Indebtedness, such Indebtedness shall only be secured by Liens permitted under Section 5.05(f);

(ii) no Default or Event of Default shall have occurred and be continuing, both before and immediately after the making of such acquisition; and

(iii) the Credit Parties shall be in compliance with Sections 5.11, 5.12, 5.13, 5.14, 5.16, 5.17, 5.18, 5.19, 5.20 and 5.25 both before and immediately after the making of such acquisition on an Historical and Pro Forma Basis; and

(b) any acquisition for consideration consisting solely of capital stock of USANi or the Borrower; provided that the conditions set forth in clauses (a)(i), (ii) and (iii) above are satisfied with respect to such acquisition; and

(c) any acquisition consented to in writing by the Required Lenders.

It is understood and agreed that any Investments made pursuant to Section 5.19 will not constitute an acquisition for purposes of clause (a) of this Section. It is further understood and agreed that (x) no transaction constituting part of any completed Asset Swap shall be counted in determining compliance with the limit set forth in paragraph (a), except to the extent that the aggregate cash consideration paid by USANi, the Borrower or any of their respective Subsidiaries in connection with such Asset Swap shall exceed the aggregate Net Proceeds received by them in such Asset Swap and (y) any acquisition of a business primarily engaged in television broadcasting shall not be counted in determining compliance with the limit set forth in paragraph (a) to the extent the aggregate cost of all such acquisitions on or after the date of the sale of WHSW TV does not exceed the proceeds of the sale of WHSW TV.

SECTION 5.21. Deleveraging Events. (a) USANi shall cause Home Shopping to give notice of the redemption of all its 5-7/8% Convertible Subordinated Debentures due March 1, 2006 as soon as practicable.

(b) USANi shall use its reasonable best efforts to complete as soon as practicable its acquisition of all the equity interests of Ticketmaster not presently owned by USANi on terms acceptable to the directors of USANi.

(c) USANi shall use its reasonable best efforts (subject to price, market conditions and the fiduciary duty of its directors) to sell $200,000,000 of common stock of USANi prior to the date that is four months after the Effective Date.

SECTION 5.22. Use of Proceeds. The Borrower shall use (a) the proceeds of the Term Loans solely to pay on the Effective Date a portion of the cash amount to be paid to Universal or a subsidiary of Universal under the Investment Agreement, (b) the proceeds of any New Term Loans or Additional New Term Loans borrowed as contemplated by Section 2.07 as provided in the amendment effecting such Term Loans, (c) the proceeds of the Revolving Loans and Swingline Loans solely to provide for general corporate purposes (including working capital needs), and (d) the Letters of Credit solely to provide for its general corporate purposes, in each case in compliance with all applicable legal and regulatory requirements, including Regulations G, T, U and X of the Board, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the regulations thereunder. Neither the Administrative Agent, the Collateral Agent, the Issuing Bank nor any Lender shall have any responsibility for any use of the proceeds of the Loans or the Letters of Credit.

SECTION 5.23. Certain Agreements. Neither, USANi, the Borrower nor any Guarantor will amend, modify, terminate or waive, nor will any of them permit any of their respective subsidiaries to agree to any amendment, modification, termination or waiver of any material agreement of such Person (including the Investment Agreement, the agreements attached as exhibits thereto and the Subordinated Debentures), if such amendment, modification, termination or waiver would reasonably be expected to have a Material Adverse Effect.

SECTION 5.24. Compliance with Laws. Each Credit Party and each respective subsidiary thereof will comply with all applicable laws, rules and regulations, and all orders (including ERISA, margin regulations and Environmental Laws) of any Governmental Authority applicable to it or any of its Premises, property, business, operations or transactions to the extent noncompliance could reasonably be expected to result in (a) a Material Adverse Effect or (b) a Default or an Event of Default.

SECTION 5.25. Further Assurances. (a) Each Credit Party will promptly execute any documents, financing statements, agreements or instruments, and take all further actions (including, if applicable, filing Uniform Commercial Code and other financing statements) that may be required under applicable law, or that the Required Lenders, the Administrative Agent, the Collateral Agent or the Issuing Bank may reasonably request, in order to effectuate the pledges and security interests contemplated by this Agreement and the other Loan Documents and in order to grant, preserve, protect or perfect the validity or first priority of pledges and security interests created, intended to be created or to be created by this Agreement or the other Loan Documents.

(b) In connection with the creation or acquisition of any Material Subsidiary or with any Subsidiary becoming a Material Subsidiary (i) USANi and the Borrower will cause such Subsidiary (unless such Subsidiary is a Foreign Subsidiary) to become a party to the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement within ten Business Days after such Subsidiary is formed or becomes a Material Subsidiary or substantially simultaneously with the acquisition of any Material Subsidiary (unless ownership interests in such Subsidiary are held by a third party whose consent is required or advisable for such actions and such consent is not reasonably obtainable) and (ii) if any shares of capital stock, other equity interests or Indebtedness of such Subsidiary are owned by or on behalf of the Borrower or any Guarantor, the Borrower will cause such shares and promissory notes evidencing such Indebtedness to be pledged pursuant to the Pledge Agreement within ten Business Days after such Subsidiary is formed or becomes a Material Subsidiary or substantially simultaneously with the acquisition of any Material Subsidiary (except that, if such Subsidiary is a Foreign Subsidiary, shares of common stock of such Subsidiary to be pledged pursuant to the Pledge Agreement shall be limited to 65% of the outstanding shares of common stock of such Subsidiary).

(c) If at any time the Subsidiaries (other than Foreign Subsidiaries and Subsidiaries listed on Schedule 1.01(b)) that are not Material Subsidiaries would constitute a Material Subsidiary Group, the Borrower (or, if the Borrower has failed to do so within 10 days of its provision of any certificate required under the last paragraph of Section 5.01 disclosing the existence of such a situation, the Administrative Agent) shall designate sufficient Subsidiaries as Material Subsidiaries so that the remaining Subsidiaries that are not Material Subsidiaries (other than Foreign Subsidiaries) would not constitute a Material Subsidiary Group.

(d) The Borrower may at any time with respect to any Material Subsidiary that became a Material Subsidiary under paragraph (c) above or under clause (c) or (d) of the definition of "Material Subsidiary" by written notice to the Administrative Agent provide that such Subsidiary shall not be a Material Subsidiary if (i) such Subsidiary does not meet the tests set forth in such clause (d) as of the last day of the most recent Fiscal Quarter for which financial statements have been delivered pursuant to Section 5.01 at such time and (ii) the removal of such Subsidiary as a Material Subsidiary does not result in a requirement under such paragraph (c) to designate another Subsidiary as a Material Subsidiary.

(e) In the event that USANi, the Borrower or any Subsidiary conveys, sells, leases, assigns, transfers or otherwise disposes of all or any portion of any of the capital stock, other equity interests, assets or property of USANi, the Borrower or any of the Subsidiaries in a transaction not prohibited by this Agreement, or in the event the Borrower shall so request with respect to any Guarantor that is not a Material Subsidiary, the Administrative Agent and the Collateral Agent shall promptly (and the Lenders hereby authorize the Administrative Agent and

the Collateral Agent to) take such action and execute any such documents as may be reasonably requested by the Borrower and at the Borrower's expense to release any Liens created by any Loan Document in respect of such capital stock, equity interests, assets or property and, in the case of a disposition of all or substantially all the capital stock, equity interests or assets of any Guarantor or the requested release of any Guarantor that is not a Material Subsidiary, terminate such Guarantor's obligations under the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement. In addition, the Administrative Agent and the Collateral Agent agree to take such actions as are reasonably requested by the Borrower and at the Borrower's expense to terminate the Liens and security interests created by the Loan Documents when all the Obligations are paid in full and all Letters of Credit and Commitments are terminated. Any representation, warranty or covenant contained in any Loan Document relating to any such capital stock, equity interests, assets, property or Subsidiary shall no longer be deemed to be made once such capital stock, equity interests, assets or property is conveyed, sold, leased, assigned, transferred or disposed of.

SECTION 5.26. Ownership of the Guarantors. (a) Subject to Section 5.17(d) or (e), USANi and the Borrower, respectively, agree at all times to own, directly or indirectly through Wholly Owned Subsidiaries, both beneficially and of record and free and clear of all Liens (other than Liens arising under the Pledge Agreement in favor of the Collateral Agent for the benefit of the Secured Parties), and control 100% of the capital stock or other equity interests of each of their Subsidiaries that is a Guarantor.

(b) Promptly upon any Subsidiary holding a low power television license acquiring a full power television license, (i) USANi and the Borrower will cause such Subsidiary to become a party to the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement and (ii) if any shares of capital stock, other equity interests or Indebtedness of such Subsidiary are owned by or on behalf of any Credit Party, the Borrower will cause such shares and promissory notes evidencing such Indebtedness to be pledged pursuant to the Pledge Agreement (except that, if such Subsidiary is a Foreign Subsidiary, shares of common stock of such Subsidiary to be pledged pursuant to the Pledge Agreement may be limited to 65% of the outstanding shares of common stock of such Subsidiary).

ARTICLE VI

Events of Default

If one or more of the following events (herein called "Events of Default" shall occur and be continuing:

(a) (i) the Borrower shall fail to pay the principal of any Loan or shall fail to make any reimbursement with respect to any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise; or (ii) any Credit Party shall fail to pay any interest on any Loan or LC Disbursement or any fee or other amount payable by it hereunder (other than an amount referred to in clause (a)(i) above) or under any other Loan Document more than two Business Days after the date when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise; or

(b) (i) any Credit Party or any Subsidiary shall default in the payment when due (after giving effect to all applicable grace periods provided for in the documents relating to such Indebtedness, without regard to any waiver thereof) of any amount of principal of or interest on or any other amount payable in connection with any of its Indebtedness not specified in clause (a) above in an aggregate principal amount of $10,000,000 or more; or (ii) any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if (after giving effect to all applicable grace periods provided for in the documents relating to such Indebtedness, without regard to any waiver thereof) the effect of such event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due prior to its stated maturity; or

(c) any representation, warranty or certification made or deemed made herein or in any other Loan Document by any Credit Party, or any certificate furnished to any Lender, the Administrative Agent, the Collateral Agent or the Issuing Bank pursuant to the provisions hereof or the other Loan Documents, shall prove to have been false or misleading as of the time made or deemed made or furnished in any material respect and, if the Credit Parties and the Required Lenders agree that the effects of such false or misleading representation, warranty or certification are curable, such effects shall not have been cured to the reasonable satisfaction of the Required Lenders within 10 days after the earlier of (i) the date on which any Credit Party obtained knowledge that such representation, warranty or certification was so false or misleading or (ii) the date of notice by the Administrative Agent, the Collateral Agent or the Issuing Bank to the relevant Credit Party that such representation, warranty or certification was so false or misleading; or

(d) any Credit Party shall default in the performance of any of its obligations under Article V (other than under any of Sections 5.01(a), 5.01(b), 5.01(c), 5.01(d), 5.01(f)(iii), 5.01(f)(iv), 5.01(g), 5.01(h), 5.02, 5.03(b), 5.03(c), 5.03(d), 5.03(e), 5.03(f), 5.04, 5.15 and 5.25); or any Credit Party shall default in the performance of any of its other obligations in this Agreement or any other Loan Document, including any of Sections 5.01(a), 5.01(b), 5.01(c), 5.01(d), 5.01(f)(iii), 5.01(f)(iv), 5.01(g), 5.01(h), 5.02, 5.03(b), 5.03(c), 5.03(d), 5.03(e), 5.03(f), 5.04, 5.15 and 5.25, (not governed by any other provision in this Article VI) and such default shall continue unremedied for a period of 10 days after the earlier of (i) the date on which any Financial Officer of USANi or the Borrower obtained knowledge of such default or (ii) the date of notice by the Administrative Agent, the Collateral Agent or the Issuing Bank to the relevant Credit Party of the occurrence of such default; or

(e) any Credit Party, any Material Subsidiary or Subsidiaries constituting a Material Subsidiary Group shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) any Credit Party, any Material Subsidiary or Subsidiaries constituting a Material Subsidiary Group shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its assets, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, creditor or debtor rights, winding-up, or

composition or readjustment of debts, (v) take any corporate, partnership or company action for the purpose of effecting any of the foregoing; provided that an event specified in clauses (i) through (v) above shall be deemed to have occurred (whether at one time or cumulatively over a period of time after the date hereof) with respect to a Material Subsidiary Group at the time when such an event shall have occurred with respect to all Subsidiaries constituting such Material Subsidiary Group; or

(g) a proceeding or case shall be commenced, without the application or consent of any Credit Party, any Material Subsidiary or all Subsidiaries constituting a Material Subsidiary Group in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, including the filing of an involuntary petition under the Bankruptcy Code, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Credit Party or Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of such Credit Party or Subsidiary under any law relating to bankruptcy, insolvency, reorganization, creditor or debtor rights, winding-up, or composition or adjustment of debts, and, in each case, such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and shall not be vacated or dismissed within 60 days; or an order for relief against such Credit Party or Subsidiary shall be entered in an involuntary case under any applicable bankruptcy code; provided that an event specified in clauses (i) through (iii) above or the preceding subclause shall be deemed to have occurred with respect to a Material Subsidiary Group at the time when such an event shall have occurred (whether at one time or cumulatively over a period of time after the date hereof) with respect to all Subsidiaries constituting such Material Subsidiary Group; or

(h) a judgment or judgments for the payment of money in excess of $10,000,000 (in excess of available insurance as to which the insurer has acknowledged in writing its obligation to cover such liability) in the aggregate shall be rendered by a court or courts against any Credit Party and/or any of its Subsidiaries and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within 30 days from the date of entry thereof (or, if later, by the date on which such judgment specified that payment is due), and the relevant Credit Party or Subsidiary shall not, within said period of 30 days (or by such later date on which payment is due, as aforesaid), or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(i) an event or condition specified in Section 5.01(e) shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, any Credit Party or any ERISA Affiliate shall incur a liability to a Plan, a Multiemployer Plan or the PBGC (or any combination of the foregoing) which is (or, in the case of a liability incurred by an ERISA Affiliate, is reasonably likely to be) a liability of a Credit Party that is, in the determination of the Required Lenders, material in relation to the consolidated financial position of the Borrower and its consolidated Subsidiaries; or

(j) there shall occur a Change of Control; or

(k) the Guarantee Agreement shall cease, for any reason, to be in full force and effect, or any Credit Party shall assert in writing or in any legal proceeding that any obligation thereunder is not a legal, valid, binding and enforceable obligation; or

(l) any material provision of the Pledge Agreement or any other Security Document shall cease, for any reason, to be in full force and effect, or any Person shall so assert in writing or in any legal proceeding, or any Lien created by the Pledge Agreement or any other Security Document shall cease, for any reason other than a change in applicable law, to be enforceable and of the same effect and priority purported to be created thereby; provided that, in the event any Lien created by the Pledge Agreement or any other Security Document shall cease to be enforceable and of the same effect and priority purported to be created thereby solely as a result of a change in applicable law, such unenforceability and effected priority shall not constitute an Event of Default so long as the Borrower takes all necessary action in respect of such change to restore the enforceability and priority of such Lien and delivers an opinion of counsel to such effect in form and substance reasonably satisfactory to the Administrative Agent, the Collateral Agent and the Issuing Bank within 30 days of the effectiveness of such change; and

(m) (i) any FCC License applicable to any full power television broadcast station owned by USANi, the Borrower or any of their respective Subsidiaries shall be canceled, terminated, rescinded, annulled, forfeited, suspended or revoked, shall fail to be renewed or shall no longer be in full force and effect other than any FCC License that is replaced with new authorizations for digital facilities, (ii) USANi, the Borrower or any such Subsidiary shall for any other reason fail to have all authorizations, permits, licenses and approvals material to the continued operation of its full power television broadcast stations as presently operated, (iii) in any renewal or revocation proceeding involving any FCC License, any administrative law judge of the FCC (or successor to the functions of an administrative law judge of the FCC) shall have issued an initial decision to the effect that USANi, the Borrower or any such Subsidiary lacks the qualifications to hold any FCC License, and such initial decision shall not have been timely appealed or shall otherwise have become an order that is final and no longer subject to further administrative or judicial review or such administrative law judge or successor shall issue a favorable determination on such matter, which determination shall subsequently be reversed on appeal or (iv) any full power television broadcast station shall fail for any period to maintain any broadcast signal or shall fail for any period to maintain any broadcast signal without either material interference or requiring the use of any equipment other than ordinary consumer television antennae and receivers by households aggregating at least 80% of the households normally able to receive such station's broadcast signal without either material interference or the use of any equipment other than ordinary consumer television antennae and receivers; and in the case of clause (i), (ii), (iii) or (iv), such occurrence could reasonably be expected to result in a Material Adverse Effect;

THEREUPON: (A) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Article VI where any petition has been filed, the Administrative Agent, with the consent of the Required Lenders, may and, upon request of the Required Lenders, shall, by notice to the Borrower, terminate the Commitments and/or declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower and the Guarantors hereunder and under any other Loan Documents to be forthwith

due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, diligence, protest or other formalities of any kind, all of which are hereby expressly waived by the Credit Parties; and (B) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Article VI where any petition has been filed, the Commitments shall be automatically terminated and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrower and the Guarantors hereunder and under any other Loan Documents shall become automatically immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Credit Parties.

ARTICLE VII

The Agents

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent and the Collateral Agent (in each such capacity, the "Agent") as its agent and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with USANi, the Borrower or their respective Subsidiaries or other Affiliate thereof as if it were not the Agent hereunder.

The Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 8.02), and (c) except as expressly set forth in the Loan Documents, the Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to USANi, the Borrower or their respective Subsidiaries that is communicated to or obtained by the bank serving as Agent or any of its Affiliates in any capacity. The Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 8.02) or in the absence of its own gross negligence or wilful misconduct. The Agent shall not be deemed to have knowledge of any Default unless and until written notice thereof is given to the Agent by USANi, the Borrower or a Lender, and the Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in

Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Agent.

The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Agent may consult with legal counsel (who may be counsel for USANi or the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Agent may perform any and all its duties and exercise its rights and powers by or through any one or more subagents appointed by the Agent. The Agent and any such subagent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such subagent and to the Related Parties of each Agent and any such subagent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

Subject to the appointment and acceptance of a successor Administrative Agent or Collateral Agent, as the case may be, as provided in this paragraph, the Administrative Agent or Collateral Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Agent's resignation hereunder, the provisions of this Article and Section 8.03 shall continue in effect for the benefit of such retiring Agent, its subagents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each of the parties to this Agreement hereby acknowledges that the CoDocumentation Agents do not have any obligations in their capacity as such under this

Agreement or any other Loan Document and that none of them nor any of their directors, officers, agents or employees shall have any liability hereunder or thereunder.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to USANi or the Borrower, to it at USA Networks, Inc., 152 West 57th Street, 38th Floor, New York, New York 10019, Attention of Chief Financial Officer (Telecopy No. (212) 247-5778);

(b) if to the Administrative Agent, Swingline Lender or the Issuing Bank, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 5525658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York 10017, Attention of Mitch Gervis (Telecopy No. 270-4584);

(c) if to the Collateral Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan, 8th Floor, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 5525658);

(d) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 8.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, the

Collateral Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by USANi, the Borrower and the Required Lenders (except as provided in Section 2.07(d) or (e)) or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Collateral Agent, as applicable, and the Credit Party or Credit Parties that are parties thereto, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (vi) release any Guarantor from its Guarantee under the Guarantee Agreement (except as expressly provided in the Guarantee Agreement), or limit its liability in respect of such Guarantee, without the written consent of each Lender, (vii) release any substantial part of the Pledged Securities and other collateral thereunder from the Liens of the Pledge Agreement and the other Security Documents, without the written consent of each Lender (except as expressly provided in the Security Documents), (viii) change any provisions of any Loan Document in a manner that by its terms adversely affects the rights in respect of payments due to Lenders holding Loans of any Class differently than those holding Loans of any other Class, without the written consent of Lenders holding a majority in interest of the outstanding Loans and unused Commitments of each affected Class or (ix) change the rights of the Tranche B Lenders to decline mandatory prepayments as provided in Section 2.10, without the written consent of Tranche B Lenders holding a majority of the outstanding Tranche B Loans; provided further that (A) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank without the prior written consent of the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank, as the case may be, and (B) any waiver, amendment or modification of this Agreement that by its terms affects the rights or duties under this Agreement of the Revolving Lenders (but not the Tranche A Lenders and Tranche B Lenders), the Tranche A Lenders (but not the Revolving Lenders and Tranche B Lenders) or the Tranche B Lenders (but not the Revolving Lenders and Tranche A Lenders) may be effected by an agreement or agreements in writing entered into by USANi, the Borrower and the requisite percentage in interest of the affected Class of Lenders.

SECTION 8.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable outofpocket expenses incurred by the Administrative Agent and the Collateral Agent and their respective Affiliates, including the reasonable fees, charges and disbursements of counsel, in connection with the syndication of the credit facilities provided for

herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable outof-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender, in connection with the enforcement or, in connection with workout negotiations in which the Borrower is participating, the protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-ofpocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Collateral Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any environmental liability related in any way to USANi, the Borrower or their respective Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the total Revolving Exposures, outstanding Term Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, neither USANi nor the Borrower shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual

damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 8.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void); provided only the Required Lenders will be required to approve an assignment the sole effect of which is to change the organizational form of the Borrower. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank, the Collateral Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate or Approved Fund of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Revolving Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate or Approved Fund of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and

obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 8.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and USANi, the Borrower, the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Collateral Agent, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Collateral Agent, the Swingline Lender or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) USANi, the Borrower, the Administrative Agent, the Collateral Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 8.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 8.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.17(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14 or 2.15 than the applicable Lender would have been entitled to receive with respect

to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.16(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 8.05. Survival. All covenants, agreements, representations and warranties made by the Credit Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16 and 8.03 and Article VII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 8.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Document and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 8.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 8.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of USANi and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against USANi, the Borrower or its properties in the courts of any jurisdiction.

(c) Each of USANi and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 8.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 8.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY

HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 8.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 8.12. Confidentiality. Each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (after prompt prior written notice if reasonably practicable of such request or requirement so that a protective order or other appropriate remedy may be sought), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (after prompt prior written notice if reasonably practicable of such request or requirement so that a protective order or other appropriate remedy may be sought), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than USANi or the Borrower not known to be subject to confidentiality restrictions. For the purposes of this Section, "Information" means all information received from USANi or the Borrower relating to USANi or the Borrower or its business, other than any such information that is available to the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by USANi or the Borrower from a source not known to be subject to confidentiality restrictions; provided that, in the case of information received from USANi or the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 8.13. Release of Liens. If at any time each of the Term Loans has a rating from S&P of BBB- or better and a rating from Moody's of Baa3 or better, the Collateral Agent shall promptly (and the Lenders hereby authorize the Collateral Agent to) upon the request of the Borrower take such action and execute such documents as may be reasonably requested by the Borrower and at the Borrower's expense to release all the Liens created under the Security Documents and shall surrender to or upon the order of the Borrower all Pledged Securities then held by the Collateral Agent. In the event any Term Loans shall at any time thereafter cease to be rated BBB- or better by S&P and Baa3 or better by Moody's, USANi and the Borrower shall immediately take, and shall cause their respective Subsidiaries immediately to take, all actions required to grant to the Collateral Agent for the ratable benefit of the Secured Parties a first priority security interest in and pledge of all the assets that would at such time have been required to be pledged under the Security Documents absent the effect of the first sentence of this Section.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

USA NETWORKS, INC.,

by _____
Name: James G. Gallagher
Title: Vice President and
Assistant Secretary

USANi LLC,

by _____
Name: H. Steven Holtzman
Title: Assistant Secretary

THE CHASE MANHATTAN BANK, individually
and as Administrative Agent,
Collateral Agent and Issuing Bank,

by _____
Name:
Title:

EXHIBIT 10.55

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into as of the13th day of January, 1997, (the "Effective Date") by and between Jed B. Trosper (the "Employee") and Home Shopping Network, Inc. (the "Company").

WHEREAS, the Company through its divisions or subsidiaries desires to employ the Employee; and

WHEREAS, the Employee is desirous of being employed by the Company and committing to serve the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the forgoing and of the respective covenants and agreements of the parties herein contained, the parties agree as follows:

1. Position, Responsibilities and Term of Employment.

1.01 Employment and Duties. Subject to the terms and conditions of this Agreement, the Company agrees to employ the Employee to perform the duties of Executive Vice President-Chief Financial Officer ("CFO") of the Company, and Vice President and CFO of HSN, Inc., and the Employee accepts such employment and agrees to perform in a diligent, careful and proper manner such reasonable responsibilities and duties commensurate with such position as may be assigned to Employee by the officers or other designees of the Company commencing January 13, 1997 (the "Commencement Date"). Employee acknowledges that his job responsibilities may be revised from time to time at the direction of management of the Company. During the term and as long as employment with the Company continues, Employee shall comply with the Company's policies and procedures as in effect from time to time.

1.02 Term. Subject to the provisions of this Agreement, the term of this Agreement shall commence upon the Effective Date and shall continue until December 31, 1999 (the "Term"), unless sooner terminated as provided in paragraph 4.

2. Compensation.

2.01 Signing Bonus. Upon execution hereof by both parties, the Company shall pay to Employee a net Fifty Thousand Dollars ($50,000) as a one time signing bonus.

2.02 Salary. From and after the Commencement Date through September 30, 1997, the Company shall pay Employee a salary at the rate of Two Hundred Seventy-five Thousand Dollars ($275,000) per year. Commencing on each of October 1, 1997 and October 1, 1998, Employee shall receive a salary increase of $25,000 per year. Salary may be reviewed during the Term of this Agreement in accordance with Company policy and adjusted accordingly hereunder. Employee shall be paid once every two (2) weeks or in such other regular periodic installments, at least as frequently as monthly, as salary payments are generally made by the Company to its employees.

2.03 Severance. In the event that this Employment Agreement is not renewed following the end of the Term, Employee shall be entitled to payment of severance in the amount of annual base salary for the twelve months preceding expiration of the Employment Agreement.

2.04 Participation in Benefit Plans.

(a) The Employee shall be entitled to participate in, or receive benefits under, any of Company's employee benefit plans solely in accordance with the terms of such plans and, as applicable, in the discretion of management. In addition, Employee shall be granted options to purchase Ninety Thousand (90,000) shares of HSN, Inc.'s common stock pursuant to the HSN, Inc. 1995 Stock Incentive Plan (the "Plan"). Such options shall be reflected in a separate agreement which will, in accordance with the Plan, which shall provide, among other things, the terms set forth below, and shall govern all rights and obligations with respect to the vesting and expiration of such options.

(b) Upon involuntary termination of Employee's employment with the Company for any reason other than death, disability or for Cause, all stock options granted to Employee shall vest immediately.

2.05 Vacation Days. The Employee shall be entitled to four weeks of paid vacation per year which shall accrue and be available in accordance with Company policy. Employee shall receive paid holidays and sick days in accordance with the Company's policies and procedures.

2.06 Bonus Plans. The Employee shall be eligible to participate in the Company's bonus plans, as the same may exist, commencing fiscal year 1997.

2.07 Deductions. All amounts payable under this Agreement shall be subject to such deductions as may from time to time be required to be made pursuant to law or governmental regulation or by agreement with or consent of Employee.

3. Moving Expenses. The Company shall pay the broker's commission on the sale of Employee's home, temporary living expenses up to one hundred eighty (180) days, the packing and shipping of Employee's household goods, including up to two cars, from current home to new home, and two house-hunting trips prior to the Commencement Date. Company will also pay all normal and customary closing costs for Employee's new and old homes. Normal and customary closing costs include but are not limited to: legal fees, stamp taxes, transfer taxes, inspections, loan application fees, engineering survey, title company fees, brokerage commissions and moving expenses.

4. Termination by Company for Any Reason.

4.01 Termination for Cause. Employee's employment under this Agreement may be terminated by the Company, prior to expiration of the Term, for Cause upon at least 30 days prior written notice. The term "Cause" shall mean only one or more of the following: (i) Employee's conviction by a court of competent jurisdiction (which conviction, through lapse of time or otherwise, is not subject to appeal) of any felony, fraud or business crime; (ii) Employee's possession or use of illegal drugs or prohibited substance, or Employee's excessive drinking of alcoholic beverages that impairs his ability to perform his duties under this Agreement; (iii) Employee's commission of a tort

or act of fraud upon the Company; (iv) a breach by Employee of any of the covenants made by Employee in Sections 5 and 6 hereof; or (v) Employee's continuous failure or refusal to perform his duties under this Agreement after written notice from Employer with sixty (60) days for Employee to cure such performance deficiencies. If the Company terminates this Agreement for Cause, the Company shall pay to Employee his salary under this Agreement, until the date of termination specified in the Company's notice of termination.

4.02 Termination without Cause. If the Company terminates this Agreement without Cause (other than as a result of Employee's death or disability), Company shall (A) pay to Employee as liquidated damages and not as a penalty, (1) Employee's salary under this Agreement until the date of termination and (2) the amount of salary Employee would have received under this Agreement during the remainder of the then current Term if this Agreement had not been terminated, but in no event shall such payment be for a period of less than twelve (12) months and (B) maintain or pay the cost of maintaining during the remainder of the then current Term all medical and other health insurance benefits and coverage previously provided to Employee by the Company. Payment of such salary amounts shall be made periodically as described in Section 2.02. Employee shall be required to mitigate the amount of any payment provided for in this paragraph 4.02 by seeking other employment or otherwise, and the amount of any such payment shall be reduced by any compensation received by Employee as a result of his employment by any other person, firm or corporation. As a condition precedent to receipt of such damages, Employee shall be required, at the time of termination, to execute a general release and waiver in favor of the Company. In the event of termination of employment without cause, the Employer shall be required to provide Employee with excellent job references.

4.03 Disability. In the event that Employee shall be physically or mentally disabled so as not to be able to perform his duties pursuant to this Agreement for any period of three months or more, the Company shall have the right to terminate Employee's employment upon written notice of such termination to Employee, whereupon the Company shall continue to pay Employee his salary under this Agreement until the date of termination specified in Company's notice of termination.

4.04 Death. This Agreement shall terminate upon the date of death of Employee, and the Company shall be obligated to pay to the Employee's estate his salary under this Agreement until the end of the calendar month in which his death occurred. In the event of Employee's death, the Company shall be required to provide on a timely basis full disclosure to Employee's spouse of all benefits to which she would be entitled, including but not limited to, exercise of stock options.

5. Covenant and Confidential Information.

(a) Non-Competition. During Employee's employment with the Company and for twelve (12) months thereafter , the Employee shall not, directly or indirectly, on behalf of the Employee or on behalf of or with any other person, enterprise or entity, in any individual or representative capacity, engage or participate in any business that is in competition with any subsidiary or affiliate of Home Shopping Network, Inc. in the United States of America in the fields of video or electronic retailing. The Employee's obligations under this paragraph shall continue during the Term and for the period after the Term set forth above, and shall not, for any reason, cease upon termination of the Employee's employment with the Company. The Employee's obligations under this paragraph shall

become null and void if the Employee's discharge from the Company is determined in accordance with Section 9.06 hereof to be a wrongful discharge.

(b) Non-Solicitation. Employee shall not, during the twelve (12) months following Employee's termination of employment with the Company , solicit the employment of any employee of the Company or its subsidiaries on behalf of any other person, firm, corporation, entity or business organization, or otherwise interfere with the employment relationship between any employee of the Company and the Company.

(c) Confidential Information.

(i) Definition. "Confidential Information" means any information that relates to or is used in the business or operations of the Company or any of its Affiliates and that is not generally known to the public, or that is competitively sensitive to the Company or any of its Affiliates, including without limitation, customer lists, marketing methods, merchandise sources, methods of merchandising deemed proprietary by the Company, product and assortment selection, sales and price lists, product research or data, vendors, contractors, financial information, business plans and methods or other trade secrets of the Company, and all information that the Company or any of its Affiliates is required to keep confidential pursuant to any confidentiality or non-disclosure agreement or that is otherwise delivered to the Company or any of its Affiliates in confidence. Confidential Information includes information in any form whatsoever, including without limitation oral information, any notes, documents, files, records and information in any other written form, any magnetic, electric, digital and other recording medium, and any products, equipment, technology and any other tangible object.

(ii) Confidentiality Obligation. The Employee shall preserve and protect the confidentiality of all Confidential Information and shall not, without the prior written consent of an executive officer of the Company or except as required in the course of the Employee's employment with the Company, (i) remove any Confidential Information from the Company's premises or disclose, make available or transmit in any manner any Confidential Information to any other person, enterprise or entity, or (ii) use, directly or indirectly, any Confidential Information for the Employee's own benefit or for the benefit of any other person, enterprise or entity. The Employee's obligations under this Paragraph 5(c)(ii) shall continue during the Term and indefinitely after the term, and shall not, for any reason, cease upon termination of the Employee's employment with the Company (whether by wrongful discharge or otherwise).

(d) Proprietary Rights; Assignment. All Employee Developments shall be made for hire by the Employee for the Company. "Employee Developments" means any idea, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work or authorship that (A) relates to the business or operations of the Company or any of its Affiliates, or (B) results from or is suggested by any undertaking assigned to the Employee or work performed by the Employee for or on behalf of the Company or any of its Affiliates, whether created alone or with others, during or after working hours. All Confidential Information and all Employee Developments shall remain the sole property of the Company and its Affiliates. The Employee shall acquire no proprietary interest in any Confidential Information or Employee Developments developed or acquired during the term. To the extent the Employee may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Employee

Development, the Employee hereby assigns to the Company all such proprietary rights. The Employee shall, both during and after the Term, upon the Company's request, promptly execute and deliver to the Company all such assignments, certificates and instruments, and shall promptly perform such other acts, as the Company may from time to time in its discretion deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend the Company's rights in Confidential Information and Company Developments.

(e) Remedies for Breach. Employee expressly agrees and understands that the remedy at law for any breach by Employee of this Paragraph 5 will be inadequate and that damages flowing from such breach are not usually susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon Employee's violation of any provision of this Paragraph 5, the Company shall be entitled to obtain from any court of competent jurisdiction (including without limitation in Pinellas or Hillsborough County, Florida) immediate injunctive relief and obtain a temporary order restraining any threatened or further breach as well as an equitable accounting of all profits or benefits arising out of such violation. Nothing in this Paragraph 5 shall be deemed to limit the Company's remedies at law or in equity for any breach by Employee of any of the provisions of this Paragraph 5 which may be pursued by or available to the Company.

(f) Tolling of Periods. In the event Employee shall violate any provision of this Paragraph 5 as to which there is a specific time period during which Employee is prohibited from taking certain actions or from engaging in certain activities, as set forth in such provision, then, such violation shall toll the running of such time period from the date of such violation until such violation shall cease.

(g) Acknowledgment. Employee has carefully considered the nature and extent of the restrictions upon Employee and the rights and remedies conferred upon the Company under this Paragraph 5, and Employee acknowledges and agrees that the same are reasonable in time and territory, are designed to eliminate competition, which otherwise would be unfair to the Company, do not stifle the inherent skill and experience of Employee, would not operate as a bar to Employee's sole means of support, are fully required to protect the legitimate interests of the Company, do not confer a benefit upon the Company disproportionate to the detriment to Employee and are material provisions without which the Company would not employ Employee pursuant to this Agreement.

6. Time to be Devoted by Employee. Employee agrees to devote substantially all of his business time, attention, efforts and abilities to the business of the Company and to use his best efforts to promote the interests of the Company.

7. Delivery of Materials. Employee agrees that upon the termination of his employment he will deliver to the Company all documents, papers, materials and other property of the Company relating to its affairs which may then be in his possession or under his control.

8. Assignment.

This Agreement and the rights and obligations of the parties hereto shall bind and inure to the benefit of each of the parties hereto but, except as to any such successor or assignee of the Company, neither this Agreement nor any rights or benefits hereunder may be assigned by the Company or the Employee.

9. Miscellaneous.

9.01 Entire Agreement. This Agreement embodies the entire agreement and understanding between the Company and Employee relating to the subject matter hereof. This Agreement supersedes and cancels all prior agreements between Company and Employee, whether written or oral, relating to the employment of Employee.

9.02 Governing Law. This Agreement shall be construed in accordance with, and governed for all purposes by, the laws of the State of Florida.

9.03 Notice. Any notice, request, or instruction to be given hereunder shall be in writing and shall be deemed given when personally delivered or three days after being sent by United States certified mail, postage prepaid, with return receipt requested to, the parties at their respective addresses set forth below:

(a) To the Company: Home Shopping Network, Inc.
2501 118th Avenue North
St. Petersburg, FL 33716
Attn: Legal Department

(b) To the Employee: Jed B. Trosper
4805 Woodmere Rd.
Tampa, FL 33609

9.04 Severability. If any paragraph, subparagraph or provision hereof is found for any reason whatsoever to be invalid or inoperative, that paragraph, subparagraph or provision shall be deemed severable and shall not affect the force and validity of any other provision of this Agreement. If any covenant herein is determined by a court to be overly broad thereby making the covenant unenforceable, the parties agree and it is their desire that such court shall substitute a reasonable judicially enforceable limitation in place of the offensive part of the covenant and that as so modified the covenant shall be as fully enforceable as if set forth herein by the parties themselves in the modified form. The covenants of Employee in this Agreement shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants in this Agreement.

9.05 Amendment and Waiver. This Agreement may not be amended, supplemented or waived except by a writing signed by the party against which such amendment or waiver is to be enforced. The Waiver by any party of a breach of any provision of this Agreement shall not operate to, or be construed as a waiver of, any other breach of that provision nor as a waiver of any breach of another provision.

9.06 Arbitration of Dispute. Except as set forth in Section 5, any controversy or claim arising out of or relating to this Agreement or to the breach thereof or to Employee's employment

by the Company (other than claims expressly excluded by statute) shall be settled exclusively by binding arbitration conducted in the City of Tampa, Florida in accordance with the commercial rules of the American Arbitration Association then in effect (the "Rules"), by a single, independent arbitrator selected by the Company and Employee. If the parties can not agree on an arbitrator, within thirty (30) days of the commencement of an arbitration proceeding hereunder, either party may request that the American Arbitration Association select a candidate, with experience in employment law, in accordance with the Rules. The decision of the arbitrator shall be final and binding. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The cost of any arbitration proceeding conducted hereunder shall be borne equally between Employee and the Company unless otherwise determined by the arbitrator. By signing this Agreement, Employee agrees that all disputes, except as set forth in the first sentence hereof, will be decided by mutual arbitration, and Employee is giving up any right to a jury trial or court trial.

9.07 Survival of Rights and Obligations. All rights and obligations of the Employee or the Company arising during the term of this Agreement shall continue to have full force and effect after the date that this Agreement terminates or expires.

9.08 Confidentiality. The parties agree that confidentiality is an important element of this Agreement and that neither party will disclose its terms to another employee or other third party, except that the Company may disclose this Agreement to such of its employees it deems necessary or otherwise as may be required by any securities law or other law or regulation.

9.09 Counterparts. This Agreement may be executed in two counterparts, each of which is an original but which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date.

EMPLOYEE	HOME SHOPPING NETWORK, INC.
/s/ Jed B. Trosper	By: /s/ James G. Gallagher
- ----------	----------
Jed B. Trosper	
	Name:

	Title:

EXHIBIT 10.56

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Thomas J. Kuhn ("Executive") and HSN, Inc., a Delaware corporation (the "Company"), and is effective February 9, 1998 (the "Effective Date").

WHEREAS, the Company desires to establish its right to the services of Executive, in the capacity described below, on the terms and conditions hereinafter set forth, and Executive is willing to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Executive and the Company have agreed and do hereby agree as follows:

1. EMPLOYMENT. The Company agrees to employ Executive as Senior Vice President, General Counsel and Secretary of the Company, and Executive accepts and agrees to such employment. During Executive's employment with the Company, Executive shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with his position and shall render such services on the terms set forth herein. Executive shall have supervision and day-to-day operating authority over the legal affairs of the Company (including, without limitation, the legal aspects of the Company's mergers, acquisitions and dispositions) and such other business and legal affairs as the parties may mutually agree. During Executive's employment with the Company, Executive shall report directly to the Chief Financial Officer and/or the senior executive officer who has responsibility for corporate staff functions or the Chief Executive Officer of the Company (and/or any other officer of the Company as may be agreed upon mutually by Executive and the Company) (hereinafter referred to as the "Reporting Officer"). Executive shall have such powers and duties with respect to the Company as may reasonably be assigned to him by the Board or the Reporting Officer, to the extent consistent with his position and status as set forth above. Executive agrees to devote all of his working time, attention and efforts to the Company. Executive's principal place of employment shall be the Company's offices in New York City.

2. TERM OF AGREEMENT. The term ("Term") of this Agreement shall commence on the Effective Date and shall continue for a period of four years, unless sooner terminated in accordance with the provisions of Section 4 hereof. The Company and Executive agree to negotiate in good faith an extension of the Term commencing nine months prior to the expiration of the Term. If the Company and Executive are unable to reach agreement upon an extension of the Term by six months prior to the expiration of the Term, Executive shall be permitted to spend a reasonable portion of his working time pursuing other employment opportunities, provided that such employment shall not commence until after expiration of the Term.

3. COMPENSATION.

(a) BASE SALARY. The Company shall pay Executive an annual base salary at the rate of $450,000 per year (the "Base Salary"), payable in equal biweekly installments or at such other time or times as Executive and the Company shall agree. The Base Salary shall be subject to a discretionary increase, as determined by a review by the Company 24 months after the Effective Date, but shall not be decreased from the rate in effect at any time and from time to time during the Term. For all purposes under this Agreement, the term "Base Salary" shall refer to Base Salary, including increases, if any, made from time to time.

(b) DISCRETIONARY BONUS. During the Term, Executive shall be eligible to participate in the Company's annual incentive bonus plan or program (including, without limitation, any profit sharing or similar bonus programs or arrangements of the Company in effect from time to time) applicable to peer corporate executives of the Company, on a basis no less favorable than that provided to peer corporate executives of the Company.

(c) STOCK OPTIONS. In consideration of Executive's entering into this Agreement and as an inducement to join the Company, Executive shall be granted non-qualified stock options (the "Options") to purchase 100,000 shares of the common stock, par value $.0l per share, of the Company (the "Common Stock"), subject to the approval of the Compensation Committee of the Board. The date of grant of the Options shall be the Effective Date. The exercise price of the Options shall equal the closing price of the Common Stock on the Effective Date. Such Options shall vest and become exercisable in four equal installments on the anniversary of the Effective Date in each of 1999, 2000, 2001 and 2002, provided that the Options shall become 100% vested and exercisable upon a Change in Control (as such term is defined in the Company's stock incentive plan under which the Options are granted); and the Options shall expire upon the earlier to occur of (i) ten years from the Effective Date (the "Option Term") or (ii) except as otherwise provided in Section 4 below, 90 days following the termination of Executive's employment with the Company.

(d) FRINGE BENEFITS. During the Term, Executive shall be entitled to participate in any fringe, welfare, health and life insurance and pension benefit and incentive programs as may be adopted from time to time by the Company on the same basis as that provided to peer corporate executives of the Company. Without limiting the generality of the foregoing, Executive shall be entitled to the following benefits:

(i) Car Allowance. During the Term, the Company shall provide Executive with a car allowance to cover the cost of purchasing or leasing a suitable vehicle and the cost of insuring and maintaining such vehicle in the aggregate amount of $750 per month plus reasonable costs for parking the vehicle in a garage in New York City in close proximity to the Company's offices.

(ii) Computer, etc. The Company will provide Executive with a home facsimile machine, a lap-top computer and a cellular phone for home and travel use during the Term.

(iii) Reimbursement for Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable and necessary expenses incurred by Executive in performing his duties for the Company, including, without limitation, first class hotel and travel accommodations on all commercial carriers for travel related to the business of the Company and entertainment expenses consistent with Executive's position in the Company.

(iv) Vacation. During the Term, Executive shall be entitled to four weeks of paid vacation per year, or such longer period as may be provided by the Company, in accordance with the plans, policies, programs and practices of the Company applicable to peer corporate executives of the Company generally.

(v) Office and Support Staff. During the Term, Executive shall be entitled to an office in New York City and an executive assistant of his choice.

4. TERMINATION OF EXECUTIVE'S EMPLOYMENT.

(a) DEATH. In the event Executive's employment hereunder is terminated by reason of Executive's death, (i) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death his Base Salary through the end of the year in which death occurs in a lump sum in cash; (ii) all outstanding equity incentive awards (including, without limitation, the Options) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's death or, if earlier, until the end of the Option Term; and (iii) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below).

(b) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of his duties with the Company for a period of four consecutive months and, within 30 days after written notice is provided to him by the Company, he shall not have returned to the full-time performance of his duties, Executive's employment under this Agreement may be terminated by the Company or Executive for Disability. During any period prior to such termination during which Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay Executive his Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company. Upon termination of Executive's employment for Disability, (i) the Company shall pay Executive within 30 days of his Disability his Base Salary through the end of the Term in a lump sum in cash, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company; (ii) all outstanding equity incentive awards (including, without limitation, the Options) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's Disability or, if earlier, until the end of the Option Term; and (iii) the Company shall pay Executive within 30 days of his Disability in a lump sum cash any Accrued Obligations (as defined in subparagraph 4(f) below).

(c) TERMINATION FOR CAUSE. The Company may terminate Executive's employment under this Agreement for Cause at any time prior to expiration of the Term. As used herein, "Cause" shall mean: (i) the plea of guilty to, or conviction for, the commission of a felony offense by Executive; provided, however, that after indictment, the Company may suspend Executive from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Executive of a fiduciary duty owed to the Company; (iii) a material breach by Executive of any of the covenants made by him in Section 5 hereof; or (iv) the willful and gross neglect by Executive of the material duties required by the Agreement. Executive shall not be deemed to have been terminated for Cause unless and until the Board or the Executive Committee of the Board, as the case may be, after providing Executive with the opportunity to (i) be heard by the Reporting Officer and (ii) cure fully, if possible, any such material breach, or willful and gross negligence to the satisfaction of the Board or the Executive Committee in its sole judgment, finds in good faith that Executive is

guilty of the conduct described herein. In the event of termination for Cause, this Agreement shall terminate without further obligation by the Company, except for payment of amounts of Base Salary and any fringe benefits accrued through the date of such termination.

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE OR BY EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company for any reason other than Executive's death or Disability or for Cause, or Executive terminates his employment for Good Reason (as defined below), then (i) the Company shall pay Executive within 30 days of the date of such termination the then present value of his Base Salary through the end of the Term in a lump sum in cash; (ii) the Options shall immediately vest and any then outstanding Options held by Executive shall remain exercisable for a period of one year from the date of such termination or, if earlier, until the end of the Option Term; and (iii) the Company shall pay Executive within 30 days of the date of such termination in a lump sum cash any Accrued Obligations (as defined in subparagraph 4(f) below). As used herein, "Good Reason" shall mean the occurrence of any of the following: (i) the Company's material breach of any of the provisions of this Agreement; (ii) any material adverse alteration in Executive's title, position, status, duties, level of reporting or responsibilities with the Company (which includes, without limitation, Executive being required to report to the general counsel of a company of which the Company is a controlled subsidiary); and (iii) any relocation of Executive's office outside of the New York metropolitan area.

(e) MITIGATION; OFFSET. In no event shall Executive be required to seek other employment or take any other action by way of mitigation of the amounts payable under Section 4 hereof, provided that if Executive obtains other employment during the Term, the amount of any payment or benefit provided for under Section 4 hereof which has been paid to Executive shall be refunded to the Company by Executive in an amount equal to any compensation earned by Executive as a result of employment with or services provided to another employer after the date of Executive's termination of employment and prior to the otherwise applicable expiration of the Term.

(f) ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Executive's Base Salary through the date of death, Disability or termination, as the case may be, which has not yet been paid; (ii) any compensation previously deferred by Executive (together with any interest or earnings thereon) that has not yet been paid; and (iii) any accrued but unpaid bonuses or other accrued incentive compensation as of the date of death, Disability or termination, as the case may be.

5. CONFIDENTIAL INFORMATION.

(a) CONFIDENTIALITY. Executive acknowledges that in his employment hereunder he will occupy a position of trust and confidence. Executive shall not, except as may be required to perform his duties hereunder or as required by applicable law, without limitation in time or until such information shall have become public other than by Executive's unauthorized disclosure, disclose to others or use, whether directly or indirectly, any Confidential Information regarding the Company or any of its respective subsidiaries. "Confidential Information" shall mean information about the Company or any of its respective subsidiaries, and their respective clients and customers that is not disclosed by the Company or any of its respective subsidiaries for financial reporting purposes and that was learned by Executive in the course of his

employment by the Company or any of its respective subsidiaries, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its respective subsidiaries, and that such information gives the Company and its respective subsidiaries a competitive advantage. Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of his employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company and its respective subsidiaries or prepared by Executive in the course of his employment by the Company and its respective subsidiaries.

(b) NON-SOLICITATION OF EMPLOYEES. Executive recognizes that he will possess confidential information about other employees of the Company and its respective subsidiaries relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its respective subsidiaries. Executive recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its respective subsidiaries in developing their respective businesses and in securing and retaining customers, and will be acquired by him because of his business position with the Company. Executive agrees that, during the Term (and for a period of 12 months beyond the expiration of the Term), he will not, directly or indirectly, solicit or recruit any employee of the Company or any of its respective subsidiaries for the purpose of being employed by him or by any business, individual, partnership, firm, corporation or other entity on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of the Company or any of its respective subsidiaries to any other person except within the scope of Executive's duties hereunder.

(c) SURVIVAL OF PROVISIONS. The obligations contained in this Section 5 shall, to the extent provided in this Section 5, survive the termination or expiration of Executive's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

6. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by the recipient personally, and shall be deemed to have been duly given three days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

If to the Company: HSN, Inc.
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Attention: Office of the Chairman

If to Executive: Thomas J. Kuhn
309 East 52nd Street
New York, New York 10022

Either party may change such party's address for notices by notice duly given pursuant hereto.

7. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings among the parties with respect to Executive's employment and compensation by the Company. The Company acknowledges and agrees that neither Executive nor anyone acting on his behalf has made, and is not making, and in executing this Agreement, the Company has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement.

8. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and none of the parties hereto shall, without the consent of the others, assign or transfer this Agreement or any rights or obligations hereunder, provided that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and all references herein to the "Company" shall refer to such successor.

9. GOVERNING LAW. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of New York.

10. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment made to Executive hereunder as may be required from time to time by law, governmental regulation or order.

11. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

12. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

13. SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portions of this Agreement that violate such law or public policy shall be stricken. All portions of this Agree-

ment that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

14. INDEMNIFICATION. The Company shall indemnify and hold Executive harmless for acts and omissions in his capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, however, that neither the Company, nor any of its respective subsidiaries shall indemnify Executive for any losses incurred by Executive as a result of acts described in Section 4(c) of this Agreement.

15. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Executive has executed and delivered this Agreement on January 12, 1998

HSN, Inc.

/s/ Victor Kaufman

By: VICTOR KAUFMAN
Office of the Chairman, HSN, Inc.
and Chief Financial Officer

/s/ Thomas J. Kuhn

THOMAS J. KUHN

EXHIBIT 10.57

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Dara Khosrowshahi ("Executive") and USA Networks, Inc., a Delaware corporation (the "Company"), and is effective March 2, 1998 (the "Effective Date").

WHEREAS, the Company desires to establish its right to the services of Executive, in the capacity described below, on the terms and conditions hereinafter set forth, and Executive is willing to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Executive and the Company have agreed and do hereby agree as follows:

1. EMPLOYMENT. The Company agrees to employ Executive as Vice President - Strategic Planning of the Company, and Executive accepts and agrees to such employment. During Executive's employment with the Company, Executive shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with his position and shall render such services on the terms set forth herein. During Executive's employment with the Company, Executive shall report directly to the Chief Financial Officer and/or the senior executive officer who has responsibility for corporate staff functions (such person(s) as from time to time may be designated by the Company, hereinafter referred to as the "Reporting Officer"). Executive shall have such powers and duties with respect to the Company as may reasonably be assigned to him by the Board or the Reporting Officer, to the extent consistent with his position and status as set forth above. Executive agrees to devote all of his working time, attention and efforts to the Company and to perform the duties of his position in accordance with the Company's policies as in effect from time to time. Executive's principal place of employment shall be the Company's offices in New York City; however, Executive's position shall require frequent long-distance travel on Company business.

2. TERM OF AGREEMENT. The term ("Term") of this Agreement shall commence on the Effective Date and shall continue for a period of three years, unless sooner terminated in accordance a ace with the provisions of Section 4 hereof.

3. COMPENSATION.

(a) BASE SALARY. The Company shall pay Executive an annual base salary at the rate of $300,000 per year (the "Base Salary"), payable in equal biweekly installments or in accordance with the Company's payroll practice as in effect from time to time. The Base Salary shall be subject to a discretionary increase, as determined by a review by the Company 18 months after the Effective Date, but shall not be decreased from the rate in effect at any time and from time to time during the Term. For all purposes under this Agreement, the term "Base Salary" shall refer to Base Salary, including increases, if any, made from time to time.

(b) DISCRETIONARY BONUS. During the Term, Executive shall be eligible to participate in the Company's annual incentive bonus plan or program applicable to peer corporate executives of the Company, on a basis no less favorable than that provided to peer corporate executives of the Company.

(c) STOCK OPTION. In consideration of Executive's entering into this Agreement and as an inducement to join the Company, Executive shall be granted under the Company's 1997 Stock and Annual Incentive Plan (the "Plan") a non-qualified stock option (the "Option") to purchase 60,000 shares of the common stock, par value $.01 per share, of the Company (the "Common Stock"). The date of grant of the Option shall be the Effective Date. The exercise price of the Option shall equal the last reported sales price of the Common Stock on the date preceding the Effective Date. Such Option shall vest and become exercisable in four equal installments on the anniversary of the Effective Date in each of 1999, 2000, 2001 and 2002, provided that the Option shall become 100% vested and exercisable upon a Change in Control (as such term is defined in the Plan). The Option shall expire upon the earlier to occur of (i) ten years from the Effective Date (the "Option Term") or (ii) except as otherwise provided in Section 4 below, 90 days following the termination of Executive's employment with the Company.

(d) BENEFITS. During the Term, Executive shall be entitled to participate in any fringe, welfare, health and life insurance and pension benefit and incentive programs as may be adopted from time to time by the Company on the same basis as that provided to peer corporate executives of the Company. Without limiting the generality of the foregoing, Executive shall be entitled to the following benefits:

(i) Reimbursement for Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable and necessary expenses incurred by Executive in performing his duties for the Company, including, without limitation, expenses for travel related to the business of the Company and entertainment expenses on the same basis as peer executives in accordance with the Company's policies.

(ii) Vacation. During the Term, Executive shall be entitled to four weeks of paid vacation per year, or such longer period as may be provided by the Company, in accordance with the plans, policies, programs and practices of the Company applicable to peer corporate executives of the Company generally.

4. TERMINATION OF EXECUTIVE'S EMPLOYMENT.

(a) DEATH. In the event Executive's employment hereunder is terminated by reason of Executive's death, (i) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death his Base Salary through the end of the month in which death occurs in a lump sum in cash; (ii) all outstanding equity incentive awards (including, without limitation, the Option) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's death or, if earlier, until the end of the applicable option term; and (iii) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below).

(b) DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of his duties with the Company for a period of four consecutive months and, within 30 days after written notice is provided to him by the Company, he shall not have retuned to the full-time performance of his duties, Executive's employment under this Agreement may be terminated by the Company or Executive for Disability. During any period prior to such termination during which

Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay Executive his Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company. Upon termination of Executive's employment for Disability, (i) the Company shall pay Executive within 30 days of his Disability his Base Salary through the end of the month in which termination occurs in a lump sum is cash, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company; (ii) all outstanding equity incentive awards (including, without limitation, the Option) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's Disability or, if earlier, until the end of the applicable option term; and (iii) the Company shall pay Executive within 30 days of this Disability in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below).

(c) TERMINATION FOR CAUSE. The Company may terminate Executive's employment under this Agreement for Cause at any time prior to the expiration of the Term. As used herein, "Cause" shall mean: (i) the plea of guilty to, or conviction for, the commission of a felony offense by Executive; provided, however, that after indictment, the Company may suspend Executive from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Executive of a fiduciary duty owed to the Company; (iii) a material breach by Executive of any of the covenants made by him in Section 5 hereof; or (iv) the willfull and gross neglect by Executive of the material duties required by the Agreement. In the event of termination for Cause, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in subparagraph 4(f) below).

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE OR BY EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company for any reason other than Executive's death or Disability or for Cause, or Executive terminates his employment for Good Reason (as defined below), then (i) the Company shall pay Executive within 30 days of the date of such termination the then present value of his Base Salary through the end of the Term in a lump sum in cash; (ii) the Option shall immediately vest and any then outstanding portion of the Option held by Executive shall remain exercisable for a period of one year from the date of such termination or, if earlier, until the end of the Option Term; and (iii) the Company shall pay Executive within 30 days of the date of such termination in a lump sum cash any Accrued Obligations (as defined in subparagraph 4(f) below). As used herein, "Good Reason" shall mean the occurrence of any of the following: (i) the Company's material breach of any of the provisions of this Agreement; (ii) any material adverse alteration in Executive's title, position, status, duties, level of reporting or responsibilities with the Company and (iii) any relocation of Executive's office outside of the New York metropolitan area.

(e) MITIGATION; OFFSET. In no event shall Executive be required to seek other employment or take any other action by way of mitigation of the amounts payable under Section 4 hereof, provided that if Executive obtains other employment during the Term, the amount of any payment or benefit provided for under Section 4 hereof which has been paid to Executive shall be refunded to the Company by Executive in an amount equal to any compensation earned

by Executive as a result of employment with or services provided to another employer after the date of Executive's termination of employment and prior to the otherwise applicable expiration of the Term.

(f) ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Executive's Base Salary through the date of death, Disability or termination, as the case may be, which has not yet been paid; (ii) any compensation previously deferred by Executive (together with any interest or earnings thereon) that has not yet been paid; and (iii) any accrued but unpaid bonuses or other accrued incentive compensation as of the date of death, Disability or termination, as the case may be.

5. CONFIDENTIAL INFORMATION/NON-SOLICITATION.

(a) CONFIDENTIALITY. Executive acknowledges that in his employment hereunder he will occupy a position of trust and confidence. Executive shall not, except as may be required to perform his duties hereunder or as required by applicable law, without limitation in time or until such information shall have become public other than by Executive's unauthorized disclosure, disclose to others or use, whether directly or indirectly, any Confidential Information regarding the Company or any of its respective subsidiaries. "Confidential Information" shall mean information about the Company or any of its respective subsidiaries, and their respective clients and customers that is not disclosed by the Company or any of its respective subsidiaries for financial reporting purposes and that was learned by Executive in the course of his employment by the Company or any of its respective subsidiaries, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its respective subsidiaries, and that such information gives the Company and its respective subsidiaries a competitive advantage. Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of his employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company and its respective subsidiaries or prepared by Executive in the course of his employment by the Company and its respective subsidiaries.

(b) NON-SOLICITATION OF EMPLOYEES. Executive recognizes that he will possess confidential information about other employees of the Company and its respective subsidiaries relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its respective subsidiaries. Executive recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its respective subsidiaries in developing their respective businesses and in securing and retaining customers, and will be acquired by him because of his business position with the Company. Executive agrees that, during the Term (and for a period of 12 months beyond the expiration of the Term), he will not, directly or indirectly, solicit or recruit any employee of the Company or any of its respective subsidiaries for the purpose of being employed by him or by any business, individual, partnership, firm, corporation or other entity on whose behalf he is acting as an agent, representative or em-

ployee and that he will not convey any such confidential information or trade secrets about other employees of the Company or any of its respective subsidiaries to any other person except within the scope of Executive's duties hereunder.

(c) SURVIVAL OF PROVISIONS. The obligations contained in this Section 5 shall, to the extent provided in this Section 5, survive the termination or expiration of Executive's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

6. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by the recipient personally, and shall be deemed to have been duly given three days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

If to the Company: USA Networks, Inc.
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Attention: General Counsel

If to Executive: Dara Khosrowshahi
134 West 11th Street, Apt. #2
New York, New York 10011

Either party may change such party's address for notices by notice duly given pursuant hereto.

7. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings among the parties with respect to Executive's employment and compensation by the Company. The Company acknowledges and agrees that neither Executive nor anyone acting on his behalf has made, and is not making, and in executing this Agreement, the Company has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement.

8. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and none of the parties hereto shall, without the consent of the others, assign or transfer this Agreement or any rights or obligations hereunder, provided that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and all references herein to the "Company" shall refer to such successor.

9. GOVERNING LAW. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of New York.

10. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment made to Executive hereunder as may be required from time to time by law, governmental regulation or order.

11. HEADINGS. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

12. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

13. SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portions of this Agreement that violate such law or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

14. INDEMNIFICATION. The Company shall indemnify and hold Executive harmless for acts and omissions in his capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, however, that neither the Company, nor any of its respective subsidiaries shall indemnify Executive for any losses incurred by Executive as a result of acts described in Section 4(c) of this Agreement.

15. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Executive has executed and delivered this Agreement on March 16, 1998.

USA NETWORKS, INC.

By: Thomas J. Kuhn
Senior Vice President and
General Counsel

DARA KHOSROWSHAHI

EXHIBIT 10.58

HSN, INC. RETIREMENT SAVINGS PLAN
(Amended and restated effective as of January 1, 1998)

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PREFACE

It is the purpose of this Plan to provide a means of providing retirement and other benefits to employees of HSN, inc. and certain related companies and to permit employees a means to save for their retirement.

The Plan was originally established as the Home Shopping Network, Inc. Retirement Savings and Employee Stock Ownership Plan, effective February 1, 1990 and was subsequently amended and restated effective as of January 1, 1994 and renamed the Home Shopping Network, Inc. Retirement Savings Plan. The Plan is now amended and restated in the form set forth herein effective January 1, 1998 and renamed the HSN, inc. Retirement Savings Plan. The benefits of Members who do not perform an Hour of Eligibility Service on or after January 1, 1998 shall be governed by the provisions of the Plan in effect as of the day such Members incurred a Termination of Employment.

The accounts of participants in the Silver King Communications, Inc. 401(k) Retirement Savings Plan shall be transferred to the Plan effective January 1, 1998, and the benefits of such participants who do not perform an Hour of Eligibility Service on or after January 1, 1998 shall be governed by the provisions of Silver King Communications, Inc. 401(k) Retirement Savings Plan in effect as of the day such participants incurred a Termination of Employment.

The Plan herein set forth and its related Trust are hereby designated as constituting parts of a plan and trust intended to qualify under Section 401(a) of the Internal

Revenue Code of 1986, as amended, and to be exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended.

This Plan, which is a profit-sharing plan, provides for an Internal Revenue Code Section 401(k) feature.

ARTICLE I

DEFINITIONS

The following words and terms as used in this Plan shall have the meanings set forth below, unless a different meaning is clearly required by the context:

1.1 Account. The total of subaccounts maintained by the Trustee to record the interest of a Member in the Plan, including the Salary Reduction Contribution Account, the Matching Contribution Account, the Profit Sharing Account, the QNEC Account, the Employee Rollover Account and if applicable, the Silver King Employer Contribution Account, the Silver King Employee Contribution Account and the Silver King Rollover Account.

1.2 Accrued Benefit. The net value of all assets, earned or accrued, allocated to a Member's Account.

1.3 Affiliate. The Company and any other entity affiliated with the Company within the meaning of Section 414(b) of the Code with respect to members of the controlled group of corporations, Section 414(c) of the Code with respect to trades or businesses under common control with the Company, Section 414(m) of the Code with respect to affiliated service groups and any other entity required to be aggregated with the Company under Section 414(o) of the Code, except for the purposes of applying the provisions hereof with respect to the limitations on benefits, Section 415(h) of the Code shall apply. No entity shall be treated as an Affiliate for any period during which it is not part of the controlled group, under common control or otherwise required to be aggregated under Section 414 of the Code, except as may otherwise be determined by the Board and set forth in resolutions of the Board.

1.4 Beneficiary. (a) If the Member is married at the time of his or her death, the Member's Spouse, unless such Spouse does not survive the Member or a different bene ficiary is designated by the Participant or former Participant and consented to by the Spouse in accordance with the provisions of Section 7.7 hereof and Exhibit A.

(b) If the Member is not married at the time of his or her death, such person(s) as he or she shall designate in accordance with the provisions of Article VII hereof, or, if the Member shall die without leaving a designated beneficiary, his or her estate.

1.5 Benefit Starting Date. The first day for which an amount is payable (i.e., the date on which all events have occurred which entitle the Participant to such benefits) without regard to administrative delay and not the actual payment date.

1.6 Board. The Board of Directors of the Company or a duly authorized committee thereof.

1.7 Childrearing Absence. Any period of absence of an Eligible Employee (i) by reason of the pregnancy of such Employee, (ii) by reason of the birth of a child of such Employee, (iii) by reason of the placement of a child with such Employee in connection with the adoption of such child by such Employee, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement. Childrearing Absences shall be granted in accordance with such policies as may, from time to time, be adopted by the Employer, and none of the provisions of this Plan shall be construed to afford any Employee any rights other than in accordance with such policies.

1.8 Code. The Internal Revenue Code of 1986, as amended.

1.9 Committee. The committee appointed by the Company for the purpose of administering the Plan on its behalf as set forth in Article X.

1.10 Company. HSN, inc. and any successor by merger, consolidation, purchase or otherwise.

1.11 Company Stock. Common stock of HSN, inc., $.01 par value.

1.12 Company Stock Fund. An investment vehicle under the Plan which is intended to invest primarily in Company Stock.

1.13 Compensation. For any Plan Year, all cash compensation for services paid by an Employer to an Employee while a Participant during the Plan Year and except as specifically set forth below, reflected on his or her W-2 for such year including salary, bonuses commissions, and overtime pay, as well as contributions by an Employer on behalf of a Participant pursuant to a salary reduction agreement between an Employer and a Participant under Code Section 401(k) or 125, if any. Compensation for any Plan Year shall exclude: (1) all noncash compensation and any contributions by the Employer to, or benefits paid under, this Plan or any other pension, profit-sharing, fringe benefit, group insurance (including, without limitation, life insurance or health insurance) or other employee welfare plan (including, without limitation, severance or disability) or any deferred compensation arrangement (other than any salary reductions under Code Sections 401(k) and 125); (2) amounts paid under any relocation plan of the Employer; (3) income on the exercise of a nonstatutory stock option or any other type of stock award; (4) income on the disqualifying disposition of shares acquired under any stock option plan or stock purchase plan of the Employer or any other type of stock award; (5) all items

of imputed income; (6) amounts paid pursuant to any long term compensation plan maintained by the Employer; (7) cash prizes and awards; (8) automobile allowances; (9) meal allowances and (10) travel expenses and allowances. Compensation for any Plan Year shall not exceed one hundred sixty thousand dollars ($160,000), as adjusted for cost-of-living increases, in accordance with Section 401(a)(17) of the Code. With respect to any short Plan Year, Compensation shall not exceed the foregoing limit multiplied by a fraction, the numerator of which is the number of months in the short Plan Year and the denominator of which is twelve (12).

1.14 Disability. A Participant will be deemed to have a Disability for purposes of the Plan if he or she is incapable of engaging in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The performance and degree of such impairment shall be supported by medical evidence, including, if the Committee decides in its sole discretion, a medical examination of the Participant by a physician selected by the Committee.

1.15 Effective Date. February 1, 1990.

1.16 Elective Deferrals. The sum of:

(a) Any salary reduction contribution under a qualified cash or deferred arrangement (as defined in Code Section 401(k)) to the extent not includable in gross income for the taxable year under Code Section 402(e)(3) (determined without regard to the limitation set forth in Code Section 402(g));

(b) Any salary reduction contribution to the extent not includable in gross income for the taxable year under Code Section 402(h)(1)(B) (determined without regard to the limitation set forth in Code Section 402(g)); and

(c) Any salary reduction contribution to purchase an annuity contract under Code Section 403(b) under a salary reduction agreement (within the meaning of Code Section 3121(a)(5)(D)), provided that the limitation set forth in Section 4.1(f) hereof shall be adjusted for any such contribution to the extent set forth in Code Sections 402(g)(4) and (8).

1.17 Eligible Employee. Any Employee of the Employer other than (a) an Employee whose employment is governed by the terms of a collective bargaining agreement between Employee representatives (within the meaning of Code Section 7701(a)(46)) and the Employer (except to the extent that the collective bargaining agreement expressly provides for the inclusion of such Employees), (b) a "leased employee," as such term is defined under Code Section 414(n), or (c) a nonresident alien who receives no earned income (within the meaning of Code Section 911(d)(2)) from the Employer which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)). An individual classified by the Employer at the time services are provided as either an independent contractor or an individual who is not classified by the Employer as an Employee but who provides services to the Employer through another entity shall not be eligible to participate in this Plan during the period that the individual is so initially classified, even if such individual is later retroactively reclassified as an employee during all or any part of such period pursuant to applicable law or otherwise.

1.18 Employee. Any individual employed by an Employer, as used herein, including any "leased employee," as such term is defined under Code Section 414(n). The term "Employee," as used herein, shall exclude any other agent or independent contractor.

1.19 Employee Rollover Account. The Participant's subaccount with respect to rollovers to this Plan pursuant to Section 4.7 and earnings and losses thereon.

1.20 Employer. The Company and any entity that is or hereafter becomes a Member Company.

1.21 Employment Commencement Date. The first day on which an Employee is credited by an Employer with an Hour of Eligibility Service or Hour of Vesting Service, as applicable.

1.22 ERISA. Employee Retirement Income Security Act of 1974, as amended.

1.23 Fair Market Value. With respect to a specified date, the closing price of a share of Company Stock as reported for the preceding trading day on the principal national securities exchange in the United States on which it is then traded, or, if Company Stock is not traded on the any national securities exchange, as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, or if the sales of the Company Stock shall not have been reported on such date, on the first day prior thereto on which the Company Stock was reported or quoted. With respect to investments other than investments in Company Stock, Fair Market Value shall be determined by the entity maintaining the applicable Investment Fund, in accordance with generally accepted valuation methods and practices.

1.24 Highly Compensated Employee. (a) Any Employee who, during the Plan Year or the preceding Plan Year:

(i) if the Employer is a corporation, owned (or is considered as owning within the meaning of Section 318 of the Code) at any time during the current or preceding Plan Year more than five percent (5%) of the outstanding stock of the Employer or stock possessing more than five percent (5%) of the total combined voting power of all stock of the Employer (a "5 Percent Owner") or if the Employer is not a corporation, owned at any time during the current or preceding Plan Year more than five percent (5%) of the capital or profit interest in the Employer; or

(ii) received Section 414 Compensation from the Employer and Affiliates in excess of eighty thousand dollars ($80,000), as adjusted by the Secretary of the Treasury, in the preceding Plan Year.

1.25 Highly Compensated Group. (a) With respect to an Employer for any Plan Year, the group of all Highly Compensated Employees.

(b) Prior to determining the Highly Compensated Group, Code Sections 414(b), (c), (m) and (o) shall be applied.

(c) Persons who are nonresident aliens and who receive no earned income (within the meaning of Code Section 911(d)(2)) from the Employer or Affiliates which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)) shall not be treated as Employees for purposes of determining the Highly Compensated Group.

1.26 Investment Fund. One of the funds designated by the Committee for investment of contributions made to the Plan.

1.27 Leave of Absence. Any absence approved by the Employer, other than absence which qualifies as a Childrearing Absence or a Military Leave of Absence, including, but not limited to, sick or disability leave.

1.28 Limitation Year. The Plan Year.

1.29 Matching Contribution. A contribution made pursuant to Section 4.2 hereof as a result of a Salary Reduction Contribution made pursuant to Section 4.1 hereof.

1.30 Matching Contribution Account. The Member's subaccount with respect to contributions made by the Employer pursuant to Section 4.2 hereof and the earnings and losses thereon.

1.31 Member. A Participant, a Terminated Participant or a Retired Participant who has an Accrued Benefit under the Plan or an individual who (i) was a participant in a plan which was merged into the Plan and (ii) has an Account balance under the Plan.

1.32 Member Company. The Company and any entity that is or hereafter becomes an Affiliate and assumes the obligations of the Plan and Trust by vote of its board of directors (or of its equivalent body) and with the consent of the Board. If the Plan is only adopted by a Member Company with regard to certain divisions, only those divisions shall be deemed the Member Company and the other divisions of such Member Company shall not be deemed to be Member Companies hereunder.

1.33 Military Leave of Absence. Absence of an Employee in military service for the United States of America, provided that the Employee returns to the employ of the

Employer prior to the end of any period prescribed by the laws of the United States during which he or she has reemployment rights with the Employer; and provided further that such military service and the Employee's subsequent return to employment with the Employer satisfy the requirements for guaranteed reemployment under the Selective Services Act, the Uniform Services Employment and Reemployment Act or any similar law then existing. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

1.34 Named Fiduciary. The Committee except where the Member (or Beneficiary thereof) or the Trustee shall be a "named fiduciary" with respect to the vote or tender of Company Stock as set forth in Section 8.4.

1.35 Non Highly Compensated Group. That group of Participants who are not included in the Highly Compensated Group.

1.36 Normal Retirement Age. The Member's attainment of age sixty-five (65).

1.37 Normal Retirement Date. The first day of the month coinciding with or immediately following the Member's attainment of Normal Retirement Age.

1.38 Participant. Any Employee who shall have become a Participant in the Plan in accordance with the provisions of Article III hereof, and whose participation shall not have ceased. A Participant's participation shall cease upon his or her ceasing to be an Eligible Employee. The term Participant shall not include Retired Participants and Terminated Participants.

1.39 Plan. The HSN, inc. Retirement Savings Plan, as herein set forth and as hereafter amended.

1.40 Plan Administrator. The Company.

1.41 Plan Year. A period of twelve (12) months beginning on January 1st and ending on the following December 31st.

1.42 Profit Sharing Account. The Participant's subaccount with respect to Profit Sharing Contributions by the Employer pursuant to Section 4.5 hereof and earnings and losses thereon.

1.43 Profit Sharing Contributions. A contribution made pursuant to Section 4.5 hereof.

1.44 QNEC Account. The Participant's subaccount with respect to QNECs by the Employer pursuant to Section 4.4 hereof and earnings and losses thereon.

1.45 QNECs. Qualified non-elective contributions made pursuant to Section 4.4 used to satisfy the Actual Deferral Percentage Test described in Section 4.1(b) or the Actual Contribution Percentage Test described in Section 4.3.

1.46 Reemployment Commencement Date. The first day on which an Employee is credited with an Hour of Eligibility Service after a Break in Service or an Hour of Vesting Service after a Period of Severance, as applicable.

1.47 Restatement Date. January 1, 1998.

1.48 Retired Participant. A former Participant who has retired on or after Normal Retirement Age and is eligible to receive benefits under the Plan.

1.49 Salary Reduction Contribution. A contribution made pursuant to Section 4.1 hereof.

1.50 Salary Reduction Contribution Account. The Participant's subaccount with respect to contributions by the Employer pursuant to Section 4.1 hereof and the earnings thereon.

1.51 Section 414 Compensation. In the case of employees other than employees within the meaning of Section 401(c)(1) of the Code,"wages" as defined in Section 3401(a) of the Code for purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code). Section 414 Compensation shall be determined without regard to the exclusions in Code Sections 125, 402(e)(3) and 402(h)(1)(B) and shall be measured based on compensation actually paid or made available to a Participant during the measuring period and not on an accrued basis. For purposes of Section 4.1(c) and Section 4.3(c), Section 414 Compensation for any Plan Year shall not exceed one hundred sixty thousand dollars ($160,000), as adjusted for cost-of-living increases, in accordance with Section 401(a)(17) of the Code, and with respect to any short Plan Year, Section 414 Compensation shall not exceed the foregoing limit multiplied by a fraction, the numerator of which is the number of months in the short Plan Year and the denominator of which is twelve (12).

1.52 Silver King Account. The total of the following subaccounts maintained by the Trustee to record the interest of a Member with respect to amounts transferred from the Silver King Plan to the Plan:

(a) Silver King Employee Contribution Account. The subaccount with respect to elective deferrals and qualified non-elective contributions and earnings and losses thereon, made on behalf of a Silver King Participant to the Silver King Plan prior to January 1, 1998 and transferred to this Plan, and earnings and losses thereon.

(b) Silver King Employer Contribution Account. The subaccount with respect to matching contributions and earnings and losses thereon, made on behalf of a Silver King Participant to the Silver King Plan prior to January 1, 1998, and transferred to this Plan, and earnings and losses thereon.

(c) Silver King Rollover Account. The subaccount with respect to rollover contributions, and earnings and losses thereon, made on behalf of a Silver King Participant to the Silver King Plan prior to January 1, 1998, and transferred to this Plan, and earnings and losses thereon.

1.53 Silver King Participant. Any person who was a participant in the Silver King Plan and whose account thereunder was transferred to the Plan pursuant to the merger of the Silver King Plan into the Plan.

1.54 Silver King Plan. The Silver King Communications, Inc. 401(k) Retirement Savings Plan, originally effective January 1, 1993.

1.55 Spouse. A Participant's legal spouse.

1.56 Terminated Participant. A Participant who has ceased to be an Employee prior to his or her Normal Retirement Age for any reason other than death and who is eligible to receive benefits under the Plan

1.57 Termination. An amendment to the Plan expressly terminating the Plan.

1.58 Termination of Employment. Separation from the employment of all Employers and Affiliates for any reason, including, but not limited to, retirement, death, dis ability, resignation or dismissal with or without cause. Where an Employee enters upon an authorized Leave of Absence or layoff, Termination of Employment shall not be deemed to occur until his or her Leave of Absence expires without immediate reemployment, or in the case of layoff, he or she is not rehired within the time established by the Committee in accordance with the general policy of the Employer. Where an Employee is on a Military Leave of Absence, Termination of Employment shall not be deemed to occur unless and until the Employee fails to return to employment prior to the end of the period during which is right to reemployment is protected by the Selective Service Act, or Uniform Services Employment and Reemployment Act or any similar law then existing. In the event that an Employee is transferred from one Employer or Affiliate to another Employer or Affiliate, the Employee will not be deemed to have incurred a Termination of Employment until he or she is no longer employed by any Employer or Affiliate. In the event the Employer or an Affiliate sells some or all of its assets, any Employee who in connection with, or as a result of, such sale becomes employed by the acquirer of such assets shall not, for purposes of Article VII hereof and only for such purposes, be deemed to have incurred a Termination of Employment unless and until the Employee is no longer

employed by such acquirer or any entity thereafter acquiring the aforesaid assets, provided that the foregoing shall not apply to the extent that the disposition is covered by subsection (iii) or subsection (iv) of Section 7.10(a) hereof or at any time at or after the disposition at which the Participant has attained age fifty-nine and one-half (59-1/2). For purposes of the foregoing sentence, and only for such purposes, a sale of stock of an Employer or Affiliate shall be within the meaning of the term "assets."

1.59 Trust. The Trust adopted by the Company under the trust agreement with the Trustee, which is established to hold and invest contributions made under the Plan, as amended from time to time.

1.60 Trustee. Such person or persons or corporation appointed and acting as Trustee or successor Trustee of the Trust under the trust agreement.

1.61 Trust Fund. All assets of whatsoever kind or nature, including all property and income, held from time to time by the Trustee under the Trust.

1.62 Valuation Date. Each business day or such other dates as the Committee may determine in accordance with its rules and procedures.

1.63 Value. The Member's Accrued Benefit with regard to his or her Account.

Construction

The masculine gender where appearing in this Plan shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary. Where appropriate, words used in the singular include the plural and the plural includes the singular. The words "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to this entire Plan, not to any particular provision or section.

ARTICLE II

SERVICE

2.1 Hours of Eligibility Service. "Hours of Eligibility Service" means hours for which an Employee is or will be directly or indirectly compensated by the Employer or any Affiliate for the performance of duties, including overtime (but only actual hours worked irrespective of premium pay) and hours for which a back pay award is made (without offset for mitigation of damages). It shall also include hours for which the Employee is or will be directly or indirectly compensated by the Employer or any Affiliate for reasons other than for the performance of duties, including, but not limited to, sick days, disability, vacation, holidays, jury duty, layoff, military duty or Leave of Absence, but not in excess of five hundred and one (501) hours for any continuous period of nonworking time for which the Employee is compensated. In addition, the Employee shall be credited for Hours of Eligibility Service during a Military Leave of Absence to the extent required by law. Hours of Eligibility Service shall not be credited for any hours for which an Employee is directly or indirectly paid under a plan maintained solely for the purpose of complying with applicable worker's compensation, unemployment compensation or disability laws. No Hour of Eligibility Service shall be credited with regard to any Employee for any period prior to the date the entity by which he or she is employed became or becomes an Employer except as specifically provided in the adoption agreement of the entity and then only as so specifically provided. Notwithstanding the foregoing, Hours of Eligibility Service shall be credited with regard to an Employee's prior hours of service with Silver King Communications, Inc. to the extent such hours of service were credited under the Silver King Plan.

2.2 Guidelines. For purposes of determining Hours of Eligibility Service ("Hours"), the following guidelines shall be applied:

(a) Hours of Eligibility Service credited as a result of an award, agreement or payment for back pay shall be credited to the Employee for the computation period or periods to which the award, agreement or payment pertains rather than the computation period in which the award, agreement or payment is made. If an Employee has previously been credited with an Hour of Eligibility Service for any hour of work, he or she shall not be entitled to be credited for a second hour under any back pay award or agreement.

(b) For purposes of crediting Hours of Eligibility Service during which an Employee did not perform duties for the Employer or an Affiliate, subject to the limitations of Section 2.1, Hours of Eligibility Service shall be determined as follows:

(i) if payments are calculated on the basis of units of time, the Hours of Eligibility Service credited shall be equal to the number of Employee's regularly scheduled working hours in such unit of time;

(ii) if payments are not calculated on the basis of units of time, the number of Hours of Eligibility Service to be credited shall be equal to the amount of the payment divided by the Employee's most recent hourly rate of compensation for the performance of duties; and

(iii) if no payments were made, the Hours of Eligibility Service credited, if any, shall be at the time rate of eight (8) Hours of Eligibility Service per workday.

(c) Notwithstanding anything in this Plan, an Employee shall be credited with Hours of Eligibility Service if required by any federal law, including, without limitation, the Family and Medical Leave Act; the nature and extent of such credit shall be determined under such law.

(d) Employees compensated on other than an hourly basis and for whom hours are not required to be counted and recorded by any other federal law, such as the Fair Labor Standards Act, shall be credited with ten (10) Hours of Eligibility Service for any day during which the Employee is credited with one (1) Hour of Eligibility Service.

(e) Hours of Eligibility Service shall not be credited for payments which were made solely to reimburse an Employee for medical or medically related expenses incurred by the Employee, nor for extra pay for any period for which Hours of Eligibility Service have previously been credited, such as extra pay in lieu of vacation.

(f) When necessary, Hours of Eligibility Service completed prior to the Effective Date shall be determined from such records as the Employer has maintained in the past, making reasonable approximations where necessary. If these records are insufficient to make an approximation, a reasonable estimate of Hours of Eligibility Service to be credited will be made.

(g) Hours of Eligibility Service will be credited in accordance with the requirements of Section 2530.200b-2 of the Department of Labor Regulations, as hereafter amended or superseded.

2.3 Continuous Service. "Continuous Service" means a Participant's most recent period of uninterrupted service with the Employer or any Affiliate prior to his or her retirement or Termination of Employment, if earlier. Continuous Service shall not be broken in any Plan Year in which an Employee completes more than five hundred (500) Hours of Eligibility Service. Continuous Service will be considered broken in any Plan Year in which an

Employee completes five hundred (500) or less Hours of Eligibility Service. For purposes of determining Continuous Service, and only for such purpose, Hours of Eligibility Service shall also include hours during which the Employee is on a Leave of Absence and, subject to Section 2.4 hereof, hours during which the Employee is on a Childrearing Absence.

2.4 Childrearing Absence. For the purpose of determining whether an Employee's Continuous Service is broken under Section 2.3, and only for such purpose, an Employee who incurs a Childrearing Absence shall be credited with Hours of Eligibility Service for the period of such absence equal to either (i) the Hours of Eligibility Service that would have been credited to such Employee but for such Childrearing Absence, or (ii) if the Hours of Eligibility Service to be credited to such Employee pursuant to the preceding clause (i) cannot be determined, eight (8) Hours of Eligibility Service for each normal workday of absence; provided, however, that in no event shall any Employee be credited with more than five hundred and one (501) Hours of Eligibility Service under this Section 2.4. Hours of Eligibility Service credited under this Section 2.4 shall be credited only to the Plan Year in which an Employee's Childrearing Absence begins, if, and to the extent, such Employee would be prevented from incurring a one-year Break in Service in such Plan Year solely as a result of the treatment of such Childrearing Absence as Hours of Eligibility Service, and in all other cases, to the Plan Year immediately following the Plan Year in which such Childrearing Absence begins.

2.5 Break in Service. A Break in Service will occur in any Plan Year in which an Employee's Continuous Service is broken. If any Employee whose Continuous Service is broken is subsequently reemployed, his or her prior Years of Service shall be reinstated if and only if:

(i) the Employee had met the requirements for a vested benefit under the Plan at the time of his or her Break in Service; or

(ii) the number of his or her consecutive one-year Breaks in Service from the time his or her prior Continuous Service is deemed broken to the date of his or her reemployment does not exceed the greater of (A) five (5) or (B) the aggregate number of Years of Service credited to such Employee for the period prior to the time his or her Continuous Service was broken.

2.6 Year of Service. A Year of Service shall mean a twelve (12) consecutive month period commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date or any anniversary thereof, during which the Employee is credited with at least one thousand (1,000) Hours of Eligibility Service.

2.7 Hours of Vesting Service. "Hours of Vesting Service" means each hour for which an Employee is or will be directly or indirectly compensated by an Employer or an Affiliate for the performance of duties, including overtime (but only actual hours worked irrespective of premium pay. Notwithstanding the foregoing, Hours of Vesting Service shall be credited with regard to an Employee's prior hours of service with Silver King Communications, Inc. to the extent such hours of service were credited under the Silver King Plan.

2.8 Period of Service. A period commencing on the Employee's (i) Employment Commencement Date or (ii) Reemployment Commencement Date, whichever is applicable, and ending on the Severance from Service Date, as defined below. A Period of Service includes a Period of Severance, as defined below, of less than twelve (12) consecutive months; provided, however, that if an Employee is absent from service on the date immediately preceding his or her Severance from Service Date, as defined below, his or her Period of Severance shall be included in his or her Period of Service only if he or she again performs an

Hour of Vesting Service within twelve (12) months after the commencement of such absence. An Employee's Period of Service shall include the period of such Employee's Military Leave of Absence. If an Employee is reemployed by the Employer after a One Year Period of Severance, as defined below, his or her prior Period of Service shall be reinstated if:

(a) the Employee had met the requirements for a vested benefit under the Plan at the time of the Employee's Severance from Service Date, and

(b) the number of the Employee's consecutive One Year Periods of Severance immediately prior to the Employee's Reemployment Commencement Date does not exceed the greater of (i) five (5) or (ii) the aggregate number of years of the Employee's Period of Service prior to his or her Period of Severance.

2.9 Severance. (a) Period of Severance. A period of time commencing on the Severance from Service Date and ending on the date the Employee again performs an Hour of Vesting Service. An Employee shall not suffer a Period of Severance due to a Military Leave of Absence to the extent required by law.

(b) One Year Period of Severance. A Period of Severance of at least twelve (12) consecutive months.

(c) Severance from Service Date. The earlier of (i) the date an Employee quits, retires, is discharged or dies, or (ii) the first anniversary of the first date of a period in which an Employee is continuously absent from service (with or without pay) with the Employer for any reason other than quitting, retirement, discharge or death.

(d) Childrearing Absence. For purposes of Section 2.9, the Severance from Service Date of an Employee who incurs a Childrearing Absence that extends beyond the first anniversary of the first date of such Childrearing Absence is the second anniversary of the first date of absence and the period between the first and second anniversary will be treated as neither a Period of Severance nor a Period of Service.

ARTICLE III

ELIGIBILITY

3.1 Present Employees. Each present Participant shall continue to be a Participant in the Plan. Each present Silver King Participant who was an active participant in the Silver King Plan and employed by Silver King Communications, Inc. or an Affiliate thereof on the date immediately prior to the Restatement Date and who becomes an Eligible Employee on the Restatement Date shall become a Participant in the Plan on the Restatement Date. Any other Eligible Employee shall be eligible to become a Participant in the Plan on the Restatement Date, provided he or she has (a) completed the earlier of (i) at least one thousand (1,000) Hours of Eligibility Service in a period not exceeding the twelve (12) consecutive month period commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date or any anniversary thereof or (ii) completed a Year of Service, and (b) attained age twenty-one (21).

3.2 Future Employees. Each future Employee and each current Employee who is not eligible to become a Participant in accordance with Section 3.1 hereof shall become a Participant in the Plan on the first day of the calendar quarter coinciding with or next following the date on which he or she (a) completes the earlier of (i) at least one thousand (1,000) Hours of Eligibility Service in a period not exceeding the twelve (12) consecutive month period commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date or any anniversary thereof or (ii) a Year of Service, and (b) attains age twenty-one (21).

3.3 Reemployment. Any Member or Silver King Participant who is reemployed and who satisfies the requirements of Section 2.5 shall become a Participant in the Plan as of the date of his or her Reemployment Commencement Date. An Employee who is reemployed but who is not eligible to become a Participant in accordance with Section 3.2 shall not be eligible to become a Participant until he or she satisfies the requirements of Section 3.2 based on his or her Reemployment Commencement Date.

ARTICLE IV

CONTRIBUTIONS

4.1 Salary Reduction Contribution. Subject to (f) below and the other provisions of this Article IV, a Participant may enter into an agreement with his or her Employer to have the Employer make contributions to the Participant's Salary Reduction Contribution Account on behalf of the Participant for such Plan Year, in accordance with Code Section 401(k), of one percent (1%) to sixteen percent (16%) of his or her Compensation, in whole percentages, earned during such Plan Year while a Participant. Such contributions shall reduce the amount of Compensation otherwise payable to the Participant thereafter. With regard to such contributions the following rules shall apply:

(a) Any agreement by a Participant shall be on a form acceptable to the Committee in accordance with its rules and regulations, including the following:

(i) A Participant may elect to make or change his or her contribution rate with regard to future Compensation as of the first day of the calendar quarter (or such other times as the Committee shall prescribe) following such election, by giving sufficient prior written notice to the Plan Administrator on a form provided by the Committee for such purpose. The Committee may establish or change, in accordance with its rules and regulations and in a consistent manner, the foregoing period of prior written notice.

(ii) A Participant may elect to terminate his or her salary reduction agreement with regard to future Compensation effective as of the first day of the following payroll period (or such other times as the Committee shall prescribe), by giving sufficient prior written notice to the Plan Administrator on a form provided by the Committee for such purpose. The Committee may establish or change, in accordance with its rules and regulations and in a consistent manner, the foregoing period of prior written notice.

(iii) For purposes of this Section 4.1(a), an election may, to the extent permitted by the Committee and by applicable law, be made by paper, telephonic or electronic means.

(b) The contributions under this Section 4.1 on behalf of the Highly Compensated Group in any Plan Year shall not exceed the maximum amount so that the "Actual Deferral Percentage," as determined pursuant to (c) below, for the Highly Compensated Group for the current Plan Year does not exceed the Actual Deferral Percentage for the Non Highly Compensated Group for the current Plan Year by the greater of:

(i) one hundred and twenty-five percent (125%); or

(ii) the lesser of two (2) percentage points or two hundred percent (200%).

Notwithstanding the foregoing, to the extent the Company so elects under Section 401(k)(3)(A) of the Code, this Section 4.1(b) may be applied using the Actual Deferral Percentage for the Non Highly Compensated Group for the preceding Plan Year rather than the current Plan Year; provided that if such an election is made, it may be changed only to the extent permitted under Code Section 401(k)(3)(A) and any regulations or other published guidance thereunder.

(c) The Actual Deferral Percentage with regard to each of the Highly Compensated Group and the Non Highly Compensated Group shall be the average of the percentages (calculated separately for each Participant in each such group) of (i) divided by (ii), subject to (iii), where (i), (ii) and (iii) are as follows:

(i) for the applicable Plan Year, the sum of (a) the Employer's contributions for each Participant to each Participant's Salary Reduction Contribution Account, (b) subject to paragraph (h) below, the Matching Contributions for each Participant to each Participant's Matching Contribution Account, and (c) the QNECs, if any, for each Participant to each Participant's QNEC Account;

(ii) the Participant's Section 414 Compensation for the applicable Plan Year; and

(iii) the Actual Deferral Percentage of a member of the Highly Compensated Group shall be determined by treating all cash or deferred arrangements under which the member of the Highly Compensated Group is eligible (other than those that may not be permissively aggregated) as a single arrangement.

(d) (i) Excess Contributions shall mean with respect to any Plan Year, the excess of (1) the aggregate amount of the Employer's contributions made pursuant to this Section 4.1 actually paid over to the Trust Fund on behalf to the Highly Compensated Group for such Plan Year, over (2) the maximum amount of such contributions permitted under (b) above. Reductions shall be determined by reducing contributions made pursuant to this Section 4.1 hereof, on behalf of members of the Highly Compensated Group in order of the dollar amounts of Salary Reduction Contributions beginning with the largest of such dollar amounts of Salary Reduction Contributions, as adjusted as reduction takes place.

(ii) The Excess Contribution for any Plan Year (and any income allocable to such Excess Contributions) shall be distributed before the last day of the next Plan Year to the members of the Highly Compensated Group on the basis of the respective portions of the Excess Contributions attributable to each such member, provided that any such amounts not distributed before March 15 of the next Plan Year will be subject to an excise tax on the Employer under Code Section 4979. The amount of Excess Contributions that may be distributed under this paragraph shall be reduced by any Excess Deferrals (as defined in Section 4.1(g)) previously distributed with respect to such Participant for the Plan Year.

(iii) The method used for computing income or loss allocable to Excess Contributions shall be the method set forth in Section 6.9 hereof. Notwithstanding the foregoing, there shall be no income allocable to Excess Contributions during the period between the end of the Plan Year and the date of distribution of the Excess Contributions.

(e) All determinations and procedures with regard to the matters covered by paragraphs (b), (c) and (d) of this Section 4.1 shall be made in accordance with Code Section 401(k)(3) and Treasury Regulation Section 1.401(k)-1(b).

(f) Notwithstanding anything else herein, the amount to be contributed for any calendar year on behalf of any Participant pursuant to an agreement under (a) above shall

not exceed ten thousand dollars ($10,000), as adjusted for calendar years after 1998 by the Secretary of Treasury in accordance with Code Section 402(g)(5) (the "Elective Limitation").

(g) If contributions of Elective Deferrals on behalf of a Participant for any calendar year are in excess of the Elective Limitation for such calendar year, the excess amount ("Excess Deferrals") shall be treated as follows:

(i) not later than March 1st of the next calendar year, the Participant may allocate the amount of such Excess Deferrals among the plans under which the deferrals were made and may notify each such plan the portion allocated to it;

(ii) not later than April 15th of the next calendar year, the Employer may distribute to the Participant the amount of Excess Deferrals allocated to it under (i) above, and any income or loss allocable to such amount, which shall be computed based on the method set forth in Section 6.9 hereof.

In the event Excess Deferrals were made to the Plan without consideration of contributions to any other plans, such amounts shall be distributed pursuant to subparagraph (ii) without regard to whether any election under subparagraph (i) is made.

(h) In satisfying the Actual Deferral Percentage Test set forth above, Matching Contributions may be treated as if they were contributions to the Participant's Salary Reduction Account pursuant to Section 4.1 hereof, provided that the requirements of Code Regulation Section 1.401(k)-1(b)(5) are satisfied. If used to satisfy the Actual Deferral Percentage Test, such Matching Contributions shall not be used to help other Matching Contributions satisfy the Actual Contribution Percentage Test (as described in Section 401(m)(2) of the Code), set forth in Section 4.3 hereof except as otherwise permitted by applicable law.

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(i) For purposes of satisfying the Actual Deferral Percentage Test of paragraph (c), all elective contributions that are made under two or more plans that are aggregated for purposes of Code Section 401(a)(4) or 410(b) (other than Code Section 410(b)(2)(A)(ii)) shall be treated as made under a single plan and if two or more plans are permissively aggregated for purposes of Code Section 401(k), the aggregated plans must also satisfy Code Sections 401(a)(4) and 410(b) as though they were a single plan.

4.2 Matching Contributions. (a) For each Plan Year, with respect to each Participant who is entitled to make and who makes Salary Reduction Contributions pursuant to Section 4.1 hereof, the Employer shall contribute to the Plan with respect to each payroll period an amount equal to fifty percent (50%) of such Participant's Salary Reduction Contributions during such payroll period contributed by the Participant with respect to the first six percent (6%) of such Participant's Compensation earned while a Participant during the Plan Year.

(b) In addition to the Matching Contributions made pursuant to Section 4.2(a), for each Plan Year, with respect to each Participant who is entitled to make and who makes Salary Reduction Contributions pursuant to Section 4.1 hereof, additional Matching Contributions may be made by the Employer as follows:

(i) With respect to each Participant that has made Salary Reduction Contributions for such Plan Year equal to at least three percent (3%) of his or her Compensation earned while a Participant during the Plan Year, the Employer shall contribute additional Matching Contributions to the Plan on behalf of such Participant equal to (A) one hundred percent (100%) of such Participant's Salary Reduction Contributions during the Plan Year, up to the lesser of (x) five hundred and twenty dollars ($520) and (y) six percent (6%) of the Participant's Compensation earned while a Participant during the Plan Year, minus (B) the amount of any Matching Contributions made to the Plan on behalf of such Participant pursuant to Section 4.2(a); and

(ii) the Employer, in its sole and absolute discretion, may contribute additional Matching Contributions to the Plan in an amount equal to a designated percentage of such Participant's Salary Reduction Contribution, as designated by the Employer for the applicable Plan Year. In connection with the designation of any percentage for the purpose of making additional Matching Contributions pursuant to this paragraph (ii), the Employer in its sole and absolute discretion, may limit the Matching Contribution by placing a total dollar or percentage limit on the Matching Contribution.

Notwithstanding the foregoing, no Matching Contribution will be made for any Participant pursuant to this Section 4.2(b) for any Plan Year unless he or she is employed by the Employer on the last day of the Plan Year.

(c) In the event of the return of any Excess Contribution or Excess Deferral to a Participant, no Matching Contribution pursuant to (a) and (b) above shall be made and, if made prior to a determination of Excess Contribution or Excess Deferral, shall be forfeited.

4.3 Actual Contribution Percentage. (a) The Matching Contributions on behalf of the Highly Compensated Group in any Plan Year shall not exceed the maximum amount so that the "Actual Contribution Percentage," as determined pursuant to (c) below, for the Highly Compensated Group for the current Plan Year does not exceed the Actual Contribution Percentage for the Non Highly Compensated Group for the current Plan Year, by the greater of:

(i) one hundred and twenty-five percent (125%); or

(ii) subject to (b) below, the lesser of two (2) percentage points or two hundred percent (200%).

Notwithstanding the foregoing, to the extent the Company so elects under Section 401(m)(2)(A) of the Code, this Section 4.3(a) may be applied using the Actual Contribution Percentage for the Non Highly Compensated Group for the preceding Plan Year

rather than the current Plan Year; provided that if such an election is made, it may be changed only to the extent permitted under Code Section 401(m)(2)(A) and any regulations or other published guidance thereunder.

(b) If the Actual Deferral Percentage test set forth in Section 4.1(b) hereof is satisfied pursuant to Section 4.1(b)(ii) and not satisfied pursuant to Section 4.1(b)(i), then Section 4.3(a)(ii) may be used to satisfy the Actual Contribution Percentage test only to the extent that either the "aggregate limit" is not violated or such use is otherwise permitted by applicable law. The aggregate limit is the greater of:

(i) The sum of:

(A) one hundred and twenty-five percent (125%) of the greater of (x) the Actual Deferral Percentage of the Non Highly Compensated Group or (y) the Actual Contribution Percentage of the Non Highly Compensated Group; and

(B) two (2) percentage points plus the lesser of (x) or (y) above, but in no event greater than two hundred percent (200%) of the lesser of (x) or (y) above; or

(ii) The sum of:

(A) one hundred and twenty-five percent (125%) of the lesser of (x) the Actual Deferral Percentage of the Non Highly Compensated Group or (y) the Actual Contribution Percentage of the Non Highly Compensated Group; and

(B) two (2) percentage points plus the greater of (x) or (y) above, but in no event greater than two hundred percent (200%) of the greater of (x) or (y) above.

In the event that the conditions of (i) above for consideration of the aggregate limit are satisfied and the aggregate limit is exceeded, the Actual Deferral Percentage and the

Actual Contribution Percentage of Participants who are Highly Compensated Employees shall be reduced in the following order until the aggregate limit is reached:

(A) Unmatched Salary Reduction Contributions (and any income allocable to such contributions); and

(B) Matched Salary Reduction Contributions and the related Matching Contributions proportionately (and any income allocable to such contributions).

The contributions and income shall be distributed within the respective time periods for distribution of Excess Contributions and Excess Aggregate Contributions. Income shall be calculated as requested for each and the order of distribution among the Participants who are Highly Compensated Employees shall be as specified for each.

(c) The Actual Contribution Percentage for a specified group of Participants for a Plan Year shall be the average of the Contribution Percentage of each Participant in such group, where such Contribution Percentage shall be equal to the ratio of:

(i) the Matching Contributions to the Plan Year on behalf of each Participant for the applicable Plan Year (other than those that cannot be considered as a result of Section 4.1(h) above), plus to the extent permitted under Code Regulation Section 1.401(m)-1(b)(5), some or all of the contributions under Section 4.1; and

(ii) the Participant's Section 414 Compensation for the applicable Plan Year.

(d) (i) Excess Aggregate Contributions shall mean with respect to any Plan Year, the excess of (1) the aggregate amount of contributions made pursuant to Section 4.2 or 4.3 actually paid over to the Trust on behalf of the Highly Compensated Group for such Plan Year, over (2) the maximum amount of such contributions permitted under the preceding paragraph (b). Reductions shall be determined by reducing contributions made on behalf of members of the Highly Compensated Group in order of the dollar amounts of Matching Contributions beginning with the largest of such dollar amounts of Matching Contributions, as adjusted as reduction takes place.

(ii) The Excess Aggregate Contributions for any Plan Year (and any income allocable to such contributions) shall be distributed before the last day of the next Plan Year to the members of the Highly Compensated Group on the respective portions of the Excess Aggregate Contributions attributable to each such member, provided that any such amounts not distributed before March 15 of the next Plan Year will be subject to an excise tax on the Employer under Code Section 4979. The amount of Excess Aggregate Contributions to be distributed to an Employee for a Plan Year shall be reduced by Excess Aggregate Contributions previously distributed to the Employee for the taxable year ending within the Plan Year and Excess Aggregate Contributions to be distributed to an Employee for a taxable year shall be reduced by the Excess Aggregate Contributions previously distributed for the Plan Year beginning in such taxable year. As an alternative to the distribution of Excess Aggregate Contributions described above, the Employer may, in its sole discretion, elect to forfeit Matching Contributions (and any income allocable to such Matching Contributions) that are not vested (determined without regard to any increase in vesting that may occur after the date of the forfeiture) in order to correct Excess Aggregate Contributions.

(iii) The method used for computing income or loss allocable to Excess Aggregate Contributions shall be the method set forth in Section 6.9 hereof. There shall be no income allocable to Excess Aggregate Contributions during the period between the end of the Plan Year and the date of distribution of the Excess Aggregate Contributions.

(e) All determinations and procedures with regard to the matters covered by paragraphs (a), (b), (c) and (d) of this Section 4.3 shall be made in accordance with Code Section 401(m) and Treasury Regulation Section 1.401(m)-1.

4.4 Qualified Non-Elective Contributions. Within twelve (12) months after the close of the Plan Year (or within such greater time if permitted by the Internal Revenue Service), the Employer, in its sole discretion, may make QNECs on behalf of members of the Non Highly Compensated Group to the QNEC Account in an amount sufficient to satisfy one of the tests set forth in Section 4.1(b) or Section 4.3(b). QNECs shall be allocated to the Non Highly Compensated Group starting with the Participant with the lowest Compensation for the testing period until such Participant has reached the limitation under Section 4.8 hereof and

progressing thereafter in similar manner in reverse order of Compensation until such QNECs are fully utilized.

4.5 Profit Sharing Contributions. (a) If the Employer elects, in its sole and absolute discretion, to make contributions to the Plan for the Plan Year other than that pursuant to Section 4.2, the Employer shall contribute to the Profit Sharing Account of each Participant employed by the Employer, an amount equal to such percentage of Compensation as may be determined by the Employer in its sole and absolute discretion; provided that no contribution shall be made to such Account for any Participant for such Plan Year unless he or she is employed by the Employer on the last day of the Plan Year. Such contributions shall be allocated to each Participant based on the proportion of the Participant's Compensation for the Plan Year to the Compensation for all Participants employed by the Employer for the Plan Year who are eligible to have an allocation made to their Profit Sharing Account pursuant to this Section 4.5.

(b) Notwithstanding the provisions of paragraph (a) above, in the event the limitations set forth herein cause the Plan to fail to satisfy for any Plan Year the requirements of Code Section 410(b) and the regulations thereunder because of the exclusion of certain Participants as being deemed to be benefitting under the Plan, based on the allocation in paragraph (a) then the Employer contributions under paragraph (a) shall be allocated for such Plan Year as of the last day of the Plan Year among all Participants who were employed on the last day of the Plan Year.

4.6 Time of Contributions. Contributions shall be made for each Plan Year within the time permitted by law.

4.7 Rollovers. With respect to any Eligible Employee, rollovers to this Plan from another plan qualified under Section 401(a) of the Code, whether directly or through an individual retirement account, are permitted, provided (i) that they are permitted under the Code, (ii) that they are made on a timely basis as required by the Code, and (iii) that evidence satisfactory to the Committee as to the foregoing is furnished to the Committee. Any amount rolled over to the Plan shall be fully vested and nonforfeitable and shall be credited to a separate Employee Rollover Account for the Employee which account shall share in the allocation of the net annual income of the Fund.

4.8 Limitations on Contributions. (a) Section 415 of the Code is incorporated by reference into the Plan, and notwithstanding anything herein shall override any Plan provision to the contrary. Contributions and other annual additions under the Plan are subject to the limitations of Section 415 of the Code. Section 414 Compensation, as defined in Section 1.51 shall be used for purposes of the limitations imposed by Code Section 415.

(b) If as a result of reasonable error in estimating a Participant's Section 414 Compensation, or as a result of such other circumstances as may be permitted under applicable Treasury Regulations, the annual additions, as defined in Code Section 415(c)(2), to a Participant's Account shall in any Plan Year exceed the maximum permitted under Code Section 415, the Committee shall, pursuant to the provisions of Section 1.415-6(b)(6) of the Treasury Regulations (or any successor provision thereto), treat the excess amounts as follows:

(i) Pursuant to the provisions of Section 1.415-6(b)(6)(ii) of the Treasury Regulations, the excess amounts attributable to Profit Sharing Contributions, Matching Contributions and QNECs shall be used to reduce Profit Sharing Contributions, Matching Contributions and QNECs for the next Limitation Year (and succeeding

Limitation Years, as necessary) for that Participant if that Participant is covered by the Plan as of the end of the Limitation Year.

(ii) If the Participant is not covered by the Plan as of the end of the Limitation Year, then the excess amounts attributable to Profit Sharing Contributions, Matching Contributions and QNECs shall be held unallocated in a suspense account for the Limitation Year and allocated and reallocated in the next Limitation Year (and succeeding Limitation Years, as necessary) to all of the remaining Participants in the Plan before any Profit Sharing Contributions, Matching Contributions and QNECs which would constitute annual additions are made to the Plan for such Limitation Year.

(iii) Excess amounts attributable to Profit Sharing Contributions, Matching Contributions and QNECs may not be distributed to Participants or former Participants.

(iv) Excess amounts attributable to Salary Reduction Contributions and any earnings thereon shall be distributed to the Participant pursuant to the provisions of Section 1.415-6(b)(6)(iv) of the Treasury Regulations.

(c) Notwithstanding anything herein to the contrary, in the event the annual additions on behalf of a Participant in any Limitation Year exceeds the limitation of Code Section 415, such annual additions shall be reduced by reducing contributions to this Plan, and if any excess then still exists, by limiting or reducing contributions to another plan of the Employer, or any other entity aggregated under Section 415(h) of the Code, qualified under Section 401(a) of the Code. In the event that contributions to this Plan are reduced pursuant to the preceding sentence, Matching Contributions shall be reduced first to eliminate the excess, then Profit Sharing Contributions, then QNECS, and if any excess then still exists, Salary Reduction Contributions pursuant to Section 4.1 hereof shall then be reduced to eliminate the excess.

(d) In no event shall the contributions by the Employer under this Article IV, when combined with amounts contributed pursuant to Section 4.1 hereof and any other plan of the Employer qualified under Section 401(a) of the Code be in excess of the

amounts deductible pursuant to Section 404(a)(3) of the Code, or the Section of any future Code provision limiting deductions to profit-sharing plans.

4.9 Investment of Contributions. (a) Subject to the rules of the Committee, a Member (or, in the event of the Member's death, the Member's Beneficiary) may elect to have his or her Account and future contributions made on his or her behalf to such Account, invested in such percentages as permitted by the Committee in one or more of the Investment Funds, which shall be funds maintained or established by a bank, trust company, insurance company, mutual fund or investment company, designated by the Committee as Investment Funds under this Section 4.9. Of the designated Investment Funds, there shall be at least three (3) Investment Funds (each of which provides a broad range of investment alternatives as contemplated under Section 404(c) of ERISA and the regulations thereunder) and the Company Stock Fund. From time to time the Committee may designate additional Investment Funds, withdraw the designation of Investment Funds or change designated Investment Funds.

(b) Upon enrollment or upon request of the Committee, each Member shall elect in writing filed with the Committee the manner in which his or her Account and future contributions made on his or her behalf to such Account, are to be invested (unless specifically permitted by the Committee, an investment election shall apply consistently to each subaccount and future contributions to such Account shall be invested in the same manner and proportion). Notwithstanding the foregoing, if a mutual fund or separate account is designated by the Committee as a vehicle for investing contributions and the mutual fund company or insurance company maintaining the mutual fund or separate account or a third party administrator permits telephonic elections of the manner in which a Member's Account and future contributions made

on behalf of him or her are invested, the Committee may provide for such telephonic elections. If no election is made (whether in writing or by telephonic or electronic transmission), the Member's Account and future contributions shall be invested in a guaranteed interest fund or money market fund, or if there is more than one such fund or no such fund which has been so, the Fund designated by the Committee for such investments. If the Member (or, in the event of the Member's death, the Member's Beneficiary) fails to change his or her election, the previous investment election shall remain effective until the Member (or Beneficiary) affirmatively changes his or her investment election. Subject to the provisions of the governing documents of the Investment Funds involved, if there is a change in designated Investment Funds and a Member (or in the event of the Member's death, the Member's Beneficiary) does not make a new election, he or she will be deemed to have designated investment in the designated Investment Funds most similar to those previously elected and in the same proportion as previously elected. Subject to any limitations imposed by the Investment Funds, a Member (or in the event of the Member's death, the Member's Beneficiary) may change his or her election of designated Investment Funds with regard to future contributions and current Account Values as of the first day of any calendar quarter (or at such additional times as may be permitted by the Committee) by filing a new written election with the Committee at such times as may be prescribed by the Committee and with such prior notice as specified by the Committee in advance of the date the change is to become effective or, if telephonic elections with a mutual fund or separate account permitted, with such notice as required by the mutual fund company or insurance company. Subject to the rules of the Investment Funds and the Committee, including, without limitation, rules restricting the availability of transfers and setting minimum or maximum amounts that may be transferred and when transfers are permitted, a Member (or in the event of the Member's

death, the Member's Beneficiary) may transfer all or a part of his or her Account from one Investment Fund to another Investment Fund in such percentages as permitted by the Committee. All elections and transfers shall be subject to rules established by the Committee and by the bank, trust company, mutual fund or investment company maintaining the fund.

(c) With respect to a Member's Account, each Member (or, in the event of the Member's death, the Member's Beneficiary) shall be solely responsible for his or her investments under the Plan. The fact that an Investment Fund is available under the Plan shall not be considered an investment recommendation. The Employer intends that this Plan conform to Section 404(c) of ERISA and Department of Labor Regulation Section 2550.404c-1 and that the Plan and Trust are operated and administered in accordance with such provisions. With respect to any investment election or other direction by a Member (or, in the event of the Member's death, the Member's Beneficiary), none of the Trustee, the Plan Administrator, the Committee or the Employer shall be under any duty to question any such direction of a Member (or, in the event of the Member's death, the Member's Beneficiary). The Trustee shall comply as promptly as is practicable with the directions given by a Member or by a Beneficiary in accordance with the terms of the Plan. None of the Trustee, the Plan Administrator, the Committee or the Employer shall be responsible or liable for any loss or expense which may arise from or result from compliance with any directions from the Member (or, in the event of the Member's death, the Member's Beneficiary).

ARTICLE V

VESTING AND FORFEITURES

5.1 Vesting of Interest of Participant in Trust Fund. (a) A Member shall be fully vested in his or her Salary Reduction Contribution Account, QNEC Account, Employee Rollover Account, Silver King Employee Contribution Account and Silver King Rollover Account at all times and such Account balances shall at all times be nonforfeitable.

(b) The portion of a Member's Accrued Benefit in his or her Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account which shall become vested and nonforfeitable shall be based on his or her number of years of his or her Period of Service according to the following schedule:

Number of Years in Period of Service	Nonforfeitable Percentage
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

Notwithstanding the foregoing provisions, if any Member shall, while an Employee, attain his or her Normal Retirement Age or shall die or incur (and satisfy all of the requirements for) a Disability while he or she is an Employee, the Member's entire interest in his or her Account shall become nonforfeitable.

(c) Notwithstanding the foregoing, all participants in the Silver King Plan who were actively employed by Silver King Communications, Inc. on December 1, 1995 shall be fully vested in his or her Account.

5.2 Forfeitures. In the event a Member incurs a Termination of Employment, any portion of the Member's Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account to which he or she is not then entitled pursuant to Section 5.1(b) hereof shall be forfeited (a "Forfeiture"). A Forfeiture shall be deemed to take place at the following time:

(a) If the Member has no vested interest in any of his or her Accounts, the Forfeiture shall take place in the Plan Year in which his or her Termination of Employment occurs. In such case, the Member shall be deemed to have a distribution of his or her zero Account Value at the time of his or her Termination of Employment.

(b) If the Member has any vested interest in any of his or her Accounts, the Forfeiture shall take place in the Plan Year in which occurs the earlier of (i) completion of the distribution of the Member's benefits or (ii) incurrence by the Member of his or her fifth (5th) consecutive one-year Period of Severance.

5.3 Restoration of Forfeitures. (a) If an Employee whose Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account was forfeited in its entirety pursuant to Section 5.2 above again becomes employed by an Employer or an Affiliate before he or she incurs his or her fifth (5th) consecutive One Year

Period of Severance, the amount of his or her Forfeiture shall be restored to his or her Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account.

(b) If an Employee who received a distribution of less than all of his or her Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account is again employed by an Employer or an Affiliate before he or she incurs his or her fifth (5th) consecutive One Year Period of Severance and repays to the Plan, prior to the earlier of his or her incurring his or her fifth (5th) consecutive One Year Period of Severance or five (5) years after the first day on which he or she is reemployed by an Employer or an Affiliate, the amount of his or her previous distribution, if any, the amount of his or her Forfeitures shall be restored to his or her Matching Contribution Account, Profit Sharing Account and Silver King Employer Contribution Account.

5.4 Use of Forfeitures. Forfeitures, if any, shall be first allocated to the Accounts of Participants entitled to a restoration of their interests in the Plan and the remainder of such Forfeitures shall be used to reduce future contributions by the Employer.

ARTICLE VI

ALLOCATION

6.1 Salary Reduction Contribution Accounts. Salary Reduction Contributions shall be allocated to the Salary Reduction Contribution Account of each Participant who entered into a salary reduction agreement pursuant to which such contributions were made.

6.2 Matching Contribution Accounts. Matching Contributions for any Plan Year shall be allocated to the Matching Contribution Account of each Participant for whom such contributions have been made pursuant to Section 4.2 hereof in the amount of the Matching Contributions for each Participant.

6.3 QNEC Account. Contributions to the QNEC Account, if any, shall be allocated to the Accounts of the Participants for whom QNECs have been made pursuant to Section 4.4 hereof in the amount of the QNECs for such Participant.

6.4 Profit Sharing Accounts. Profit Sharing Contributions for any Plan Year shall be allocated to the Profit Sharing Account of each Participant for whom such contributions have been made pursuant to Section 4.5 hereof in the amount of the Profit Sharing Contributions for each Participant.

6.5 Employee Rollover Account. Rollover contributions shall be allocated to the Employee Rollover Account of the Participant who made the rollover contribution to the Plan.

6.6 Silver King Employee Contribution Account. Elective deferrals and qualified non-elective contributions transferred to the Plan pursuant to the merger of the Silver King Plan into the Plan shall be allocated to the Silver King Employee Contribution Account of the Member for whom such contributions were made to the Silver King Plan.

6.7 Silver King Employer Contribution Account. Employer contributions transferred to the Plan pursuant to the merger of the Silver King Plan into the Plan shall be allocated to the Silver King Employer Contribution Account of the Member for whom such contributions were made to the Silver King Plan.

6.8 Silver King Rollover Account. Rollover contributions transferred to the Plan pursuant to the merger of the Silver King Plan into the Plan shall be allocated to the Silver King Rollover Account of the Member for whom such contributions were made to the Silver King Plan.

6.9 Valuation of the Trust Fund. The Trust Fund shall be valued at Fair Market Value by the Trustee at each Valuation Date, with appropriate allocations and adjustments for any items of income, expenses, gains and losses, and all other transactions for the Plan Year. The net income thus arrived at, exclusive of forfeitures (and net income thereon), shall be allocated on a basis of Account balances and in a fair and nondiscriminatory manner which shall reflect the interests of the Participants during such Plan Year in the Investment Funds and in the Trust Fund. In addition, the Account of each Participant shall bear any fees of the Trustee or Investment Fund charged with regard to maintaining his or her or her Account that are not paid by the Employer. The interest of each Participant in the Company Stock Fund shall be expressed as units of the Investment Fund as of a Valuation Date and shall be determined by

using unit accounting. The interest of each Participant in the Investment Funds (other than the Company Stock Fund) shall be expressed in accordance with the valuation methods and practices of the entity maintaining the Investment Fund.

ARTICLE VII

DISTRIBUTIONS

7.1 General Rule. Except as otherwise provided in this Article or prohibited by law, a Member's vested Account balance under the Plan shall be available to the Member for distribution at any time after any of the following:

(a) the Member's retirement at or after his or her Normal Retirement Age;

(b) the Member's death or Disability;

(c) the Member's Termination of Employment; or

(d) as set forth in Section 7.3 below; or

(e) solely to the extent permitted under Section 7.13 hereof, the Member's attainment of age fifty-nine and one-half (59-1/2) regardless of whether the Member had a Termination of Employment.

Such distribution shall be made to the Member on or as soon as administratively feasible (and in accordance with the Plan's administrative procedures) following the first day of the calendar month following the Benefit Starting Date requested in writing by the Member. The Benefit Starting Date may not be more than ninety (90) days after such request and, except as provided below, may not be less than thirty (30) days after such request. The Member's distribution shall be based on the Value on the last Valuation Date prior to the date of actual distribution (and any contributions made since that Valuation Date), provided that no distribution

may be made until the Committee has provided the Participant with a notice as to his or her rights and benefits under the Plan not more than ninety (90) days or less than thirty (30) days prior to the Member's Benefit Starting Date. Notwithstanding the foregoing, a Member may elect a Benefit Starting Date earlier than thirty (30) days, but no less than seven (7) days, after receiving such notice from the Committee, provided that:

(i) the Participant has been clearly informed that he or she has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution;

(ii) the Member, after receiving the notice, affirmatively elects a distribution; and

(iii) in the case of a Silver King Participant who is married, the consent of the Silver King Participant's Spouse is obtained in accordance with Section 7.7 and Exhibit A if the form of benefit with respect to the Silver King Participant's Silver King Account is not made in the normal form for married Participants as provided in Exhibit A.

Until the Benefit Starting Date, the Member's Account shall be retained in the Trust Fund and revalued pursuant to Section 6.9 hereof. Between the Benefit Starting Date and the actual date on which distribution commences, the Member's Account shall be revalued pursuant to Section 6.9 hereof and, therefore, shall continue to share in gains and losses.

7.2 Form of Retirement Benefit Distributions. Subject to Exhibit A, a Member shall have the vested portion of his or her Account balance under the Plan distributed in a lump sum payment consisting of (i) cash equal to the Fair Market Value of his or her interest in the Investment Funds (including, if elected by the Member, his or her interest in the Company Stock Fund) and (ii) if elected by the Member, Company Stock representing all or a portion of his or her interest in the Company Stock Fund. Fractional shares of Company Stock shall be

aggregated to create whole shares of Company Stock, which shall be distributed in the form of whole shares of Company Stock, if the Member elects to receive all or a portion of his or her interest in the Company Stock Fund in Company Stock. Notwithstanding the foregoing, cash shall be distributed in lieu of excess fractional shares of Company Stock.

7.3 Required Commencement Date. (a) Notwithstanding the foregoing, except as otherwise permitted by law, the payment of benefits to a Member shall begin not later than the April 1st following the end of the calendar year in which the Participant has both attained age seventy and one-half (70-1/2), and retired from service with the Employer. Notwithstanding the foregoing, the payment of benefits to a Participant who is a 5-percent owner, as defined in Section 416 of the Code, and who is in the employ of the Employer shall begin not later than the April 1st following the end of the calendar year in which the Participant attains age seventy and one-half (70-1/2). Unless otherwise timely elected by the Participant, the Benefit Starting Date shall be the last Valuation Date coinciding with or immediately preceding the aforesaid April 1st. Such last Valuation Date shall be deemed the Benefit Starting Date. For purposes of this Section 7.3, the life expectancy of the Participant and the Participant's designated beneficiary may be recalculated annually.

(b) Notwithstanding the foregoing, a Participant, other than a Terminated Participant or Retired Participant, shall be entitled to commence receiving minimum distributions under the Plan pursuant to Section 401(a)(9) of the Plan, not later than the April 1st following the end of the calendar year in which the Participant attains age seventy and one-half (70 1/2). Notwithstanding any other provision to the contrary, a Terminated Participant or Retired Participant shall be entitled to receive distributions as provided under Section 7.2 of the Plan.

(c) A Participant who attained age 70-1/2 before January 1, 1997 and commenced distributions pursuant to Code Section 401(a)(9) on a date on or before January 1, 1997, but who remained employed by the Employer after such date, may affirmatively elect, subject to the terms of any applicable qualified domestic relations order as defined in Section 414(p) of the Code, to cease receiving such distributions at any time prior to the earlier of the Participant's Termination of Employment or December 31, 1999. Any election made pursuant to this Section 7.3(c) shall be made by giving prior written notice to the Plan Administrator on a form provided by the Committee for such a purpose. This Section 7.3(c) is intended to comply with the requirements of Internal Revenue Service Notice 97-75 and shall therefore be interpreted in accordance with such Notice and any subsequent guidance or modifications issued by the Internal Revenue Service regarding Internal Revenue Service Notice 97-75.

(d) This Section and the Plan shall be interpreted and administered in accordance with Code Section 401(a)(9) and the regulations thereunder (including without limitation, Proposed Treasury Regulation Section 1.401(a)(9)-2).

7.4 Death of a Participant. Subject to Exhibit A, in the event that a Member dies prior to his or her Benefit Starting Date, the Value of such Member's Account shall be distributed to such Member's Beneficiary in a lump sum as soon as administratively feasible after the Valuation Date coinciding with or next following the Member's death. Notwithstanding the foregoing, if a Member is married on the date of his or her death and dies prior to his or her Benefit Starting Date, the Value of such Member's Account shall be distributed to such Member's Spouse in a lump sum as soon as administratively feasible after the Valuation Date coinciding with or next following the Member's death, unless such Member had, with the

consent (obtained in accordance with the provisions of Section 7.7 hereof) of his or her Spouse at the time of his or her death, designated another Beneficiary.

7.5 Proof of Death and Right of Beneficiary. The Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary to receive the undistributed vested Value of the Account of a deceased Member as the Committee may deem proper, and its determination of death and of the right of such Beneficiary to receive payments shall be conclusive.

7.6 Limitation on Payments. Notwithstanding anything else in this Plan to the contrary, the payment of benefits with respect to a deceased Member shall be made in accordance with Code Section 401(a)(9) and the regulations thereunder. All benefits payable under the Plan shall be subject to the following limitations and rules which shall in no event expand the requirements and limitations on benefit payments set forth elsewhere herein:

(a) In no event shall the payment of benefits under any form of benefit elected by a Member extend over a period which exceeds the longest of:

(i) the life of the Member;

(ii) the lives of the Member and his or her Beneficiary, if any;

(iii) the life expectancy of the Member; or

(iv) the joint life expectancies of the Member and his or her Beneficiary, if any.

(b) Notwithstanding anything else in this Plan to the contrary, the payment of any death benefit payable to any Beneficiary of a Member shall be subject to the

rules and restrictions of Code Section 401(a)(9) and the regulations thereunder (including, without limitation, Proposed Treasury Regulation Section 1.401(a)(9)-2) which restrictions shall not expand the requirements of Section 7.2 and Section 7.4 hereof with regard to a payment upon death:

(i) If the Member dies after his or her required beginning date under Code Section 401(a)(9) and the regulations thereunder or after his or her benefits have irrevocably commenced (the "Commencement Date"), such death benefit must be distributed to the Beneficiary under a method that is at least as rapid as the method under which distributions were being made to the Member as of the date of the Member's death;

(ii) If the Member dies before his or her Commencement Date and the Beneficiary is not a designated Beneficiary within the meaning of Code Section 401(a)(9), the entire interest of the Member must be distributed over a period which does not exceed five (5) years from the December 31st of the calendar year in which such Member's death occurred;

(iii) Except as provided in (iv) below, if a Member's interest is payable to, or for the benefit of, a designated Beneficiary (other than such Member's Spouse), such portion may be distributed over a period which does not exceed the life, or life expectancy, of such designated Beneficiary, provided that distribution of such portion must commence not later than December 31st of the calendar year immediately following the calendar year in which the Member's death occurred or such later date as may be permitted under applicable Treasury regulations;

(iv) If the Member dies before his or her Commencement Date and any portion of such Member's interest is payable to, or for the benefit of, such Member's Spouse as designated Beneficiary, distribution of such portion must commence no later than the later of the period specified in (iii) above or the December 31st of the calendar year in which the Member would have attained age seventy and one-half (70-1/2);

(v) In the event that a Member shall have designated his or her Spouse as designated Beneficiary and such Spouse shall die after the death of the Member and before the commencement of distributions to such Spouse, the Member's Spouse shall be substituted for the Member in applying the provisions of this subsection (v), but only for the purpose of determining the period over which payment of benefits may be made;

(vi) For purposes of this Section 7.6 the life expectancy of a Member and his or her Spouse may be recalculated no more frequently than annually; and

(vii) For purposes of this Section 7.6, and in accordance with applicable Treasury regulations, any death benefit to a Member's child shall be treated as if it had been paid to such Member's surviving Spouse if such amount will become payable to such surviving Spouse upon such child's reaching the age of majority (or upon the occurrence of such other event as may be designated by applicable Treasury regulations).

7.7 Consent of Spouse. Whenever the terms of this Plan require that the consent of a Member's Spouse be obtained, such consent shall be valid only if it is in writing, contains an acknowledgment by such Spouse of the effect of such consent, designates a Beneficiary which may not be changed without the consent of the Spouse (unless such consent specifically permits designation by the Member without any requirement of further consent of the Spouse) and is witnessed either by a representative of the Plan or by a notary public; provided, however, that the consent of a Member's Spouse shall not be required in the event that the Member establishes to the satisfaction of the Plan representative that he or she has no Spouse, that such Spouse cannot be located, or under such other circumstances as may be permitted under applicable Treasury regulations. Any consent of a Member's Spouse obtained in accordance with the provision of this Section 7.7 shall be revocable by the Member during his or her lifetime without the consent of the Member's Spouse. Unless a Qualified Domestic Relations Order, as defined in Section 414(p) of the Code, requires otherwise, a Spouse's consent shall not be required (and, hence, shall for purposes of this Plan be deemed given) if the Participant is legally separated or the Participant has been abandoned (within the meaning of local law) and the Participant has a court order to such effect.

7.8 Cash-Outs. Notwithstanding any other provision of this Plan, if a Member's vested Account Value is equal to or less than three thousand five hundred dollars ($3,500) at the time of his or her Termination of Employment and at all times thereafter prior to

distribution, such vested Account Value shall be distributed in the form of a lump sum distribution without the consent of the Participant as soon as administratively feasible. Notwithstanding the foregoing, with regard to any Member who incurs a Termination of Employment on or after January 1, 1998 (and to the extent permitted by applicable guidance from the Secretary of Treasury, Members who incurred a Termination of Employment prior thereto), if the Member's vested Account balance is equal to or less than five thousand dollars ($5,000) at the time of his or her Termination of Employment and at all times thereafter prior to distribution, such vested Account balance shall be distributed in the form of a lump sum distribution (in the form set forth in Section 7.2 hereof) without the consent of the Member as soon as administratively feasible.

7.9 Required Distributions. Notwithstanding anything else herein, a Member shall be eligible to receive payment, or to commence payment, under the Plan of his or her benefits no later than sixty (60) days after the end of the Plan Year in which the latest of the following occurs:

(i) the Member's attainment of age sixty-five (65);

(ii) the tenth (10th) anniversary of the year in which the Member began participation in the Plan; or

(iii) the Member's Termination of Employment.

7.10 Limit on Distribution from Salary Reduction Contribution Accounts QNEC Accounts and Silver King Employee Contribution Accounts.

(a) Notwithstanding anything else herein and without expanding the rights with regard to distributions otherwise set forth herein, no distribution shall be made from a

Participant's Salary Reduction Contribution Account, QNEC Account or Silver King Employee Contribution Account prior to:

(i) Separation from service, death or Disability of the Member;

(ii) Termination of the Plan without establishment or maintenance of another defined contribution plan (other than an employer stock ownership plan as defined in Code Section 4975(e)(7));

(iii) The disposition by the Employer of substantially all of the assets (within the meaning of Code Section 409(d)(2)) used by the Employer in a trade or business of the Employer, but only with respect to an Employee who continues employment with the corporation acquiring the assets;

(iv) The disposition by an Employer of its interest in a subsidiary (within the meaning of Code Section 409(d)(3)), but only with respect to an Employee who continues employment with such subsidiary;

(v) The attainment of age fifty-nine and one-half (59-1/2) by the Participant; or

(vi) In the case of the Salary Reduction Contribution Account and Silver King Employee Contribution Account, a Participant experiencing a Hardship, as defined in Section 7.11 below.

(b) With regard to subparts (ii), (iii) and (iv) of paragraph (a) above, any distribution made by reason of one of such events must be a lump sum distribution (as defined in Code Section 402(e)(4) without regard to clauses (i), (ii), (iii) and (iv) of subparagraph (A), subparagraph (B) or subparagraph (H) thereof). With regard to subparts (ii) and (iii) of paragraph (a) above, such event shall be deemed covered by such subpart only if the Employer continues to maintain the Plan after the disposition. The foregoing limitations on distributions are intended to comply with the requirements of Code Section 401(k)(2)(B) and shall therefore be interpreted in accordance with such Code Section and the regulations thereunder.

7.11 In-Service Distributions for Hardship. (a) In the event of Hardship (as hereinafter defined), a Participant shall have the right to withdraw, up to the amount of the Hardship, all or a part of his or her Salary Reduction Contribution Account and Silver King Employee Contribution Account (but not in excess of the actual contributions on his or her behalf to such Accounts), upon such prior written notice to the Committee as the Committee may require in accordance with its rules and regulations.

(b) For the purposes of this Section 7.11, a Participant shall experience a "Hardship" if, and only if, such Participant experiences an immediate and heavy financial need (as defined in (c) below) and the withdrawal is necessary to satisfy the financial need of the Participant (as defined in (d) below).

(c) A Participant will be deemed to experience an immediate and heavy financial need if, and only if, he or she needs the withdrawal for one of the following reasons:

(i) to pay for expenses for medical care described in Code Section 213(d) previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant, or necessary for these persons to obtain medical care described in Code Section 213(d);

(ii) to pay costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

(iii) to pay tuition and related educational fees, including room and board expenses, for the next twelve (12) months of post-secondary education for the Participant, or the Participant's Spouse, children or dependents;

(iv) to pay amounts necessary to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage of that residence; or

(v) such other financial needs as may be specifically promulgated by the Internal Revenue Service.

(d) A withdrawal will be deemed necessary to satisfy the financial need of a Participant if, and only if:

(i) The withdrawal is not in excess of the amount of the immediate and heavy financial need of the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution.

(ii) The Participant has obtained all distributions, other than Hardship distributions, and all nontaxable loans currently available under all plans maintained by the Employer.

(e) In the event the Participant makes a withdrawal pursuant to this Section 7.11, then:

(i) The Participant shall be suspended from making Salary Reduction Contributions pursuant to Section 4.1 hereof pre-tax elective or after-tax voluntary contributions to any other qualified or nonqualified plan maintained by the Employer (which shall be deemed to include all qualified and nonqualified plans of deferred compensation, other than the mandatory employee contribution portion of a defined benefit plan, stock option, stock purchase or similar plan, but shall not include health or welfare benefit plans) for twelve (12) months following the withdrawal; and

(ii) In the taxable year following the withdrawal, the Participant's Salary Reduction Contributions under this Plan and any other permitted pre-tax elective contribution to any other plan maintained by the Employer may not be greater than the excess of the applicable limit under Code Section 402(g) for such next taxable year less the amount of such Participant's Salary Reduction Contributions hereunder and any other permitted pre-tax elective contributions to any other plan maintained by the Employer for the taxable year of the Hardship distribution.

(f) No withdrawal shall be for less than two hundred dollars ($200). Only one withdrawal may be made in any twelve (12) consecutive month period. All withdrawals shall be on the basis of the Value of the Participant's Salary Reduction Contribution Account and Silver King Employee Contribution Account on the Valuation Date that is at least thirty (30) days after the request for withdrawal is made. The Committee may establish rules and regulations, which do not discriminate in favor of officers, stockholders and Highly Compensated Employees, as to procedures, forms and required notice periods for withdrawal requests.

7.12 Distribution of Rollover Contributions. A Participant shall, at any time, have the right to withdraw any or all amounts in his or her Employee Rollover Account and Silver King Rollover Account, upon such prior written notice, as prescribed by the Committee, to the Committee.

7.13 In-Service Distributions On or After Age 59-1/2. (a) A Participant shall have the right to receive in-service distributions from the vested portion of his or her Account on or after his or her attainment of age fifty-nine and one-half (59-1/2), upon such prior written notice, as prescribed by the Committee, to the Committee.

(b) Any in-service distribution by a Silver King Participant from any portion of his or her Silver King Account shall require the consent (obtained in accordance with the provisions of Section 7.7 hereof and Exhibit A) of the Silver King Participant's Spouse.

7.14 Loans to Participants. (a) Upon application of any Participant employed by the Employer or any person covered by paragraph (e) below (a "Borrower") to the Committee,

the Committee shall direct the Trustee to make a loan or loans to such Borrower from the Loan Available Account (as defined in paragraph (f) below) of the Borrower. The minimum amount of any loan shall be five hundred dollars ($500). All such loans shall (i) be adequately secured, (ii) bear interest at the prevailing commercial rate determined by the Committee based on a review of prevailing commercial rates in the Employer's geographical region, (iii) be subject to such charges as imposed by the Committee in accordance with a uniform nondiscriminatory policy and (iv) be repaid within a specified period not longer than five (5) years in substantially level amortized payments by means of payroll deduction (not less frequently than quarterly), provided that such period may exceed five (5) years (but may not exceed fifteen (15) years, if the loan is used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the Participant; and further provided that all loans made to Participants while actively employed by the Employer shall become immediately due and payable within ninety (90) days following Termination of Employment unless paragraph (e) of this Section 7.14 is applicable. Loan repayments will be suspended under this Plan as permitted under Section 414(u)(4) of the Code. Any loan shall be subject to such additional acceleration provisions as shall be determined by the Committee to be commercially reasonable. In no event shall the total of any such loan or loans to any Borrower from the Plan and any Section 401(a) Plan required to be aggregated with this Plan pursuant to Code Section 72(p) exceed the least of (i) $50,000, less the excess (if any) of (A) the highest amount of loans outstanding within the twelve (12) month period ending on the day prior to the date the loan is made over (B) the outstanding balance of loans outstanding on the date the loan is made, or (ii) fifty percent (50%) of the vested Account of the Borrower under the Plan. Only two (2) loans (including any loan outstanding pursuant to paragraph (j) hereof) to a Participant

may be outstanding simultaneously; provided, however, that one (1) of the two (2) loans must be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the Participant and that one (1) of the two (2) loans must be used as a general purpose loan. Notwithstanding the foregoing, a loan shall not be deemed outstanding if all or a portion of it is to be used (determined at the time the loan is made) to repay an existing loan under the Plan to such same Participant.

(b) As security for such loan or loans, the Borrower shall pledge the portion of his or her Loan Available Account represented by the loan and earnings thereon. Loans to Participants shall be repaid through salary deductions made on a level basis during each applicable pay period. In the event that the Borrower does not repay any loan or the interest thereon within the time and upon the schedules set forth in the promissory note representing the loan, the Committee shall deduct the total amount of the loan outstanding, and any interest and other charges then due and owing, from any payment or distribution from the Borrower's Loan Available Account securing the loan to which such Borrower may be entitled under the terms of the Plan. If under the terms of the Plan, payment or distribution is not then permitted, the Borrower will have a deemed distribution for tax purposes, but the loan will remain outstanding and the Committee shall deduct the total amount of the loan outstanding, and any interest and other charges then due and owing, from the portion of the Borrower's Loan Available Account securing the loan as soon as a distribution or withdrawal is then permitted at law from such portion of the Loan Available Account (without regard to limitations in the Plan that are narrower than required by the Code) Any loan hereunder shall be considered an investment of the Participant's Loan Available Account and Participants may elect the Investment Fund or Investment Funds from which such loan shall be made. In the event no such election is made,

any such loan shall reduce the investment of the Participant in each respective Investment Fund, on a proportionate basis. When a loan is repaid, the repayment shall be invested in the manner and same proportion that the Participant had previously elected for his Account and which is currently in effect pursuant to Article 4.

(c) In the event any loan remains outstanding at the time a distribution (other than an additional loan) is otherwise scheduled to occur and such distribution would reduce the prescribed security for, or otherwise violate limitations with regard to the loan, then the amount of the distribution will be reduced by all or a portion of the outstanding loans to prevent such reduction.

(d) A loan may be prepaid in full or part at any time, but any prepayment shall be applied to the last payments due on the loan.

(e) Any "party in interest" as defined in ERISA Section 3(14) who is a Terminated Participant or Retired Participant with an Account balance under the Plan shall have the right to receive a loan from the Plan.

(f) Loan Available Account is defined for purposes of this Section 7.14 as the Participant's Silver King Employee Contribution Account, if any, and then the Salary Reduction Contribution Account.

(g) No loan shall be made in the event that the interest rate required to be charged pursuant to (a)(ii) of this Section 7.14 would violate any applicable usury law.

(h) The Committee shall administer this Section 7.14 pursuant to the foregoing and such additional rules and regulations as it shall promulgate in accordance with Code Section 72(p) and Department of Labor Regulation Section 2550.408b-1.

(i) Any loan to a Silver King Participant who is married as of the date of the loan and all or part of whose Silver King Account will be held as security for a loan hereunder shall require the consent (obtained in accordance with the provisions of Section 7.7 and Exhibit A hereof within ninety (90) days prior to the date of the loan) of the Member's Spouse to (i) the making of such loan and (ii) any potential reduction of the benefits payable to or with respect to such Member in the event of nonpayment of such loan. Such consent of a Member's Spouse shall be required in the event of any renegotiation, extension, renewal or other revisions of a loan to a Member.

(j) Notwithstanding the foregoing, a Silver King Participant who immediately prior to becoming a Member had a loan (or loans) outstanding under the Silver King Plan shall be entitled to keep such loan (or loans) outstanding under the Plan until the loan (or loans) is repaid pursuant to the terms of the Silver King Plan as in effect on January 1, 1998, to the extent such terms are applicable. Notwithstanding the foregoing, repayment of principal and interest on a loan made under the terms of the Silver King Plan shall be credited to the applicable Silver King Account established for such Silver King Participant.

7.15 Unclaimed Payments. In the event that all, or any portion, of the distribution payable to a Member or his or her Beneficiary hereunder shall, at the expiration of five (5) years after it shall become payable, remain unpaid solely by reason of the inability of the Plan Administrator, after sending a registered letter, return receipt requested, to the last known

address, and after requesting the cooperation of the Social Security Administration to ascertain the whereabouts of such Member or his or her Beneficiary, the amount so distributable shall be deposited into a suspense account.

In the event a Member or Beneficiary is located subsequent to his or her benefit being forfeited, such benefit shall be restored by the Employer.

7.16 Rollover Provisions. (a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. The Committee shall have the authority to set minimums and maximums with respect to Eligible Rollover Distributions and adopt other guidelines and administrative procedures that are necessary or desirable to administer the direct rollover rules under this Section.

(b) An "Eligible Rollover Distribution" is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee or the Distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Company Stock).

(c) An "Eligible Retirement Plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Dis tribution. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

(d) A "Distributee" includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse.

(e) A "Direct Rollover" is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE VIII

VOTING AND OTHER RIGHTS

8.1 Voting of Company Stock. Each Member (or, in the event of the Member's death, the Member's Beneficiary) shall be entitled to instruct the Trustee as to the manner in which the Company Stock held in the Company Stock Fund attributable to the Member's Account shall be voted on each matter brought before an annual or special stockholders' meeting of the Company. Before each such meeting of stockholders, the Company shall cause to be furnished to each Member (or, in the event of the Member's death, the Member's Beneficiary) a copy of all proxy solicitation material, together with a form requesting confidential instructions to be given to the Trustee on how the Company Stock attributable to the Member's Account shall be voted on each such matter. Upon timely receipt of such instructions, the Trustee shall on each such matter vote such Company Stock as instructed. The instructions received by the Trustee from Members (or Beneficiaries, as the case may be) shall be held by the Trustee in confidence and shall not be divulged or released to any person, including officers or employees of the Company or any Affiliate. Where no such voting instructions have been received by the Trustee, the Trustee shall vote such Company Stock as to which timely instructions were not received by the Trustee in the same proportion as it votes shares of Company Stock as to which timely instructions were received by the Trustee in accordance with ERISA.

8.2 Tender and Exchange Offers on Company Stock. (a) Each Member (or, in the event of the Member's death, the Member's Beneficiary) shall have the right, based upon the Company Stock held in the Company Stock Fund attributable to the Member's Account, to direct

the Trustee in writing as to the manner in which to respond to a tender or exchange offer for such Company Stock and the Trustee shall tender or not tender such Company Stock for each Member's Account based upon such instructions. The Company shall utilize its best efforts to timely distribute or cause to be distributed to each Member (or Beneficiary, as the case may be) such identical written information (if any) as will be distributed to stockholders of the Company in connection with any such tender or exchange offer and a tender or exchange offer instruction form for return to the Trustee or its designee.

(b) The form described in (a) above shall show the number of full shares of Company Stock attributable to the Member's Account (whether or not vested) and shall provide a means for him or her or her to (i) instruct the Trustee whether or not to tender such shares and (ii) specify the Investment Fund under the Plan in which the proceeds of any sale shall be invested in the event such shares are sold pursuant to the tender offer. Such form shall also advise each Member with an investment in the Company Stock Fund that, in the event the Trustee is not provided with tender or exchange instructions, the Trustee shall not tender or exchange shares of Company Stock as to which timely instructions were not received by the Trustee. Such form shall further advise that, in the event a Member's Company Stock is sold and the Member has not specified the Investment Fund in which the proceeds shall be invested, such proceeds shall be invested in a guaranteed interest account or a money market fund, until a further investment election is made by the Member pursuant to the Plan. Except for the foregoing, the Company shall not provide to the Member any information or guidance not provided to all stockholders. Upon receipt of such instructions, the Trustee shall tender or not tender (or withdraw from tender) or exchange such Company Stock in accordance with such instructions, and the Trustee shall not to tender or exchange any such shares of Company Stock

as to which timely instructions were not received by the Trustee. Except as may be required by law, instruction forms received from the Member shall be retained by the Trustee and shall not be provided to the Company or to any officer or employee thereof or to any other person.

8.3 Procedures of the Company With Respect to Voting and Tender Instructions. In implementing the foregoing procedures, the Company will act fairly, in the best interests of each Member, and in a manner which will not impose undue pressure on any Member as to what tender or exchange offer instructions he or she or she should give to the Trustee. The giving of an instruction to the Trustee to tender or exchange Company Stock shall not be deemed to constitute withdrawal or suspension from the Plan or forfeiture of any portion of a Member's interest in the Plan. Accounts shall be adjusted appropriately to reflect the Trustee's execution of their instructions, or if no instructions were received, no adjustment shall be made to the extent the Trustee does not tender or exchange any such shares of Company Stock as to which timely instructions were not received by the Trustee. Proceeds resulting from the sale of any Company Stock shall be invested in the Investment Fund specified by the Member in his or her or her instructions to the Trustee and, in the absence of such instructions, such proceeds shall be invested in the money market fund, until a further investment election is made by the Member pursuant to the Plan.

8.4 Member Deemed Named Fiduciary. Notwithstanding anything in the Plan to the contrary, each Member is, for purposes of this Section, hereby designated a "named fiduciary", within the meaning of Section 402(a)(1) of ERISA, with regard to his or her Account.

8.5 Confidentiality. It is intended that the Company Stock Fund is administered and operated in accordance with Section 404(c) of ERISA and the regulations

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thereunder. For such purposes, the Trustee shall be the identified fiduciary and shall be responsible for, without limitation, the implementation and monitoring of confidentiality procedures.

ARTICLE IX

PAYMENT OF BENEFITS

9.1 Payments for Incompetent Persons. If the Committee shall find that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness or accident, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the Spouse, child, grandchild, parent, brother or sister of such person, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment. Any such payment shall be a complete discharge of any liability under the Plan therefor.

9.2 Spendthrift. No benefit payable at any time under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, attachment or encumbrance of any kind. No benefit and no fund established in connection with the Plan shall in any manner be subject to the debts or liabilities of any person entitled to such benefit. This Section 9.2 shall also apply to the creation, assignment or recognition of a right to any benefit payable with respect to a Member pursuant to a domestic relations order, unless such order is determined to be a "qualified domestic relations order," as defined in Section 414(p) of the Code, or any domestic relations order entered before January 1, 1985. The procedures with regard to "qualified domestic relations orders" are annexed hereto as Exhibit C. Notwithstanding anything herein to the contrary, the provisions of this Section 9.2 shall not apply to any offset of a Participant's benefits provided under the Plan against an amount that the Participant is ordered or required to pay to the Plan under any of the circumstances set forth in Section 401(a)(13)(C) of the Code and Sections 206(d)(4) and 206(d)(5) of ERISA.

ARTICLE X

ADMINISTRATION OF THE PLAN

10.1 Plan Administrator. The general administration of the Plan on behalf of the Plan Administrator shall be placed in a Committee of not less than two (2) members. The members of the Committee shall be appointed by the Board or a duly appointed committee thereof and each such member shall serve at the pleasure of such Board.

10.2 Appointment to and Resignation From the Committee. Any person appointed to be a member of the Committee shall signify his or her acceptance in writing to the Board which appointed him or her. Any member of the Committee may resign by delivering his or her written resignation to the Board which appointed him or her. Such resignation shall become effective upon delivery or at any later date specified therein.

10.3 Reimbursement of Expenses of Committee. The Plan shall pay or reimburse the members of the Committee for all reasonable expenses incurred unless the Employer shall pay or reimburse the members of the Committee for such expenses.

10.4 Action by Majority of the Committee. A majority of the members of the Committee at the time in office may do any act which the Plan authorizes or requires the Committee to do, and the action of such majority of the members expressed from time to time by a vote at a meeting, or in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all the members.

10.5 Internal Structure of Committee. The members of the Committee shall elect from their number a Chairman and shall appoint a Secretary, who need not be a member of

the Committee. The Committee may appoint such subcommittees with such powers as it shall determine and may authorize one or more members of the Committee or any agent to execute or deliver any instrument or make any payment in its behalf.

10.6 Powers of the Committee. Subject to the limitations of the Plan, the Committee may make such rules and regulations as it deems necessary or proper for the adminis tration of the Plan and the transaction of business thereunder; may interpret the Plan; may decide on questions as to the eligibility of any person to receive benefits and the amount of such benefits; may authorize the payment of benefits in such manner and at such times as it may determine; may prescribe forms or telephonic or electronic means to be used for making various elections under the Plan, for designating beneficiaries or for changing or revoking such designations, for applying for benefits and for any other purposes of the Plan, which prescribed forms in all cases must be executed and filed with the Committee (unless the Committee shall otherwise determine) and may take such other action or make such determinations in accordance with the Plan as it deems appropriate. To the extent that the form or method prescribed by the Committee to be used in the operation and administration of the Plan does not conflict with the terms and provisions of the Plan, such form shall be evidence of (i) the Committee's interpretation, construction and administration of this Plan and (ii) decisions or rules made by the Committee pursuant to the authority granted to the Committee under the Plan.

10.7 Actions of the Committee to be Uniform; Regular Personnel Policies to be Followed. Any discretionary actions to be taken under this Plan by the Committee with respect to the classification of the Employees, contributions, or benefits shall be uniform in their nature and applicable to all Employees similarly situated. With respect to service with the Employer,

leaves of absence and other similar matters, the Committee shall administer the Plan in accordance with the Employer's regular personnel policies at the time in effect.

10.8 Decisions of Committee are Binding. The decisions of the Committee with respect to any matter it is empowered to act on shall be made in the Committee's sole discretion and shall be final, conclusive and binding on all persons, based on the Plan documents. In carrying out its functions under the Plan, the Committee shall endeavor to act by general rules so as to administer the Plan in a uniform and nondiscriminatory manner as to all persons similarly situated.

10.9 Spouse's Consent. In addition to when such consent is expressly required by the terms of this Plan, the Committee may in its sole discretion also require the written consent of the Employee's Spouse to any other election or revocation of election made under this Plan before such election or revocation shall be effective.

10.10 Delegation of Authority. The Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution filed with and accepted by the Board of Directors. Any such delegation shall not be effective until it is accepted by the Board and the persons designated and may be rescinded at any time by written notice from the Committee to the person to whom the delegation is made.

10.11 Multiple Fiduciary Capacities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

10.12 Retention of Professional Assistance. The Committee may employ such legal counsel, accountants, actuaries and other persons as may be required in carrying out the provisions of the Plan.

10.13 Reliance on Various Documents. The members of the Committee and the Employer and its officers, trustees and directors shall be entitled to rely upon all tables, valu ations, certificates and reports furnished by the Plan actuary, upon all certificates and reports made by any accountant selected by the Committee, and upon all opinions given by any legal counsel selected by the Committee. The members of the Committee and the Employer and its officers, trustees and directors shall be fully protected in respect of any action taken or suffered by them in good faith in reliance upon any such actuary, accountant or counsel, and all action so taken or suffered shall be conclusive upon all parties.

10.14 Accounts and Records. The Committee shall maintain such accounts and records regarding the fiscal and other transactions of the Plan and such other data as may be required to carry out its functions under the Plan and to comply with all applicable laws. The Committee shall report annually to the Board on the financial condition and administrative operation of the Plan for the preceding year.

10.15 Compliance with Applicable Law. The Company shall be deemed the Plan Administrator for the purposes of any applicable law and shall be responsible for the preparation and filing of any required returns, reports, statements or other filings with appropriate governmental agencies. The Company shall also be responsible for the preparation and delivery of information to persons entitled to such information under any applicable law.

10.16 Liability. The functions of the Committee, the Board, and the Employer under the Plan are fiduciary in nature and each shall be carried out solely in the interest of the Participants and other persons entitled to benefits under the Plan for the exclusive purpose of providing the benefits under the Plan (and for the defraying of reasonable expenses of administering the Plan). The Committee, the Board, and the Employer shall carry out their respective functions in accordance with the terms of the Plan with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. No member of the Committee and no officer, director, to employee of the Employer shall be liable for any action or inaction with respect to his or her functions under the Plan unless such action or inaction is adjudicated to be a breach of the fiduciary standard of conduct set forth above. Further, no member of the Committee shall be personally liable merely by virtue of any instrument executed by him or her or on his or her behalf as a member of the Committee.

10.17 Indemnification. The Company shall indemnify to the full extent permitted by law and the Company's Certificate of Incorporation and by-laws, and to the extent not covered by insurance, its officers and directors (and any employee involved in carrying out the functions of the Company under the Plan) and each member of the Committee against any expenses, including amounts paid in settlement of a liability, which are reasonably incurred in connection with any legal action to which such person is a party by reason of his or her duties or responsibilities with respect to the Plan except with regard to any matters as to which he or she shall be adjudged in such action to be liable for gross negligence or willful misconduct in the performance of his or her duty as a fiduciary. Any indemnification by the Employer shall be at the Employer's expense and shall not be deemed an expense of the Plan.

10.18 Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Solely to the extent required under Section 16(b) of the Exchange Act, all elections and transactions under the Plan by persons subject to Section 16 of the Exchange Act involving shares of Company Stock are intended to comply with all exemptive conditions under Rule 16b-3 promulgated under the Exchange Act. The Committee may establish and adopt written administrative guidelines designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan.

10.19 Claims Procedure. If an Employee, Member or Beneficiary ("Claimant") is denied benefits under the Plan, the Committee shall notify the Claimant in writing of the denial of the claim within ninety (90) days after the claim has been made provided that in the event of special circumstances such period may be extended to one hundred eighty (180) days. In such event the Claimant shall be notified in writing of such extension. Such notice shall set forth:

(a) the specific reason or reasons for the denial;

(b) specific reference to pertinent plan provisions on which the denial is based;

(c) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) appropriate information as to the steps to be taken if the Claimant wishes to submit his or her claim for review.

Any request for review of a claim must be made in writing to the Committee within sixty (60) days after receipt of the Committee's notice. The claim will then be reviewed by the full Committee. A Claimant or his or her duly authorized representative may:

(a) review pertinent documents; and

(b) submit issues and comments in writing.

If the Committee deems it appropriate, it may hold a hearing as to a claim. If a hearing is held, the Claimant shall be entitled to be represented by counsel. The decision of the Committee shall be made within sixty (60) days after receipt of the request unless special circumstances (such as the need to hold a hearing) require an extension of time; in any event such decision shall be rendered not later than one hundred twenty (120) days after receipt of the request for review. Written notice of any special circumstance requiring an extension shall be sent to the Claimant. If the decision on review is not sent to the Claimant within the appropriate time, it shall be deemed denied on review. All interpretations, determinations and decisions of the Committee with respect to any claim shall be made by the Committee in its sole discretion based on the Plan and documents presented to it and shall be final, conclusive and binding.

ARTICLE XI

FUNDING OF PLAN

11.1 Media of Funding. A Trustee has been appointed to hold the assets of the Trust Fund. The Plan shall be funded through one or more funds and invested in stocks, securities, bonds, mortgages, insurance or annuity contracts, real estate or any other legal investment; provided that all such investments shall be the property of the Trustee.

11.2 Trust Fund to be for the Exclusive Benefit of Members. The contributions of the Employer to the Trust Fund shall be for the exclusive benefit of Members, and no part of the assets of such Trust Fund shall revert to the Employer.

11.3 Interests of Members in Trust Fund. No Member shall have any right, title, or interest in any part of the assets of any Trust Fund except as and to the extent expressly provided in the Plan.

11.4 Payment Instructions from Committee. The Trustee shall make payments from the Trust Fund upon the receipt of written instructions from the Committee to the person or persons designated by the Committee as entitled under the terms of the Plan to such payment. Any payment instructions from the Committee to the Trustee shall warrant that such payment is being made either to a person entitled to benefits or payments under the Plan or to pay the expenses of the Plan.

11.5 Investment and Control of Trust Fund. The investment of the assets comprising the Trust Fund shall be the responsibility of the Trustee, subject to, and except as otherwise provided by the terms and provisions of Section 4.10 hereof and of the Trust

Agreement (including any provision for appointment of an investment manager, as defined in Section 3(38) of ERISA, for all or any portion of the Trust Fund). The Company shall have no responsibility with respect to control and management of the Trust Fund except to the extent expressly provided in the Trust Agreement.

ARTICLE XII

AMENDMENT OF THE PLAN

12.1 Company May Amend Plan. Subject to the provisions of this Article XII, the Company by action of the Board (or a duly authorized committee thereof), in accordance with the by-laws of the Company, reserves the right at any time, and from time to time, to modify and amend any or all of the provisions of the Plan.

12.2 Retroactive Amendments. Except as otherwise provided herein, no modification or amendment may be made which shall have any retroactive effect so as to deprive any Member or other person of any vested benefits under the Plan. A modification or amendment may retroactively reduce benefits if expressly permitted by any applicable law or if such modification or amendment is necessary to bring the Plan into conformity with the requirements of Section 401(a) of the Code or other applicable provisions of the Code.

12.3 Amendment Affecting Vesting Provisions. No amendment shall reduce the extent to which a Participant would be vested in his or her retirement income if the Participant's employment were to terminate as of the date of the amendment and no amendment which modifies the method or criteria used to determine to what extent a Participant would be vested in his or her retirement income if his or her employment were to terminate and no amendment which modifies the method or criteria used to determine to what extent a Participant would be vested shall become effective with respect to a Participant with at least three (3) years in a Period of Service for vesting purposes unless the Participant is permitted to elect to have the extent of his or her vesting determined without regard to such amendment. The Committee shall offer the election referred to in the preceding sentence no later than sixty (60) days after the latest

of the adoption of the amendment, the amendment's effective date, or the date the Participant is notified of the amendment.

12.4 No Diversion of Fund. No modification or amendment of the Plan shall cause or permit any part of the assets comprising the Fund to be diverted to purposes other than for the exclusive benefit of Members and others entitled to benefits under the Plan or for the payment of expenses of the Plan.

12.5 Reversion to Employer. No modification or amendment shall cause or permit any part of the assets comprising the Fund to revert to or become the property of the Employer prior to the satisfaction of all liabilities under the Plan to Members and others entitled to benefits hereunder. Following the satisfaction of all liabilities under the Plan to Participants and others entitled to benefits hereunder and payment of Plan expenses, any remaining assets shall be distributed to the Employer to the extent, and only to the extent, permitted under the Code.

12.6 Mergers, Consolidations and Transfers. The Plan shall not be merged or consolidated, in whole or in part, with any other plan, nor shall any assets or liabilities of the Plan be transferred to any other plan unless the benefit that would be payable to any affected Member under such plan if it terminated immediately after the merger, consolidation or transfer, is equal to or greater than the benefit that would be payable to the affected Member under this Plan if it had terminated immediately before the merger, consolidation or transfer.

ARTICLE XIII

TERMINATION OF THE PLAN

13.1 Right to Terminate. The Company (on behalf of itself and Member Companies) by action of its Board (or a duly authorized committee thereof), on behalf of the Company and the Employer, shall have the right in accordance with the by-laws of the Company, anything herein to the contrary notwithstanding, to terminate, or completely discontinue contributions under, the Plan at any time.

13.2 Termination of Plan. In the event that the Plan is terminated for any reason, or contributions are completely discontinued, the rights of all Members to benefits accrued under the Plan as of the date of such termination, to the extent then funded, shall be nonforfeitable; and the assets of the Plan shall be allocated by the Committee. After providing for the expenses of the Plan, the assets remaining in the Trust shall in the discretion of the Committee be either continued in the Trust until paid out in accordance with the provisions of the Plan or distributed to the Members and Beneficiaries (unless the Plan is continued by a successor to the Employer), with any remaining assets to be distributed to the Employer.

13.3 Partial Termination. The Plan may be partially terminated by the Employer, or by operation of law, with respect to a group of Members without causing the termination of the Plan as a whole. In the event of such a partial termination, the Accounts of the Members involved in the partial termination shall, to the extent then funded, be fully vested and nonforfeitable.

ARTICLE XIV

PROVISIONS RELATING TO TOP-HEAVY PLAN

14.1 Applicability. The provisions of this Article XIV shall apply to any Plan Year if, as of the applicable Determination Date, the Plan constitutes a Top-Heavy Plan.

14.2 Definitions. The definitions apply to this Article XIV and unless otherwise specifically stated in another section hereof do not apply to any other section of this Plan.

(a) Determination Date. With respect to each Plan Year, the Determination Date shall be the final day of the immediately preceding Plan Year; provided, however, that with regard to the Plan's initial Plan Year the "Determination Date" shall be the last day of the first Plan Year.

(b) Key Employee. "Key Employee" shall mean any Employee who, at any time during the Plan Year as of which a determination is made or any of the four (4) preceding Plan Years, is (in accordance with Code Section 416(i) and the regulations promulgated thereunder):

(i) an officer of an Employer or any Affiliate whose annual compensation during any such Plan Year exceeds fifty percent (50%) of the maximum dollar limitation under Code Section 415(b)(1)(A) as in effect for the calendar year of the Determination Date, provided that no more than fifty (50) employees (or, if lesser, the greater of three (3) or ten (10) percent of the employees) shall be treated as officers;

(ii) one of the ten (10) Employees of the Employer or any Affiliate owning or considered as owning (within the meaning of Section 318 of the Code) the largest interests in the Employer or such Affiliate, excluding, however, any Employee who earns less than the maximum dollar limitation under Section 415(c)(1)(A)

as in effect for the calendar year of the Determination Date, provided that for the purposes of this paragraph (b), if two (2) Employees have the same interest in the Employer or an Affiliate, the Employee whose annual compensation from the Employer or such Affiliate is greater shall be treated as having the greater interest;

(iii) an Employee who owns (or is considered as owning within the meaning of Section 318 of the Code) more than five percent (5%) of the outstanding stock of the Employer or stock possessing more than five percent (5%) of the total combined voting power of all stock of the Employer; or

(iv) an Employee who (i) owns (or is considered as owning within the meaning of Section 318 of the Code) more than one percent (1%) of the outstanding stock of the Employer or more than one percent (1%) of the total combined voting power of all stock of the Employer and (ii) who receives annual compensation from the Employer or any Affiliate in excess of one hundred fifty thousand dollars ($150,000).

(v) for the purpose of applying Section 318 of the Code under paragraphs (b), (c) and (d) of this subsection (b), the phrase "50 percent" in Section 318(a)(2) of the Code shall be replaced by the phrase "5 percent."

(c) Aggregated Plans. "Aggregated Plans" shall mean all plans of the Employer or any Affiliate (1) that are qualified under Code Section 401(a) and (b) in which a Key Employee is a participant, and (2) all other plans of the Employer or any Affiliate that enable any plan described in clause (1) above to meet the requirements of Code Section 401(a)(4) or 410 (the "Required Aggregation Group"). The Required Aggregation Group shall include each plan which satisfies the requirements of the preceding sentence, whether or not any such plan is terminated. In addition, the term "Aggregated Plans" shall include any plan of the Employer or any Affiliate which is not required to be included in the Required Aggregation Group, provided that the resulting group, taken as a whole, continues to meet the requirements of Code Sections 401(a)(4) and 410 (the "Permissive Aggregation Group"). The Committee may elect to exclude as an Aggregated Plan any plan in the Permissive Aggregation Group that is a

collectively bargained plan, if the necessary information as to participants and benefits with respect to such plan is not available.

(d) Top-Heavy Plan. The Plan shall constitute a "Top-Heavy Plan" for any Plan Year if, as of the applicable Determination Date, the sum of (a) the accounts of Key Employees under any Aggregate Plan that is of a defined contribution type and (b) the present value of the cumulative accrued benefits of Key Employees under any Aggregate Plan that is of a defined benefit type exceeds sixty percent (60%) of the sum of (a) the accounts of all Employees under any Aggregate Plan that is of a defined contribution type and (b) the present value of the cumulative accrued benefits of all Employees under any Aggregate Plan that is of a defined benefit type. The above determinations shall be made in accordance with Code Section 416(g).

(e) Super Top-Heavy Plan. The Plan shall constitute a "Super Top-Heavy Plan" for any Plan Year if, as of the Applicable Determination Date, the sum of (a) the accounts of Key Employees under any Aggregate Plan that is of a defined contribution type and (b) the present value of the cumulative accrued benefits of Key Employees under any Aggregate Plan that is of a defined benefit type exceeds ninety percent (90%) of the sum of (a) the accounts of all Employees under any Aggregate Plan that is of a defined contribution type and (b) the present value of the cumulative accrued benefits of all Employees under any Aggregate Plan that is of a defined benefit type. The above determinations shall be made in accordance with Code Sections 416(g) and 416(h)(2)(B).

(f) Rules for Determining Accrued Benefits and Accounts. In determining the present value of accrued benefits for Aggregated Plans of the defined benefit

variety and accounts for Aggregated Plans of the defined contribution variety, the following rules shall prevail:

(i) The accrued benefit for each current Employee shall be computed as if the Employee voluntarily terminated service as of the Determination Date.

(ii) The interest rate to be used shall be the interest rate in the defined benefit plan maintained by the Company, if any, and post-retirement mortality shall be determined based on the mortality table used by such defined benefit plan for post-retirement mortality assumptions. There shall be no assumption as to pre-retirement mortality or future increases in cost of living.

(iii) If a qualified joint and survivor annuity within the meaning of Code Section 401(a)(11) is the normal form of benefit, for purposes of determining the present value of the accrued benefit, the Spouse of the Member shall be assumed to be the same age as the Member.

(iv) The present value shall reflect a benefit payable commencing at Normal Retirement Age (or attained age, if later), provided that if the Plan provides for a nonproportional subsidy, the benefit shall be assumed to commence at the age at which the benefit is most valuable.

(v) The Matching Contribution Account, Profit Sharing Contribution Account, QNEC Account and Silver King Employer Contribution Account shall be determined as of the most recent valuation occurring within the twelve (12) month period ending on the Determination Date.

(vi) An adjustment shall be made for any contributions due as of the Determination Date. Such adjustment shall be the amount of any contributions actually made after the valuation date but before the Determination Date, except that for the first Plan Year such adjustment shall also reflect the amount of any contributions made after the Determination Date that are allocated as of a date in the first Plan Year.

(vii) The accrued benefit or account balance with respect to any Employee shall be increased by the aggregate distributions made to such Employee from any Aggregated Plan during the five (5) year period ending on the Determination Date; provided, however, that any distribution made after a valuation date but prior to the Determination Date shall not be counted as a distribution to the extent already included as of the valuation date.

(viii) Any Employee contributions, whether voluntary or mandatory, shall be included. However, amounts attributable to tax deductible qualified employee contributions shall not be considered to be a part of the account.

(ix) With respect to unrelated rollovers and plan-to-plan transfers (ones which are both initiated by the Employee and made from a plan maintained by one employer to a plan maintained by another employer), if this Plan provides for rollovers or plan-to-plan transfers, it shall always consider such rollovers or plan-to-plan transfers as a distribution for the purpose of this Article XIV. If this Plan is the plan accepting such rollovers or plan-to-plan transfers, it shall not consider such rollovers or plan-to-plan transfers as part of the account.

(x) With respect to related rollovers and plan-to-plan transfers (ones either not initiated by the Employee or made to a plan maintained by the same employer), if this Plan provides the rollover or plan-to-plan transfer, it shall not be counted as a distribution for purposes of this Article XIV. If this Plan is the plan accepting such rollover or plan-to-plan transfer, it shall consider such rollover or plan-to-plan transfer as part of the Employee's account, irrespective of the date on which such rollover or plan-to-plan transfer is accepted.

(xi) For purposes of determining whether the employer is the same employer under (i) and (j) an Employer and all Affiliates shall be treated as the same employer.

(xii) For purposes of this Article XIV, a Beneficiary of any deceased Employee shall be considered a Participant hereunder.

(xiii) Notwithstanding anything herein to the contrary, no individual shall be counted as an Employee or Participant for the purposes of this Article XIV if such individual has not performed services for the Employer or an Affiliate at any time during the five (5) year period ending on a Determination Date.

(g) Top-Heavy Plan Year. "Top-Heavy Plan Year" shall mean a Plan Year in which a one year Period of Service is accrued by the Top-Heavy Participant provided that no Plan Year shall be classified as a Top-Heavy Plan Year if in such Plan Year the Plan was not a Top-Heavy Plan.

(h) Top-Heavy Participant. "Top-Heavy Participant" shall mean each Participant and any Employee who is excluded from being a Participant (or who accrued no benefit) because his or her compensation was less than a stated amount or any Employee who is

excluded from being a Participant because of a failure to make mandatory employee contributions.

(i) Testing Period. "Testing Period" shall mean, with respect to a Top-Heavy Participant, the five (5) consecutive Top-Heavy Plan Years of employment of such Top-Heavy Participant by the Employer or any Affiliate during which the aggregate Top-Heavy Compensation paid by the Employer or any Affiliate to such Top-Heavy Participant was the highest, or if the Plan was a Top-Heavy Plan for less than five (5) Top-Heavy Plan Years, the number of Top-Heavy Plan Years. Exclusion of a Plan Year as a Top-Heavy Plan Year because a one year Period of Service was not accrued or because of subparagraph (h) above shall not be deemed to break the consecutiveness of the surrounding Top-Heavy Plan Years.

(j) Top-Heavy Compensation. "Top-Heavy Compensation" shall mean compensation as defined in Treasury Regulation Section 1.415-2(d).

14.3 Minimum Contribution. (a) Subject to paragraphs (c) and (d) below, for each Plan Year during which the Plan constitutes a Top-Heavy Plan, any Employer contributions made under the Plan shall be allocated to assure that each Top-Heavy Participant, other than a Key Employee, who is employed on the last day of the Plan Year (and without regard to whether such Participant was credited with a one year Period of Service for such Plan Year) is credited with a benefit for such Plan Year under the Plan and any other defined contribution plan of the Employer no less than the lesser of (i) three percent (3%) of such Top-Heavy Participant's Top-Heavy Compensation for such Plan Year, or (ii) if the greatest percentage of Top-Heavy Compensation contributed by the Employer on behalf of a Key Employee during such Plan Year is less than three percent (3%), the greatest percentage of such Top-Heavy Participant's Top-

Heavy Compensation contributed for a Key Employee. In determining the benefit credited to any Participant during any Plan Year, all Employer contributions made hereof shall be included.

(b) The minimum contribution referred to in (a) above (except with regard to Key Employees) shall not include any Employee contributions, nor amounts treated as Employer contributions pursuant to a salary reduction arrangement permitted by Code Section 401(k), except for purposes of determining the greatest percentage of Top-Heavy Compensation allocated on behalf of Key Employees.

(c) If the Top-Heavy Participant (other than a Key Employee) is also a participant in a qualified defined benefit plan or any other defined contribution plan of the Employer, the additional contribution due under (a) above shall be reduced by the actuarial equivalent of the benefits derived by the Top-Heavy Participant under such defined benefit plan calculated on the basis of the actuarial assumptions of the Plan, or by the amount of the contributions under the defined contribution plan.

(d) If the Top-Heavy Participant (other than a Key Employee) is also a participant in a qualified defined benefit plan or any other defined contribution plan that constitutes a Top-Heavy Plan, no minimum contribution under this Section 14.3 shall be required, unless otherwise required by Treasury Regulation Section 1.416-1.

14.4 Section 415 Adjustments. In the event the Plan is a Top-Heavy Plan for any Plan Year, each Top-Heavy Participant shall be credited for such Plan Year with a benefit not less than the lesser of four percent (4%) or the amount tdetermined under the Section

14.3(a)(ii) hereof; provided, however, if the Plan is a Super Top-Heavy Plan for such Plan Year, 1.0 shall be substituted for 1.25 in applying Code Section 415(e).

ARTICLE XV

MISCELLANEOUS

15.1 Rights of Employees. Nothing herein contained shall be deemed to give any Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge such Employee at any time, nor shall it be deemed to give the Employer the right to require the Employee to remain in its service, nor shall it interfere with the Employee's right to terminate his or her service at any time.

15.2 Deductibility. All contributions under the Plan are expressly conditioned upon the deductibility of such contributions under Section 404 of the Code and to the extent the deduction is disallowed, shall be returned to the Employer within one year after the disallowance of the deduction. A contribution which is not deductible in the current taxable year of the Employer but may be deducted in the taxable years of the Employer subsequent to the year in respect of which it is made, shall not be considered to be disallowed.

15.3 Mistake in Fact. In the case of a contribution which is made by the Employer under mistake of fact, such contribution may be returned to the Employer within one year after the payment of the contribution.

15.4 Plan Qualification. Contributions to the Plan are conditioned on the initial qualification of the Plan under Section 401(a) and 401(k) of the Code, and if the Plan is found not to so qualify, contributions made in respect of any period subsequent to the effective date of the disqualification shall be returned to the contributor within one (1) year after the denial of such qualification.

15.5 Headings. The headings of the Plan are inserted for convenience of reference only and shall have no effect upon the meaning of the provisions hereof.

15.6 Use of Words. Whenever used in this instrument, a masculine pronoun shall be deemed to include the masculine and feminine gender, and a singular word shall be deemed to include the singular and plural, in all cases where the context so requires.

15.7 Applicability of State Law. If any determination is to be made with respect to the Plan under applicable state law, the laws of the State of Florida shall apply.

15.8 Adjustments for Changes in Capital Structure. The existence of this Plan shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger, consolidation or separation, including a spin-off, or other distribution of stock or property of the Company or Affiliates, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Company Stock, the authorization or issuance of additional shares of Common Stock, the dissolution or liquidation of the Company or Affiliates, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. In the event of any change in the capital structure or business of the Company by reason of any stock dividend or extraordinary dividend, stock split or reverse stock split, recapitalization, reorganization, merger, consolidation, spin-off or exchange of shares, distribution with respect to its outstanding Company Stock or capital stock other than Company Stock, reclassification of its capital stock, any sale or transfer of all or part of the Company's assets or business, or any similar change affecting the Company's capital structure or business and the Committee determines an adjustment is appropriate under this Plan, then the aggregate number and kind of shares which thereafter may be issued under this Plan, the number and kind of shares or other property (including cash) held under this Plan shall be appropriately adjusted consistent with such change in such manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Members under this Plan or as otherwise necessary to reflect the change, and any such adjustment determined by the Committee in good faith shall be binding and conclusive on the Company and all Members, Beneficiaries and employees and their respective heirs, executors, administrators, successors and assigns.

ARTICLE XVI

ADOPTION OF PLAN BY AFFILIATE

16.1 Purpose of Article. The purpose of this Article is to describe the terms and conditions under which an Affiliate may adopt, and become a Member Company under, the Plan and Trust for the benefit of its eligible employees.

16.2 Execution of Adoption Agreement. Any Affiliate may, with the written consent of the Board of Directors of the Company, become a Member Company under the Plan and Trust by adopting the Plan as a Member Company by resolution of its board of directors (or a duly authorized committee thereof) or by executing an Adoption Agreement under which:

(a) The Member Company shall agree to be bound by all the provisions of the Plan and Trust in the manner set forth herein and any amendments thereto.

(b) The Member Company shall agree to pay its share of the contributions to, and expenses of, the Plan and Trust as they may be determined from time to time in the manner specified herein.

(c) The Member Company shall agree to provide the Company, Committee and Trustee with full, complete, and timely information on all matters necessary to them in the operation of the Plan and Trust.

16.3 Participation in the Plan. (a) In the event of the adoption of the Plan and Trust by an Affiliate, the Affiliate shall become a Member Company and all the terms and conditions of the Plan and Trust as set forth hereunder shall apply to the participation under the

Plan of such Affiliate and its employees in the manner as set forth herein for a Member Company and its employees; notwithstanding the above, the following rights are specifically reserved to the Company:

(i) The right to designate a Member Company as set forth herein;

(ii) The right to appoint the members of the Committee, as set forth herein, is specifically reserved to the Company so long as the Company participates under the Plan; provided that a Member Company may appoint an advisory committee of such composition and size as it may determine to advise the Committee on any matters affecting such Member Company or its employees who are Participants under the Plan. The Committee shall be entitled to rely upon any information furnished it by the Member Company or its employees who are Participants under the Plan. The Committee shall be entitled to rely upon any information furnished it by the Member Company appointing such advisory committee, but in no event shall the existence of such advisory committee modify or otherwise limit any of the powers or duties of the Committee under the Plan;

(iii) The right to direct, appoint, remove, approve the accounts of, or otherwise deal with the Trustee, as set forth herein, is specifically reserved to the Company so long as the Company participates under the Plan;

(iv) The right to amend the Plan and Trust, as set forth herein, is specifically reserved to the Company so long as the Company participates under the Plan; and any such amendment, unless otherwise specified herein, shall be fully binding with respect to such participation by any Member Company; provided that this reservation shall in no event be construed to prevent any Member Company from terminating at any time, in the manner set forth herein, its participation as a Member Company under the Plan.

(b) In the operation of the Plan with respect to a Member Company, the term "Effective Date" shall mean such date specified in such Member Company's Adoption Agreement.

(c) A Member Company may specify in such Member Company's Adoption Agreement or resolutions the applicable provisions for recognition of Years of Service

or Periods of Service, as applicable, for such Member Company for eligibility, vesting and benefit purposes.

16.4 Termination by a Member Company. Any Member Company may by action of its board of directors (or a duly authorized committee thereof) in accordance with the by-laws of such Member Company, at any time elect to terminate its participation under the Plan in the manner set forth herein, or any Member Company may elect at any time by appropriate amendment or action affecting only its own status hereunder to disassociate itself from this Plan and Trust but to continue the Plan and the portion of the Trust as it pertains to itself and its employees as an entity separate and distinct from this Plan and Trust. Termination of the participation of any Member Company, or disassociation, shall not affect the participation in the Plan of any other Member Company nor terminate the Plan or Trust with respect to them and their employees; provided that, if the Company shall terminate its participation in the Plan, or disassociate itself, then each remaining Member Company shall make such arrangements and take such action as may be necessary to assume the duties of the Company in providing for the operation and continued administration of the Plan and Trust as the same pertains to the Member Company.

16.5 Member Company Plan Expenses. Each Member Company shall be liable for and shall pay at least annually to the Company its fair share of the expenses of operating the Plan and Trust, including its share of any Trustee's fees. The amount of such charges to each Member Company shall be determined by the Committee in its sole discretion; provided that, except with respect to charges incurred solely on account of a particular Member Company, a Member Company shall not be charged for a greater portion of any expenses of Plan operation

than the ratio that the number of Members who are or were its employees bears to the total of all Members nor for a greater proportion of any Trustee's fees than the ratio that the portion of the Trust Fund pertaining to Members who are or were its Employees bears to the total Trust Fund.

EXHIBIT A

SPECIAL RULES REGARDING SILVER KING ACCOUNTS

The following provisions apply solely to the Silver King Account and are subject to, without limitation, Sections 7.1, 7.3, 7.5, 7.6, 7.7, 7.8, 7.9 and 7.10 of the Plan.

1.1 Forms of Distribution.

(a) Except with regard to the automatic cash-out provision under Section 7.8 of the Plan, the normal form of benefit with respect to the Member's Silver King Account under the Plan (A) for an unmarried Silver King Participant, shall be a life annuity, payable for the life of the Silver King Participant, and (B) for a Silver King Participant who is married on the Benefit Starting Date, shall be a Joint and Survivor Annuity described in Section 1.2 below. A Silver King Participant shall receive his or her normal form of benefit with respect to his or her Silver King Account, unless he or she elects an optional form of benefit described in Section 1.1(b).

(b) In lieu of receiving the normal form of benefit referred to in Section 1.1(a) above, a Silver King Participant may elect, subject to waiver and spousal consent requirements described herein, to receive his or her benefits with respect to his or her Silver King Account in one of the following optional forms:

(i) a cash lump sum; or

(ii) a Silver King Participant may direct the Trustee to purchase, with the Silver King Participant's Silver King Account balance, an annuity from an insurance company, of such type offered under the Silver King Plan, providing monthly payments over the Silver King Participant's lifetime or life expectancy, with or without a period certain and with or without payments to the Silver King Participant's Spouse or

Beneficiary over the Spouse's or Beneficiary's lifetime after the Silver King Participant's death.

(c) Any election by a Silver King Participant may be revoked prior to his or her Benefit Starting Date.

1.2 Joint and Survivor Annuity.

(a) The Joint and Survivor Annuity benefit is the actuarial equivalent of a life annuity benefit payable to a Silver King Participant based on the Value of the Silver King Participant's Silver King Account. Such Joint and Survivor Annuity shall be payable to the Silver King Participant during his or her lifetime after his or her Benefit Starting Date with fifty percent (50%) of such reduced benefit continued to the Silver King Participant's Spouse for the duration of the Spouse's lifetime after the death of the Silver King Participant. No payments will be made after the death of both the Silver King Participant and his or her Spouse.

(b) The Committee shall, no less than thirty (30) days and no more than ninety (90) days prior to the Benefit Starting Date, provide each married Silver King Participant a written explanation of: (i) the terms and conditions of the Joint and Survivor Annuity; (ii) the Silver King Participant's rights to make and the effect of an election to waive the Joint and Survivor Annuity form of benefit; (iii) the rights of the Silver King Participant's Spouse; and (iv) the right to revoke (and the effect of) a previous election to waive the Joint and Survivor Annuity.

(c) The retirement benefit payable to a Silver King Participant described in Sections 1.1(a) and 1.1(b)(ii) is the amount purchasable by the funds in the Silver King Participant's Silver King Account as of the Valuation Date immediately prior to the

commencement of benefits. In determining the annuity contract to purchase, the Committee shall have no obligation to obtain the most favorable rate available or for the financial stability of the insurance company issuing the policy. Once such policy is issued, the Silver King Participant shall look solely to the insurance company issuing such annuity for payment of his or her benefits.

1.3 Whenever the terms of this Exhibit A require that the consent of a Silver King Participant's Spouse be obtained, such consent shall be valid only if given in accordance with Section 7.7 of the Plan.

1.4 Death of a Silver King Participant.

(a) Death Prior to Commencement of Benefits. If a Silver King Participant shall die prior to his or her Benefit Starting Date, the Silver King Participant's Silver King Account shall be distributed to such Silver King Participant's Spouse (or other Beneficiary designated with the consent of his or her Spouse (if any) in accordance with Section 7.7 of the Plan) as follows:

(i) Married Participants. If such Silver King Participant is married at the time of his or her death, the Silver King Participant's Silver King Account balance shall be applied to provide monthly benefits for the life of the Silver King Participant's surviving Spouse commencing in one hundred percent (100%) annuity form, subject to Section 7.6 of the Plan, at any time the Spouse elects after the death of the Silver King Participant. Notwithstanding the foregoing, each Silver King Participant's surviving Spouse may elect to receive the Silver King Account balance that is payable to him or her in a form permitted under Section 1.1(b) instead of a one hundred percent (100%) annuity form.

(ii) Unmarried Participants. If such Silver King Participant is not married at the time of his or her death, the Silver King Participant's Silver King Account balance shall be distributed to the Beneficiary or Beneficiaries of the Silver King Participant in a cash lump sum in such proportion as designated by the Silver King

Participant soon as administratively feasible after the Beneficiary's election to receive a distribution, but no later than the last day of the year following the year of the Silver King Participant's death. Each such Beneficiary may elect to receive the portion of such Silver King Participant's Silver King Account Balance that is payable to him or her in a form permitted under Section 1.1(b) instead of a cash lump sum.

(iii) The foregoing Section 1.3(a)(i) shall not apply if the Silver King Participant had, prior to his or her death, with the consent (obtained in accordance with the provisions of Sections 7.7 of the Plan and Section 1.3(e) hereof) of his or her Spouse at the time of his or her death, designated another Beneficiary to receive that portion of his or her Account that would otherwise be payable to his or her Spouse. In such event, the Silver King Participant's Silver King Account balance shall be distributed to such Beneficiary in accordance with paragraph (ii) above.

(b) Death After Commencement of Benefits. In the event that a Silver King Participant dies on or after his or her Benefit Starting Date, his or her surviving Spouse or other Beneficiary (designated with the consent of his or her Spouse (if any) in accordance with Section 7.7 of the Plan) shall receive such benefits, if any, as are provided pursuant to the form of benefit being received by the Silver King Participant with respect to his or her Silver King Account at the time of his or her death, provided that the portion of the remaining payment shall be paid in a lump sum on the last day of the calendar year following the year of the Silver King Participant's death (or at any time earlier elected by the Beneficiary), unless the Silver King Participant has elected to receive an annuity in which case the benefits shall be paid in accordance with Section 1.3(a)(i) hereof.

(c) Annuity. If a Silver King Participant or Beneficiary receiving an annuity dies, death benefits, if any, shall be paid in accordance with the terms of the annuity.

(d) Death Before Payment. If a Spouse entitled to receive benefits hereunder as a result of the previous death of the Silver King Participant dies prior to commencement of such benefit or purchase of the annuity if benefits are to be paid as such, the

value of the Silver King Account allocable to the Spouse or other Beneficiary shall be paid to the estate of such Spouse or other Beneficiary.

(e) Rules Relating to Designation of Beneficiaries. Notwithstanding anything else herein, the following rules apply to a married Silver King Participant with respect to his Silver King Account. No married Silver King Participant may elect a nonspousal Beneficiary for his or her death benefit payable to his or her Spouse pursuant to (a) above prior to the beginning of the Plan Year in which the Participant attains age thirty-five (35), except that a Participant who incurs a Termination of Employment prior to such Plan Year may elect a Beneficiary other than his or her Spouse at any time after his or her Termination of Employment. In the event such terminated Participant later returns to employment and again becomes a Participant in the Plan, such election made prior to the Plan Year in which he or she attains age thirty-five (35) shall only apply to nonforfeitable amounts accrued at the time of the original election (and earnings thereon). A Beneficiary other than the Spouse may not be elected with regard to the Silver King Participant's Silver King Account until the first day of the Plan Year in which the Participant attains age thirty-five (35). Notwithstanding the foregoing, a Silver King Participant may elect a Beneficiary other than his or her Spouse with respect to his Silver King Account prior to the beginning of the Plan Year in which the Silver King Participant attains age thirty-five (35), provided that such election shall become invalid as of the first day of the Plan Year in which the Participant attains age thirty-five (35). Unless any election made hereunder specifies a secondary Beneficiary, if the designated Beneficiary predeceases the Participant, the election shall be null and void and a new election shall be required to be made in order to elect a Beneficiary other than a Silver King Participant's Spouse. If a Silver King Participant's Spouse

at the time of his or her death is not the same as the Spouse who consented to an election of a nonspousal Beneficiary, such consent shall be null and void.

(f) An election of a nonspousal Beneficiary is revocable by the Silver King Participant at any time before his or her death, without the consent of his or her Spouse.

1.5 Silver King Employees Who Attained Age 70-1/2 Prior to January 1, 1997. Notwithstanding any other provision to the contrary, a Silver King Participant who attained age 70-1/2 before January 1, 1997 and commenced distributions pursuant to Code Section 401(a)(9) on a date on or before January 1, 1997, but who remained employed by the Employer after such date, may make an affirmative election, pursuant to Section 7.3(c), to cease receiving distributions, provided such election complies with either (a), (b) or (c) below.

(a) A Silver King Participant may elect, pursuant to Section 7.3(c), to cease receiving such distributions, and no spousal consent shall be required when distributions recommence to the Silver King Participant if:

(i) payments recommence to the Silver King Participant in the same distribution form and with the same Beneficiary as in effect prior to the cessation of payments to the Silver King Participant;

(ii) the individual who was the Silver King Participant's Spouse on the Benefit Starting Date prior to the cessation of distributions executed a general consent within the meaning of Treasury Regulation Section 1.401(a)-20, A-31; or

(iii) the individual who was the Silver King Participant's Spouse on the Benefit Starting Date executed a specific consent to waive a Joint and Survivor Annuity within the meaning of Treasury Regulation Section 1.401(a)-20, A-31, and the Silver King Participant is not married to that individual when distributions recommence.

(b) A Silver King Participant may elect, pursuant to Section 7.3(c), to cease receiving such distributions, provided that the consent of the individual who was the Silver King Participant's Spouse on the Benefit Starting Date is required prior to recommencement of distributions if the Silver King Participant elects to recommence benefits either in a different form than the form in which his or her benefits were being distributed prior to the cessation of distributions or with a different Beneficiary and if:

(i) the original form was a Joint and Survivor Annuity, or

(ii) the individual who was the Silver King Participant's Spouse on the Benefit Starting Date originally executed a specific consent to waive a Joint and Survivor Annuity and the Silver King Participant is still married to that individual when distributions recommence.

(c) A Silver King Participant may elect, pursuant to Section 7.3(c), to cease receiving distributions, and no spousal consent is required for the Silver King Participant to make such an election unless such distributions are being paid in the form of a Joint and Survivor Annuity. Where such distributions are being paid in the form of a Joint and Survivor Annuity, the individual who was the Silver King Participant's Spouse on the original Benefit Starting Date must consent to the Silver King Participant's election to cease receiving distributions and the Spouse's consent must acknowledge the effect of the election. A new Benefit Starting Date shall exist for the Silver King Participant upon his or her recommencement of distributions. If the Silver King Participant shall die prior to his new Benefit Starting Date, his or her benefits under the Plan shall be distributed pursuant to Section 1.4 of this Exhibit A.

EXHIBIT B

SPECIAL RULES REGARDING COMPANY STOCK
UNDER THE FORMER EMPLOYEE STOCK OWNERSHIP
COMPONENT OF THE PLAN

With respect to Company Stock held by the employee stock ownership component of the Plan prior to January 1, 1998, the provisions in effect under the Home Shopping Network, Inc. Retirement Savings and Employee Stock Ownership Plan, adopted on October 19, 1990 and as subsequently amended, is hereby incorporated by reference, including, without limitation, the provisions relating to the diversification election under Code Section 401(a)(28)(B), the right to demand Company Stock under Code Section 409(h), and, to the extent that the Company Stock is not readily tradable on an established market, the right of first refusal and put option requirements.

EXHIBIT C

PROCEDURES REGARDING QUALIFIED DOMESTIC RELATIONS ORDERS

Section 1. General

The Plan shall pay benefits to the person or persons named in a Qualified Domestic Relations Order, as defined in Section 2 below, in the amount and to the extent provided in such order. Payment of benefits pursuant to a Qualified Domestic Relations Order shall not be considered a violation of the prohibition against assignment and alienation contained in Section 9.2 of the Plan.

Section 2 Qualified Domestic Relations Orders

In order to constitute a Qualified Domestic Relations Order, the order must meet all of the following requirements:

(a) The order must create or recognize the existence of the right of an Alternate Payee, as defined in Section 8, to, or must assign to an Alternate Payee the right to, receive all or a portion of the benefits payable under the Plan with respect to a Member.

(b) The order must constitute a judgment, decree or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments or property rights to a Spouse, former Spouse, child or other dependent of a Member, made pursuant to a state domestic relations law (including a community property law).

(c) The order must specify the following information:

(1) the name and last known mailing address (if any) of the Member and the name and mailing address of each Alternate Payee covered by the order,

(2) the amount or percentage of the Member's benefits to be paid by the Plan to each Alternate Payee, or the manner in which such amount or percentage shall be determined,

(3) the number of payments or periods to which such order applies, and

(4) the name of each Plan to which the order applies.

(d) The order must not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the terms of this Plan, nor require the Plan to provide increased benefits (determined on the basis of actuarial value) nor require the payment of benefits to an Alternate Payee which are required to be paid to an Alternate Payee under a previous Qualified Domestic Relations Order. Notwithstanding the foregoing, the order may require the payment of benefits to an Alternate Payee while the Member is still employed; provided, however, payments are not required to be made before the earlier of (i) the date on which the Member is entitled to a distribution under the Plan or (ii) the later of age 50 or the earliest date on which the Member would begin receiving benefits under the Plan if he or she separated from service. Payments may be required in

any form in which such benefits may be paid under the Plan to the Member, except in the form of a joint and survivor annuity with respect to the Alternate Payee and his or her or her subsequent Spouse.

Section 3. Payments During Member's Employment

In the event the Qualified Domestic Relations Order requires payments to be made to the Alternate Payee while the Member is employed, payments shall be computed as if the Member had retired on the date on which payments under the order are to begin.

Section 4. Procedures

Upon receipt of any domestic relations order by the Plan, the Committee shall take the following steps:

(a) The Committee shall promptly notify the Member and any Alternate Payee named in such order of the receipt of a domestic relations order and the Plan's procedures for determining whether such order is a Qualified Domestic Relations Order, as defined in Section 2 above. The notice to the Alternate Payee shall include a statement that he or she is entitled to designate a representative for receipt of copies of any notices that are sent to the Alternate Payee with respect to a domestic relations order. The notice shall be sent to the Member and Alternate Payee at the address specified in the order, or if none is specified, at the address of the Member or Alternate Payee last known to the Committee.

(b) Within a reasonable period of time after receipt of such order, the Committee shall determine whether such order is a Qualified Domestic Relations Order, in accordance with the provisions of Section 2 above, and notify the Member and each Alternate Payee of such determination. In making its determination, the Committee may seek the advice of legal counsel as to whether the order meets the requirements of Section 2 hereof and may, but shall not be required to, invite written or oral arguments by the Member and the Alternate Payee or their representatives.

(c) Pending the Committee's determination of whether a domestic relations order is a Qualified Domestic Relations Order, the Committee shall instruct the Trustee to segregate in a separate account the amounts which would be payable to the Alternate Payee during such period if the order is a Qualified Domestic Relations Order. If within 18 months from the date on which the first payment would be required to be made under the Qualified Domestic Relations Order, it is determined that the Order is a Qualified Domestic Relations Order, the Plan shall pay the segregated amounts, including any interest thereon, to the person or persons entitled thereto pursuant to the terms of the Qualified Domestic Relations Order. If it is determined that an order is not a Qualified Domestic Relations Order or the issue as to whether an order is a Qualified Domestic Relations Order is not resolved within the aforesaid 18 month period, the Plan shall pay the segregated amounts to the person or persons entitled to such amounts in the absence of the order. If it is subsequently determined that

an order is a Qualified Domestic Relations Order, the Plan shall pay benefits subsequent to the determination in accordance with the order. If action is taken in accordance with this subparagraph, the Plan's obligation to the Member and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the Qualified Domestic Relations Order.

Section 5. Relationship to Other Plan Provisions

To the extent provided in the Qualified Domestic Relations Order, the Plan shall treat the former Spouse of a Member as the Spouse of the Member for purposes of the Plan to the extent, and only to the extent, a Spouse has rights pursuant to Sections 205 of ERISA and Sections 401(a)(11) and 417 of the Code and any Spouse of the Member shall not be treated as a Spouse of the Member for such purposes.

Section 6. Beneficiary Status

Each Alternate Payee shall be treated as a Beneficiary under the Plan, with all the rights accorded to other Beneficiaries under the terms hereof and as otherwise provided by law. Section 7. Definition

"Alternate Payee" means the Member's Spouse, former Spouse, child or other dependent of the Member who is recognized as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to that Member.

EXHIBIT D

HSN, INC. RETIREMENT SAVINGS PLAN

ADOPTION AGREEMENT OF

WHEREAS, _____ (hereinafter referred to as the "Employer") is desirous of adopting the HSN, inc. Retirement Savings Plan and its related trust (hereinafter referred to as the "Plan" and "Trust");

WHEREAS, it is appropriate that the Employer acknowledge its adoption of the Plan and Trust;

NOW, THEREFORE, subject to the conditions set forth below, the Employer agrees to be bound by each and all of the provisions of the Plan and Trust.

The Employer hereby agrees that the following shall apply, but not by way of limitation, with respect to its participation under the Plan:

A. All the terms and conditions of the Plan and Trust shall apply to the participation under the Plan of the Employer and its employees in the manner set forth therein.

B. The Employer shall provide the Committee and Trustees under the Plan with full, complete, and timely information on all matters necessary to them in the operation of the Plan and Trust.

C. The Employer may at any time elect to terminate its participation under the Plan in the manner set forth therein, or the Employer may elect at any time by appropriate

amendment or action affecting only its own status thereunder to disassociate itself from the Plan and Trust but to continue the Plan and the portion of the Trust as it pertains to itself and its employees as an entity separate and distinct from this Plan and Trust.

D. The Employer shall be liable for and shall pay at least annually its fair share of the expenses of operating the Plan and Trust, including its share of any Trustee's fees, pursuant to Article XVI of the Plan.

HSN, inc. hereby consents to the above.

IN WITNESS WHEREOF, this Adoption Agreement has been executed this day of 199 .

(EMPLOYER)

By:

Title:

HSN, inc.

By:

Title:

Exhibit 10.59

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AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

USANi LLC

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AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT
OF
USANi LLC

This Amended and Restated Limited Liability Company Agreement (this "Agreement") of USANi LLC (the "Company"), dated and effective as of February 12, 1998, is entered into among USA Networks, Inc., a Delaware corporation (formerly known as HSN, Inc., "HSNi"), Home Shopping Network, Inc., a Delaware corporation and direct subsidiary of HSNi ("Home Shopping"), Universal Studios, Inc., a Delaware corporation ("Universal"), on behalf of USA Networks Partner, Inc., a Delaware corporation ("Universal Sub"), and certain of its newly formed and wholly owned subsidiaries listed on Schedule A to this Agreement, and Liberty Media Corporation, a Delaware corporation ("Liberty"), on behalf of Liberty HSN LLC Holdings, Inc., a Delaware corporation ("Liberty Sub") and certain of its newly formed and wholly owned subsidiaries listed on Schedule A to this Agreement, as members (the "Members"), and Mr. Barry Diller ("Mr. Diller") (for purposes of Sections 4.12 and 5.1 of this Agreement).

WHEREAS, Universal, HSNi, Home Shopping and Liberty have entered into an Investment Agreement, dated as of October 19, 1997, as amended and restated as of December 18, 1997, pursuant to which HSNi, Home Shopping, Universal and Liberty agreed to form a limited liability company to own and operate USA Networks, an unincorporated joint venture (the "Partnership"), and the domestic production and distribution business of Universal ("UTV") and substantially all of the non-broadcast-related assets of HSNi (the "Investment Agreement");

WHEREAS, the Investment Agreement contemplates the formation of a limited liability company which is referred to therein as the "LLC";

WHEREAS, on January 26, 1998, HSNi formed the LLC and entered into a limited liability company agreement relating to the LLC; and

WHEREAS, this Agreement amends and restates in its entirety such limited liability company agreement;

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby form a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del.C. ss.18-101, et seq.), as amended from time to time (the "Delaware Act"), as provided herein, and hereby agree as follows:

ARTICLE I

DEFINED TERMS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Article I shall, for the purposes of this Agreement, have the meanings herein specified.

"Acquired Partnership Interest" shall have the meaning set forth in the Investment Agreement.

"Additional Shares" shall mean any Share that is acquired after the Initial Capital Contributions.

"Adjusted Capital Account Deficit" shall mean, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts which such Member is deemed to be obligated to restore pursuant to the penultimate sentence of either of Treasury Regulation ss.ss.1.704-2(g)(1) or 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Treasury Regulation ss.ss.1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulation ss.1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Taxable Income" shall mean LLC Taxable Income; provided, however, that if the HSNi Group has a net taxable loss for federal income tax purposes for a taxable year, LLC Taxable Income shall be reduced (but not below zero) by an amount equal to the net tax loss of the HSNi Group for federal income tax purposes for such year divided by one minus the Ratio; provided, however, that if such net tax loss of the HSNi Group exceeds the Loss Limit, then any net tax loss in excess of the Loss Limit shall be taken into account in determining the HSNi Group's taxable income for purposes of this provision for the subsequent years and, provided, further, that if the HSNi Group has net taxable income for federal income tax purposes for the year (taking into account any prior year net loss in excess of the Loss Limit), for this purpose LLC Taxable Income shall be increased by the product of (a) any net income of the HSNi Group for the year and (b) a fraction, the numerator of which is one and the denominator of which is one minus the Ratio (such net income to be taken into account only to the extent prior year net losses were previously taken into account in calculation of Adjusted Taxable Income hereunder and not previously offset by inclusions of prior year net income of the HSNi Group).

"Affiliate" shall mean, with respect to any Person, any direct or indirect subsidiary of such Person, any other Person that directly or through one or more intermediaries, is controlled by, or is under common control with, the specified Person, and, if such a Person is an individual, any member of the immediate family (including parents, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any person who is controlled by any such member or trust. As used in this definition, the term "control" (including with correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies, whether through ownership of securities or partnership or other ownership interests, by contract or otherwise. Notwithstanding the foregoing, for purposes of this Agreement (i) HSNi and its Subsidiaries (including the Company) shall not be deemed to be Affiliates of Universal, Diller and Liberty, (ii) Universal and its Subsidiaries shall not be deemed to be

Affiliates of HSNi, Diller and Liberty, (iii) Liberty and its Subsidiaries shall not be deemed to be Affiliates of HSNi, Diller, Universal, (iv) Matsushita Electric Industrial Co., Ltd. ("MEI") shall not be deemed to be an Affiliate of Universal or any Subsidiary of Universal so long as MEI does not materially increase its influence over Universal following the date hereof, and (v) natural persons shall not be deemed to be Affiliates other than of an individual.

"Agreement" shall have the meaning set forth in the recitals hereof.

"Assign" and "Assignment" shall have the meanings set forth in Section 13.1 hereof.

"Capital Account" shall mean, with respect to any Member and any Share, the account maintained for such Member and such Share in accordance with the provisions of Section 6.3 hereof.

"Capital Contribution" shall mean, with respect to any Member and any Share, the aggregate amount of cash and the initial Gross Asset Value of any property (other than cash) contributed to the Company pursuant to Section 6.1 hereof with respect to such Share, net of any liabilities of such Member that are assumed by the Company in connection with such contribution or that are secured by property so contributed, and shall include the Initial Capital Contribution and any Subsequent Capital Contribution.

"CEO" shall mean the Chief Executive Officer of HSNi or any successor entity.

"Certificate" shall mean the Certificate of Formation of the Company and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Delaware Act.

"Class A Share," "Class B Share" and "Class C Share" shall have the respective meanings set forth in Section 4.4 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any corresponding United States federal tax statute enacted after the date of this Agreement. A reference to a specific section (ss.) of the Code refers not only to such specific section but also to any corresponding provision of any United States federal tax statute enacted after the date of this Agreement, as such specific section or corresponding provision is in effect on the date of application of the provisions of this Agreement containing such reference.

"Company" shall have the meaning set forth in the preamble hereto.

"Company Board" shall have the meaning set forth in Section 5.2 hereof.

"Company CEO" shall have the meaning set forth in Section 5.1 hereof.

"Company Minimum Gain" shall mean "partnership minimum gain" of the Company within the meaning of Treasury Regulation ss.1.704-2(b)(2) and shall be computed in accordance with Treasury Regulation ss.1.704-2(d).

"Covered Person" shall mean any Officer or director of the Company or its Affiliates (but shall not include an officer, director or employee of HSNi, Home Shopping, Universal, or Liberty or their respective Affiliates who is not an Officer of the Company or its Affiliates).

"Delaware Act" shall have the meaning set forth in the preamble hereof.

"Depreciation" shall mean, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other period; provided, however, that, if the Gross Asset Value of an asset differs from its adjusted basis for United States federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the United States federal income tax depreciation, amortization or other cost recovery deduction with respect to such asset for such Fiscal Year or other period bears to such beginning adjusted tax basis; and provided, further, that if the United States federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or other period is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Members; and provided, further, that with respect to any goodwill that is not amortizable under the Code (including with respect to the Owned Partnership Interest), there shall be no Depreciation.

"Distributions" shall mean distributions of cash or other property made by the Company with respect to the Class A Shares, Class B Shares or the Class C Shares. Distributions shall not mean payments of cash or other property to holders of Shares for reasons other than their ownership of such Shares.

"Economic Percentage Interest," with respect to any Member, shall mean the number of Class A Shares, Class B Shares and/or Class C Shares owned by such Member divided by the sum of the total number of Shares in the Company (expressed as a percentage of one hundred percent rounded to the nearest one-thousandth of percent).

"Economic Risk of Loss" shall have the meaning set forth in Treasury Regulation ss.1.752-2.

"Excess Cash" shall mean cash held by an entity (including from the proceeds of borrowings) on the last business day of each month which is reasonably determined by such entity not to be needed by such entity to fund its operations or repay indebtedness owed by such entity during the immediately succeeding month.

"Fiscal Year" shall mean (a) the period commencing upon the date of this Agreement and ending on December 31, 1998, (b) any subsequent twelve-month period commencing on January 1 and ending on December 31, (c) any other twelve-month period required by the Code or the Treasury Regulations to be used as the taxable year of the

Company or (d) any portion of the periods described in clauses (a), (b) or (c) of this sentence for which the Company is required to allocate Profits, Losses and other items of Company income, gain, loss or deduction pursuant to Article VII hereof.

"Foreign Ownership Restriction" means any applicable restrictions of a Governmental Authority on foreign ownership or foreign control of the Company or the Shares, the breach of which, or non-compliance with which, could result in the loss, or failure to secure the renewal or reinstatement, of any license or franchise of any Governmental Authority held by the Company or any of its Subsidiaries to conduct any portion of the business of the Company or such Subsidiary.

"GAAP" means generally accepted accounting principles in the United States.

"Governance Agreement" means that certain Governance Agreement, dated as of October 19, 1997, among Universal, HSNi, Mr. Diller and Liberty, which sets forth certain terms and conditions concerning Universal's, Mr. Diller's and Liberty's relationships with HSNi and certain matters relating to the securities of HSNi.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Asset Value" means, with respect to any asset, such asset's adjusted basis for United States federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by mutual agreement of the Members;

(b) the Gross Asset Value of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by mutual agreement of the Members, as of the following times: (i) immediately prior to the acquisition of an additional Share in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) immediately prior to the distribution by the Company to a Member of more than a de minimis amount of Company assets in redemption of a Share in the Company; and (iii) the liquidation of the Company within the meaning of Treasury Regulation ss.1.704-1(b)(2)(ii)(g); and

(c) the Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution, as determined by mutual agreement of the Members.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraph (a) or paragraph (b) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

"Home Shopping" shall have the meaning set forth in the preamble hereof.

"HSNi" shall have the meaning set forth in the preamble hereof.

"HSNi Board" means the Board of Directors of HSNi.

"HSNi Board Vacancy" shall have the meaning set forth in Section 5.2(b) hereof.

"HSNi Designees" shall have the meaning set forth in Section 5.2(b) hereof.

"HSNi Group" means the "affiliated group" (within the meaning of Section 1504(a) of the Code) of which HSNi is the common parent (including any continuation of such group under the rules of Section 1.1502-75(d) of the Treasury Regulations).

"HSNi Members" shall mean HSNi and its Affiliates (including Home Shopping) who may be Members of the Company.

"Initial Capital Contributions" shall have the meaning set forth in Section 6.1 hereof.

"Initial Liberty Contribution" shall have the meaning set forth in Section 6.1 hereof.

"Interest Rate" shall have the meaning set forth in the Investment Agreement.

"Investment Agreement" shall have the meaning set forth in the recitals hereof.

"LLC Taxable Income" shall mean the taxable income of the Company, determined in accordance with Section 703(a) of the Code (but including, for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code).

"Liberty" shall have the meaning set forth in the preamble hereof.

"Liberty Designees" shall have the meaning set forth in Section 5.2(b) hereof.

"Liberty Members" shall mean Liberty and its Affiliates who may be Members of the Company.

"Loss Limit" shall mean LLC Taxable Income multiplied by one minus the Ratio.

"Manager" shall have the meaning set forth in Section 5.1 hereof.

"Member" shall mean any Person named as a member of the Company in the preamble hereof and on Schedule A hereto and includes any Person who acquires a Share pursuant to the provisions of this Agreement. For purposes of the Delaware Act, the Members shall constitute three (3) classes or groups of members.

"Member Minimum Gain" means an amount, with respect to each Member Nonrecourse Liability, determined in accordance with Treasury Regulation ss.1.704-2(i)(3).

"Member Nonrecourse Deductions" shall mean "partner nonrecourse deductions" within the meaning of Treasury Regulation ss.ss.1.704-2(i)(1) and 1.704-2(i)(2).

"Member Nonrecourse Liability" shall mean "partner nonrecourse debt" or "partner nonrecourse liability" within the meaning of Treasury Regulation ss.1.704-2(b)(4).

"Mr. Diller" shall have the meaning set forth in the preamble hereof.

"Officers" means those Persons appointed by the Manager to manage the day-to-day affairs of the Company pursuant to Section 5.12 hereof.

"Owned Partnership Interest" shall have the meaning set forth in the Investment Agreement.

"Person" includes any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

"Profits" and "Losses" means, for each Fiscal Year, an amount equal to the Company's taxable income or loss for such Fiscal Year, determined in accordance with ss.703(a) of the Code (but including in taxable income or loss, for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to ss.703(a)(1) of the Code), with the following adjustments:

(a) any income of the Company exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(b) any expenditures of the Company described in ss.705(a)(2)(B) of the Code (or treated as expenditures described in ss.705(a)(2)(B) of the Code pursuant to Treasury Regulation ss.1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any Company asset is adjusted in accordance with paragraph (b) or paragraph (c) of the definition of "Gross Asset Value" above, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(d) gain or loss resulting from any disposition of any asset of the Company with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value; and

(e) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be

taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of "Depreciation" above.

"Ratio" shall mean HSNi Group's combined Economic Percentage Interest.

"Regulated Subsidiaries" shall have the meaning set forth in the Investment Agreement.

"Share" shall mean a unit of limited liability company interest owned by a Member in the Company which represents, in respect of any Class A Share, Class B Share or Class C Share, a right to allocations of the profits and losses of the Company, a right to participate in certain voting and/or management rights and a right to receive distributions as provided in Article VIII or Section 14.3(c) hereof, in each case in accordance with the provisions of this Agreement and the Delaware Act.

"Subsequent Capital Contribution" shall have the meaning set forth in Section 6.1 hereof.

"Subsidiaries" shall mean, with respect to any Person, each of the direct or indirect subsidiaries of such Person.

"Tax Matters Partner" shall have the meaning set forth in Section 10.1(a) hereof.

"Tax Rate" shall mean the highest marginal federal and applicable state corporate income tax rates (giving effect to the deductibility, if any, of state income taxes for federal income tax purposes) in effect for the taxable year.

"Total Voting Power" means the total number of votes represented by the Class A Shares, Class B Shares and Class C Shares when voting together as a single class, with each Share entitled to one vote.

"Treasury Regulations" means the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Universal" shall have the meaning set forth in the preamble hereof.

"Universal Designees" shall have the meaning set forth in Section 5.2(b) hereof.

"Universal Members" shall mean the Affiliates of Universal who may be Members of the Company from time to time.

"Universal Sub" shall have the meaning set forth in the preamble hereof.

Section 1.2 Headings. The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

ARTICLE II

FORMATION AND TERM

Section 2.1 Formation. (a) Subject to the filing of the Certificate with the Office of the Secretary of State of the State of Delaware as provided in Section 2.3, the Members hereby form the Company as a limited liability company under and pursuant to the provisions of the Delaware Act, and agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein.

(b) Upon the execution of this Agreement or a counterpart of this Agreement and the making of the Initial Capital Contributions or Initial Liberty Contribution contemplated by Section 6.1(a), the HSNi Members, Universal Members and Liberty Members shall be admitted as Members of the Company with the number and type of Shares reflected on Schedule A.

(c) The name and mailing address of each Member and the amount of such Member's Initial Capital Contribution shall be listed on Schedule A attached hereto.

(d) HSNi, by its duly authorized officers, is hereby designated an authorized person, within the meaning of the Delaware Act, to execute, deliver and file, or cause the execution, delivery and filing of the Certificate. The Secretary of the Company and any assistant secretary are hereby designated as authorized Persons, within the meaning of the Delaware Act, to execute, deliver and file, or cause the execution, delivery and filing of, all certificates, notices or other instruments (and any amendments and/or restatements thereof) required or permitted by the Delaware Act to be filed in the office of the Secretary of State of Delaware and any other certificates, notices or other instruments (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

Section 2.2 Name. The name of the Company shall be "USANi LLC."

Section 2.3 Term. The term of the Company shall commence on the date the Certificate is filed in the office of the Secretary of State of the State of Delaware, which shall be the date hereof, and shall continue perpetually unless the Company is dissolved pursuant to Section 14.2, which dissolution shall be carried out pursuant to the Delaware Act and the provisions of this Agreement.

Section 2.4 Registered Agent and Office. The Company's registered agent and office in Delaware shall be the Corporation Trust Company, Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle.

Section 2.5 Principal Place of Business. The principal place of business of the Company shall be in the State of California or such other location as the Company Board may designate from time to time and embody in a writing to be filed with the records of the Company.

Section 2.6 Qualification in Other Jurisdictions. The Officers shall cause the Company to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business and such

qualification, formation or registration is necessary or appropriate for the transaction of such business.

ARTICLE III

PURPOSE AND POWERS OF THE COMPANY

Section 3.1 Purpose. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Delaware Act.

Section 3.2 Powers of the Company. The Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purpose set forth in Section 3.1.

ARTICLE IV

MEMBERS

Section 4.1 Members. The name and mailing address of each Member and the number and class of Shares owned thereby shall be listed on Schedule A attached hereto. The Secretary or other designated Officer shall be required to update Schedule A from time to time as necessary to accurately reflect changes in address and/or the ownership of Shares. Any amendment or revision to Schedule A made to reflect an action taken in accordance with this Agreement shall not be deemed an amendment to this Agreement. Any reference in this Agreement to Schedule A shall be deemed to be a reference to Schedule A as amended and in effect from time to time. No Person, whether or not such Person holds any Shares, shall be deemed a Member of the Company hereunder or under the Delaware Act unless approved as such pursuant to the provisions of Article XIII of this Agreement.

Section 4.2 Powers of Members. The Members shall have the power to exercise any and all rights or powers granted to the Members pursuant to the express terms of this Agreement. Members shall not have the authority to bind the Company by virtue of their status as Members.

Section 4.3 Member's Share. A Member's Shares shall for all purposes be personal property. No holder of a Share or Member shall have any interest in specific Company assets or property, including any assets or property contributed to the Company by such Member as part of any Capital Contribution.

Section 4.4 Classes. (a) The Shares shall be divided between Class A Shares, Class B Shares and Class C Shares.

(b) The Class A Shares, Class B Shares and Class C Shares may not be subdivided, and each of such Shares shall have identical rights and terms in all respects except as specifically set forth in this Article IV and Article V of this Agreement. Subject

to the rights and obligations of the Manager and the Company Board, the Class A Shares, Class B Shares and Class C Shares shall have all management and voting rights (subject to Section 4.12), all rights to any allocation of Profits and Losses by the LLC and provided for under the Delaware Act and all rights to distributions as may be authorized under this Agreement and under the Delaware Act.

(c) Upon exchange of Class B or Class C Shares for shares of HSNi stock pursuant to the Exchange Agreement (as defined in the Investment Agreement) such Class B or Class C Shares shall automatically be converted into an equal number of Class A Shares.

(d) Class A Shares, Class B Shares and Class C Shares shall be securities governed by Article 8 of the Uniform Commercial Code as in effect in the State of New York.

Section 4.5 Partition. Each Member waives any and all rights that it may have to maintain an action for partition of the Company's property.

Section 4.6 Resignation. A Member shall cease to be a Member at the time such Member ceases to own any Shares. Shares are redeemable only pursuant to Sections 1.7 and 6.2(c) of the Investment Agreement.

Section 4.7 Member Meetings. (a) A meeting of Members for the designation of directors, and for such other business as may be stated in the notice of the meeting, shall be held at least annually at such date, time and place as is determined by the Manager. At each annual meeting, the Members shall designate directors in accordance with Section 5.2(b) and they may transact such other business as shall be stated in the notice of the meeting.

(b) Special meetings of the Members for any purpose or purposes may be called only by the Manager or by a resolution of the Company Board.

Section 4.8 Voting. Each Member entitled to vote in accordance with the terms of this Agreement may vote in person or by proxy. The Members shall be entitled to vote only on the matters set forth in Section 4.12 and to the other rights expressly set forth herein, including designating their respective designees to the Company Board. Except in the case of designation of directors and unless otherwise provided for by this Agreement, all matters to be decided by the Members shall be decided by an affirmative vote (or consent in writing) of the majority of the Total Voting Power of the holders of the Class A Shares, Class B Shares and Class C Shares, voting together as a single class, and no matter may be decided without such affirmative vote or consent in writing.

Section 4.9 Quorum. Except as otherwise required by law, the presence, in person or by proxy, of a majority of the holders of the Class A Shares, Class B Shares and Class C Shares shall constitute a quorum at all meetings of the Members. In case a quorum shall not be present at any meeting, Members holding a majority of the Total Voting Power held by Members represented thereat, in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of Shares shall be present. At any such adjourned meeting at which the requisite amount of Shares shall be represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

Section 4.10 Notice of Meetings. Written notice, stating the place, date and time of the meeting, shall be given to each Member, at such Member's address as it appears on the records of the Company, not less than two business days before the date of the meeting (except that notice to any Member may be waived in writing by such Member).

Section 4.11 Action Without a Meeting. Any action required or permitted to be taken at any annual or special meeting of Members may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the number of Members as would be required to take such action at a meeting, notice of such action shall be given to those Members who have not so consented in writing to such action without a meeting and such written consent is filed with the minutes of proceedings of the Members.

Section 4.12 Fundamental Changes. Notwithstanding anything to the contrary contained in this Agreement, for so long as Mr. Diller, Universal (on behalf of the Class B Shares) or Liberty (on behalf of the Class C Shares), respectively, has rights to approve Fundamental Changes under Section 2.04 of the Governance Agreement, the following matters (each a "Fundamental Change") shall require the prior approval of Mr. Diller, Universal (on behalf of the Class B Shares) and Liberty (on behalf of the Class C Shares), respectively, and the Company shall not take any of the actions set forth below prior to such approval (provided that approval by a Member of a Fundamental Change pursuant to Section 2.04 of the Governance Agreement shall constitute approval of the correlative matters under this Section 4.12):

(a) Any transaction that would subject the Company or any Subsidiary to Foreign Ownership Restrictions; provided that the matter set forth in this clause (a) will not constitute a "Fundamental Change" with respect to Liberty and Mr. Diller and shall not require their approval.

(b) Any transaction not in the ordinary course of business, launching new or additional channels or engaging in any new field of business, in any case, which will result in or will have a reasonable likelihood of resulting in, such Member or any Affiliate thereof being required under law to divest itself of all or any part of its Shares or Parent Common Shares (as defined in the Investment Agreement), or any interest therein, or any other material assets of such Member, or which will render such Member's continued ownership of such securities, interests or assets illegal or subject to the imposition of a fine or penalty or which will impose material additional restrictions or limitations on Universal's, Liberty's or their respective Affiliates' (as defined in the Governance Agreement) full rights of ownership (including, without limitation, voting) thereof or therein.

(c) Acquisition or disposition (including pledges), directly or indirectly, by the Company or any of its Subsidiaries of any assets (including debt and/or equity securities), or business (by merger, consolidation or otherwise), provided that the transactions contemplated by the Investment Agreement, including the matters contemplated by Section 9.14 of the Investment Agreement (to the extent conducted in all material respects in accordance with the letter agreement relating to such matters dated as of the date of the Investment Agreement among Liberty, Universal

and the Company, as such agreement may be amended or modified), shall not require the prior approval of Liberty pursuant to this Section 4.12, the grant or issuance of any debt or equity securities of the Company or any of its Subsidiaries (other than in any of the foregoing as contemplated by this Agreement, the Investment Agreement and the Exchange Agreement), the redemption, repurchase or reacquisition of any debt or equity securities of the Company or any of its Subsidiaries (other than as contemplated by this Agreement, the Investment Agreement and the Exchange Agreement) by the Company or any such Subsidiary, or the incurrence of any indebtedness, or any combination of the foregoing, in any such case, in one transaction or a series of transactions in a six-month period, with a value of 10% or more of the market value of the Total Equity Securities (as defined in the Governance Agreement) at the time of such transaction, provided that the prepayment, redemption, repurchase or conversion of prepayable, callable, redeemable or convertible securities (including Shares) in accordance with the terms thereof shall not be a transaction subject to this paragraph (c).

(d) For a five-year period following the Closing (as defined in the Investment Agreement), disposition of any interest in the Partnership (as defined in the Investment Agreement) or, other than in the ordinary course of business, its assets, directly or indirectly (by merger, consolidation or otherwise), provided that the matters set forth in this paragraph (d) will not constitute a "Fundamental Change" with respect to Liberty and shall not require its approval unless it otherwise would constitute a "Fundamental Change" under one of the other items of this Section 4.12 with respect to which Liberty's consent is required.

(e) Disposition or issuance (including pledges), directly or indirectly, by the Company of any Shares or Additional Shares except as contemplated by this Agreement, the Investment Agreement, the Governance Agreement, the Stockholders Agreement and the Exchange Agreement or pledges in connection with the financings.

(f) Voluntarily commencing any liquidation, dissolution or winding up of the Company or any material Subsidiary.

(g) Engagement by the Company in any line of business other than media, communications and entertainment products, services and programming, and electronics retailing, or other businesses engaged in by the Company and HSNi and its Subsidiaries as of the closing date or as contemplated by the Investment Agreement, provided that the Company shall not engage in theme park, arcade or film exhibition businesses so long as Universal is restricted from competing in such lines of businesses under non-compete or similar agreements in effect on the date hereof and such agreements would be applicable to the Company by virtue of Universal's ownership therein, provided that the matters set forth in the foregoing proviso shall not constitute a "Fundamental Change" with respect to Liberty and shall not require its approval unless it otherwise would constitute a "Fundamental Change" under one of the other items of this Section 4.12 with respect to which Liberty's consent is required.

(h) Settlement of any litigation, arbitration or other proceeding which is other than in the ordinary course of business and which involves any material restriction on the conduct of business by the Company or such Member or any of their respective Affiliates or the continued ownership of assets by the Company or such Member of any of their respective Affiliates.

(i) Engagement in any transaction (other than contemplated by the Investment Agreement) between the Company and its Affiliates (excluding Mr. Diller, HSNi, Universal and Liberty), on the one hand, and Mr. Diller, HSNi, Universal or Liberty, and their respective Affiliates, on the other hand, subject to the exceptions relating to the size of the proposed transaction and except for those transactions which are otherwise on an arm's-length basis.

(j) Entering into any agreement with any holder of Shares in such Member's capacity as such which grants such Member approval rights similar in type and magnitude to those set forth in this Section 4.12.

(k) Entering into any transaction that could reasonably be expected to impede HSNi's ability to engage in the Spinoff (as defined in the Governance Agreement) or cause it to be taxable.

(l) Material amendment to the certificate of formation.

(m) Any non-ministerial actions taken by the Tax Matters Partner pursuant to Section 10.01 or in connection with any income tax audit of any tax return of the Company, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit, in each case, materially adversely affecting the tax liability of a Member, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim; provided, however, that the foregoing shall require the prior approval of the affected Member or Members only.

Notwithstanding anything to the contrary, Universal and Liberty shall be entitled to exercise the matters set forth in paragraphs (b), (f) and (i) above, which shall continue to be "Fundamental Changes" as provided in Section 4.12 with respect to Universal or Liberty so long as Universal or Liberty, as the case may be, is not legally permitted to exchange all of its Shares for Parent Common Shares and Universal or Liberty, as the case may be, continues to own such Shares.

ARTICLE V

MANAGEMENT

Section 5.1 Manager. In accordance with Section 18-402 of the Delaware Act, management of the Company shall be vested in the manager of the Company (the "Manager"). The business and affairs of the Company shall be managed exclusively by and under the direction of the Manager, subject to the control of the Board of Directors and the Members to the extent set forth in Section 4.12. So long as Mr. Diller is the Manager, the Manager shall also be the Chief Executive Officer of the Company and Chairman of the

Company Board (the "Company CEO") and shall have such powers and authority relative to the Company as does the CEO relative to HSNi. Mr. Diller shall be the Manager and Company CEO and shall retain such positions until the CEO Termination Date (as defined in the Governance Agreement) or Mr. Diller is Disabled (as defined in the Governance Agreement). Immediately following the CEO Termination Date or if Mr. Diller is Disabled, the Manager (and the Company CEO) shall be designated by Universal (or, at Universal's option, a Universal Member shall be the Managing Member and shall designate the Company CEO); provided that (i) Universal and Liberty and their respective Affiliates then Beneficially Own Equity Securities representing at least 40% of the total voting power of the Total Equity Securities (each as defined in the Governance Agreement) and (ii) no shareholder of HSNi (other than Universal or Liberty and their respective Affiliates) Beneficially Owns Equity Securities representing a greater percentage of the total voting power of the Total Equity Securities than the total voting power of the Total Equity Securities represented by the Equity Securities Beneficially owned by Universal and Liberty and their Affiliates. Notwithstanding the preceding sentence, if the conditions in clauses (i) and (ii) of the proviso above are satisfied and the excess, if any, of the percentage (expressed as a whole number) of the total voting power of the Total Equity Securities that the Equity Securities Beneficially owned by Liberty and its Affiliates represents minus the percentage (expressed as a whole number) of the total voting power of the Total Equity Securities that the Equity Securities Beneficially Owned by Universal and its Affiliates represents is greater than five (5), then the Manager (and the Company CEO) shall instead be designated by Liberty or, at Liberty's option, a Liberty Member shall be the Managing Member and shall designate the Company CEO. If neither Universal nor Liberty is then entitled to designate the Manager in accordance with this provision, then the Manager (and the Company CEO) shall be designated by HSNi.

Section 5.2 Duties, Number, Designation and Term of Directors. (a) The business and affairs of the Company shall be managed under the direction of a Board of Directors of the Company (the "Company Board") consisting of a number of directors equal to the number of directors constituting the HSNi Board; provided, however, that if Liberty would be entitled to designate directors to the HSNi Board pursuant to the terms of the Governance Agreement but such representation on the HSNi Board by Liberty is not permitted by applicable law, the number of directors of the Company Board shall be increased by one or two until such time as Liberty is so entitled to designate one or two directors of HSNi pursuant to the Governance Agreement and such representation would be permitted by applicable law. Except as to matters delegated to Officers of the Company, the approval of the Company Board shall be required for any action or decision of the Company customarily reserved to a board of directors. The power of the Company Board to approve such actions and decisions shall be exclusive to the Company Board, and no Officer may take any action or make any decision referred to in the foregoing sentence without the approval of the Company Board, if such approval is required.

(b) The directors shall consist, at all times, of (i) Class A directors, consisting of the HSNi Designees who are the same persons as the directors of the HSNi Board (other than Satisfactory Nominees and Liberty Directors (as such terms are defined in the Governance Agreement), if any) (the "HSNi Designees"), (ii) Class B directors, consisting of a number of directors selected by Universal (the "Universal Designees") and equal to the number of Satisfactory Nominees that Universal is entitled to designate to the HSNi Board pursuant to the terms of the Governance Agreement and (iii) Class C directors, consisting of a number of directors selected by Liberty ("Liberty Designees") equal to the number of

Liberty Directors that Liberty would be entitled to designate to the HSNi Board pursuant to the terms of the Governance Agreement (without regard to whether such representation is permitted by applicable law). Universal shall designate the Persons who are Satisfactory Nominees as the Class B directors and Liberty shall designate the Persons who are Liberty Directors as the Class C directors, in each case for so long as such Persons are also serving as directors on the HSNi Board. In the event that Universal or Liberty is entitled to designate a director on the HSNi Board but such position is not filled by Universal's or Liberty's nominees (whether due to a legal limitation on the number of directors such Person may designate or otherwise) (an "HSNi Board Vacancy"), Universal or Liberty, as the case may be, shall be entitled to designate as directors such additional number of individuals, subject to the definitions of Satisfactory Nominee or Liberty Director. In the event that the HSNi Board Vacancy is subsequently filled by Universal's or Liberty's designee, such entity shall cause the resignation from the Company Board of the individuals designated pursuant to the preceding sentence and to designate its HSNi Director to the Company Board.

(c) Directors shall be designated to serve until the earlier of (i) the designation and qualification of his or her successor, (ii) removal of such director in accordance with Section 5.5 of this Agreement or (iii) such director's death.

(d) Unless otherwise specified herein, any action or decision of the Company Board, whether at a meeting of the Company Board or by written consent, may only be taken if approved unanimously by the HSNi Designees, the Universal Designees and the Liberty Designees; provided, however, that in the event any action is deadlocked because of a failure to receive unanimous approval by the Company Board, the Chairman of the Board shall have the power and authority to break the deadlock by approving or rejecting such action and the affirmative vote of the Chairman of the Board shall be deemed to be the unanimous vote of the Company Board. Nothing in this Section shall affect the right of each Member to approve or reject any Fundamental Change in accordance with Section 4.12.

(e) Committees of the Company Board will not be used in a manner that usurps the overall responsibility of the Company Board pursuant to this Agreement.

Section 5.3 Resignation of Directors. Any director, other than the Company CEO prior to the date he ceases for any reason to be CEO or becomes Disabled, may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and, if no time be specified, at the time of its receipt by the Chairman of the Board, the CEO or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 5.4 Vacancies on the Company Board. Upon any removal, resignation, death or disability of any member of the Company Board, the Member who designated such Company Board member shall designate a replacement in accordance with Section 5.2.

Section 5.5 Removal of a Director. (a) An HSNi Designee may be removed only upon, and shall be removed effective upon, the removal or resignation of such Designee from the HSNi Board.

(b) Any Universal Designee may be removed either for or without cause at any time, but only by the holders of a majority of the Class B Shares in a writing to such

effect; provided that Universal shall also cause such designee to be removed from the HSNi Board pursuant to the Governance Agreement. A Universal Designee shall be removed from the Company Board effective upon the removal for cause of such Universal Designee from the HSNi Board.

(c) Any Liberty Designee may be removed either for or without cause at any time, but only by the holders of a majority of the Class C Shares in a writing to such effect; provided that, to the extent such Liberty Designee is then serving as a Liberty Director, Liberty shall also cause such designee to be removed from the HSNi Board pursuant to the Governance Agreement. A Liberty Designee shall be removed from the Company Board effective upon the removal for cause of such Liberty Designee from the HSNi Board.

Section 5.6 Committees of Directors. The Company Board may, by resolution or resolutions of the Company Board, designate one or more committees, each committee to consist of two or more directors of the Company. Any such committee, to the extent provided in the resolution of the Company Board establishing such committee, shall have and may exercise all the powers and authority of the Company Board in the management of the business and affairs of the Company.

Section 5.7 Meetings of the Company Board. The newly designated directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum be present, immediately after the formation of the Company, or the time and place of such meeting may be fixed by consent of all the directors. Regular meetings of the Company Board may be held without notice (provided that directors were advised of the date and time of such regular meeting at least the minimum number of days that would constitute notice under Section 4.10 hereof) at such places and times as shall be determined from time to time by resolution of the Company Board. Special meetings of the Company Board may be called by the Chairman of the Board or a majority of the directors, upon at least one day's notice to each director (except that notice to any director may be waived in writing by such director), and shall be held at such place or places as may be determined by the Company Board, or as shall be stated in the call of the meeting. Where appropriate and practicable in the judgment of the Manager, immediately prior to or following each regular or special meeting of the HSNi Board of Directors, a separate special or regular meeting of the Company Board shall be held. Copies of agendas and minutes of all meetings of the Company Board shall be distributed to all directors. Members of the Company Board, or any committee designated by the Company Board, may participate in any meeting of the Company Board or any committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 5.8 Quorum of a Company Board Meeting. The presence in person of a majority of the directors shall constitute a quorum for the transaction of business. If at any meeting of the Company Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at the meeting which shall be so adjourned.

Section 5.9 Compensation of Directors. Directors shall not receive any stated salary for their services as directors or as members of committees of the Company

Board, but by resolution adopted by the Company Board, a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity as an Officer, agent or otherwise, and receiving compensation therefor or from serving a Member in the capacity of officer, agent or otherwise and receiving compensation therefor.

Section 5.10 Action Without Company Board Meeting. Any action required or permitted to be taken at any meeting of the Company Board or of any committee thereof may be taken without a meeting if a written consent thereto is signed by the number and type of directors as would be required to take such action at a meeting, and such written consent is filed with the minutes of proceedings of the Company Board or such committee.

Section 5.11 Officers. (a) In addition to the Company CEO, the Officers of the Company shall be a Chairman of the Board and a Secretary and such other officers as may be established by the Manager, all of whom shall be appointed by the Manager and shall hold office until their successors are duly appointed. Subject to Sections 4.12 and 5.1 of this Agreement, the Company CEO shall be responsible for managing the business of the Company and shall have such powers and authority relative to the Company as does the CEO of HSNi relative to HSNi. In addition, the Manager may appoint such Assistant Secretaries and Assistant Treasurers as it deems proper. The Manager may also establish additional or alternate offices of the Company as it deems advisable, and such offices shall be filled with such Officers, who shall perform such duties and serve such terms, as the Manager shall determine from time to time.

(i) The Chairman of the Board. The Manager (or, in the case of a Member Manager, its designee) shall be the Chairman of the Board and shall preside at all meetings of the Company Board and shall have such powers and authority relative to the Company as does the Chairman of the Board of HSNi relative to HSNi.

(ii) Secretary. The Secretary shall record all the proceedings of the meetings of the Company Board, any committees thereof and the Members in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him or her by the Company Board or the Manager.

(iii) Assistant Treasurers and Assistant Secretaries. Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Manager.

(b) Subject to Sections 4.12 and 5.1, officers shall have the exclusive authority to conduct the day-to-day affairs of the Company. In no event may an Officer take any action for which approval is required under Section 4.12 in the absence of such approval.

ARTICLE VI

SHARES AND CAPITAL ACCOUNTS

Section 6.1 Capital Contributions. (a) Upon formation of the Company, and, in the case of Liberty, no later than June 30, 1998 pursuant to Section 1.5(f) of the

Investment Agreement, each Member shall contribute to the capital of the Company (each, an "Initial Capital Contribution") the consideration set forth opposite the Member's name on Schedule A attached hereto in the form indicated thereon and in respect of the relevant number of Shares indicated thereon. The agreed value of the Initial Capital Contributions shall be as set forth on Schedule A. In addition, upon formation of the Company, Liberty shall contribute to the capital of the Company a nominal contribution to be mutually agreed upon by HSNi, Universal and Liberty (the "Initial Liberty Contribution").

(b) Notwithstanding the other provisions of this Section, no Member shall make any Capital Contributions to the Company other than the Initial Capital Contributions, provided that Members holding Class A Shares, Class B Shares and Class C Shares may make additional Capital Contributions in cash or shares of HSNi Class B or common stock in exchange for additional shares of the same class of Shares such Member holds prior to such Capital Contribution (any such Capital Contribution, a "Subsequent Capital Contribution") to the Company as contemplated by, and subject to the conditions and limitations contained in the Investment Agreement, the Governance Agreement and the Stockholders Agreement, including Sections 1.7, 1.8 and 6.1(c) of the Investment Agreement, Section 1.01(h) of the Governance Agreement and Section 4.4(f) of the Stockholders Agreement. At the time any Subsequent Capital Contributions are made, Schedule A shall be revised to reflect such contributions.

Section 6.2 Status of Capital Contributions. (a) No Member shall receive any interest, salary or drawing with respect to its Capital Contributions or its Capital Account or for services rendered on behalf of the Company or otherwise in its capacity as a Member, except as otherwise specifically provided in this Agreement with respect to allocations and distributions.

(b) Except as otherwise provided herein and by the Delaware Act, the Members shall be liable only to make their Capital Contributions pursuant to Section 6.1 hereof, and no Member shall be required to lend any funds to the Company or, after a Member's Capital Contributions have been fully paid pursuant to Section 6.1 hereof, to make any additional Capital Contributions to the Company except as provided herein or therein. Other than as provided herein or under the Delaware Act, no Member shall have any personal liability for the payment of any Capital Contribution of any other Member.

Section 6.3 Capital Accounts. (a) An individual Capital Account shall be established and maintained for each Member by class of Share.

(b) The Capital Account of each Member by class of Share shall be maintained in accordance with the following provisions:

(i) to such Member's Capital Account there shall be credited such Member's Capital Contributions, Profits allocated to such Member under Sections 7.1 and 7.2 hereof and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company assets distributed to such Member;

(ii) to such Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company assets transferred to such Member in a Distribution pursuant to any provision of this Agreement, Losses allocated to such Member under Sections 7.1 and 7.2 hereof and the amount of any liabilities

of such Member that are assumed by the Company (other than liabilities taken into account in determining a Member's Capital Contribution); and

(iii) in determining the amount of any liability for purposes of this subsection (b), there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Treasury Regulations.

Section 6.4 Advances. Subject to Article 5 of the Investment Agreement, if any Member shall advance any funds to the Company in excess of its Capital Contributions, the amount of such advance shall neither increase its Capital Account nor entitle it to any increase in its share of the Distributions of the Company. Subject to Article 5 of the Investment Agreement and Section 4.12 of this Agreement, the amount of any such advance shall be a debt obligation of the Company to such Member and shall be repaid to it by the Company with such interest rate, conditions and terms as mutually agreed upon by such Member and the Manager. Any such advance shall be payable and collectible only out of Company assets, and the other Members shall not be personally obligated to repay any part thereof. No Person who makes any nonrecourse loan to the Company shall have or acquire, as a result of making such loan, any direct or indirect interest in the profits, capital or property of the Company, other than as a creditor.

Section 6.5 Redemption, Exchange, Transfer. Subject in addition to Section 4.4 hereof, Shares shall be redeemable, exchangeable and transferable only in accordance with the Investment Agreement and the Exchange Agreement (as defined therein). The Company and the Members shall take all actions necessary to effect the terms of the Investment Agreement as they relate to Shares (LLC Shares, as defined in the Investment Agreement), including, without limitation, the terms of Articles 6 and 7 thereof.

ARTICLE VII

ALLOCATIONS

Section 7.1 Profits and Losses. (a) Subject to the allocation rules of Section 7.2 hereof, Profits for any Fiscal Year shall be allocated among the Members in proportion to their respective Economic Percentage Interests.

(b) Subject to the allocation rules of Section 7.2 hereof, Losses for any Fiscal Year shall be allocated among the Members in proportion to their Economic Percentage Interests.

Section 7.2 Allocation Rules. (a) In the event there is a change in the respective Economic Percentage Interests of Members during the year, the Profits (or Losses) allocated to the Members for each Fiscal Year during which there is a change in the respective Economic Percentage Interests of Members during the year shall be allocated among the Members in proportion to the Economic Percentage Interests during such Fiscal Year in accordance with ss.706 of the Code, using any convention permitted by law and selected by the Company Board.

(b) For purposes of determining the Profits, Losses or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a

daily, monthly or other basis, as determined by the Company Board using any method that is permissible under Section 706 of the Code and the Treasury Regulations thereunder.

(c) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, credit and any other allocations not otherwise provided for shall be divided among the Members in the same proportions as they share Profits and Losses for the Fiscal Year in question.

(d) The Members are aware of the income tax consequences of the allocations made by this Article VII and hereby agree to be bound by the provisions of this Article VII in reporting their shares of Company income, gain, loss, deduction and credit for income tax purposes.

Section 7.3 Priority Allocations. The following allocations shall be made in the following order of priority:

(a) Minimum Gain Chargeback. Notwithstanding any other provision of this Section 7.3, if there is a net decrease in Company Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulation Section 1.704-2(g)(2); provided that a Member shall not be subject to this Section 7.3(a) to the extent that an exception is provided by Treasury Regulation Section 1.704-2(f)(2)-(5). This Section 7.3(a) is intended to comply with the minimum gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) Member Nonrecourse Liability Minimum Gain Chargeback. Notwithstanding any other provision of this Section 7.3 except Section 7.3(a), if there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Liability during any Fiscal Year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Liability (determined in accordance with Treasury Regulation Section 1.704-2(i)(5)) as of the beginning of the year shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) equal to such Member's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Liability. A Member's share of the net decrease in Member Minimum Gain shall be determined in accordance with Treasury Regulation Section 1.704-2(i)(4); provided that a Member shall not be subject to this provision to the extent that an exception is provided by Treasury Regulation Section 1.704-2(i)(4). This Section 7.3(b) is intended to comply with the minimum gain chargeback requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for the Fiscal Year) shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulation, the Adjusted Capital

Account Deficit of such Member created by such adjustments, allocations or distributions as quickly as possible; provided that an allocation pursuant to this Section 7.3(c) shall be made if and only to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 7.3 have been tentatively made as if this Section 7.3(c) were not in this Agreement. This Section 7.3(c) is intended to comply with the qualified income offset requirement in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(d) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any Fiscal Year that is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to the terms of this Agreement or otherwise, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentence of each of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 7.3(d) shall be made if and only to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 7.3 have been tentatively made as if Section 7.3(c) and this Section 7.3(d) were not in this Agreement.

(e) Member Nonrecourse Deductions. If any Member bears the Economic Risk of Loss with respect to a Member Nonrecourse Liability, any Member Nonrecourse Deductions for any Fiscal Year shall be specially allocated to the Member who bears the Economic Risk of Loss with respect to the Member Nonrecourse Liability to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i).

(f) Deductions under Section 709 of the Code for amortization of amounts paid or incurred to organize the Company or, in the case of liquidation of the Company prior to the end of the amortization period specified in Section 709 of the Code, deductions under Section 165 for the previously unrecovered portion of such amounts, shall be specially allocated to the Member who paid or incurred such amounts and such Member's Capital Account shall be credited for amounts paid or incurred by such Member.

Section 7.4 Tax Allocations; Section 704(c) of the Code. (a) In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for United States federal income tax purposes and its initial Gross Asset Value (computed in accordance with paragraph (a) of the definition of "Gross Asset Value" contained in Section 1.1 hereof). Such variation shall be taken into account under the "traditional method" of Treasury Regulation Section 1.704-3(b). For these purposes the Owned Partnership Interest and the Acquired Partnership Interest shall be treated as separate assets.

(b) In the event the Gross Asset Value of any Company asset is adjusted pursuant to paragraph (b) of the definition of "Gross Asset Value" contained in Section 1.1 hereof, subsequent allocations of income, gain, loss and deduction with respect to such asset

shall, solely for income tax purposes, take account of any variation between the adjusted basis of such asset for United States federal income tax purposes and its Gross Asset Value in the same manner as under ss.704(c) of the Code and the Treasury Regulations thereunder.

(c) Allocations pursuant to this Section 7.4 are solely for purposes of United States federal, state and local taxes, and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement.

ARTICLE VIII

DISTRIBUTIONS

Section 8.1 Distributions; Special Distribution. The Manager may, by resolution, at any regular or special meeting, declare and make pro rata Distributions in accordance with the Members' respective Economic Percentage Interests of cash and, subject to paragraphs (i) and (l) of Section 4.12, property, in each case in proportion to the respective Economic Percentage Interests at such times as it deems appropriate, at its sole discretion; provided, however, that (except in respect of Distributions required by Section 8.2 below) any Distribution may only be paid in connection with a related distribution by HSNi to its stockholders in an aggregate amount equal to the proceeds to HSNi of such Distribution; and provided, further, that the form of consideration shall be the same for all Classes (e.g., each Member will receive a pro rata interest in the assets being distributed).

Section 8.2 Mandatory Distributions. Notwithstanding Section 8.1, the Company shall make a Distribution to the Members with respect to each taxable year of the Company, within 60 days after the close of such taxable year, in an aggregate amount equal to the product of the Adjusted Taxable Income multiplied by the Tax Rate. Such Distribution shall be made to all Members in accordance with their respective Economic Percentage Interests.

Section 8.3 Limitations on Distribution. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any Distribution if such Distribution would violate Section 18-607 of the Delaware Act or other applicable law, but shall instead make such Distribution as soon as practicable after the making of such Distribution would not cause such violation.

Section 8.4 Tax Loans to HSNi. If the LLC Taxable Income for any year is a loss and the HSNi Group has positive taxable income for such year, then HSNi shall be entitled to an interest-free loan from the LLC equal to the HSNi Group's taxable income (but not in excess of the LLC Taxable Loss multiplied by one minus the Ratio) multiplied by the Tax Rate and divided by one minus the Ratio, and the repayment of such loan will reflect the cumulative net income or loss of the Company and the HSNi Group for that year and subsequent years.

Section 8.5 Intercompany Transfer of Funds. (a) The Company shall keep records of all movement of funds between the Company and its Subsidiaries, on the one hand, and HSNi and its Subsidiaries which are not also Subsidiaries of the Company ("Non-LLC Subs"), on the other hand. HSNi shall cause all Excess Cash held by HSNi and its

Subsidiaries from time to time to be transferred to the Company in accordance with the terms of this Section 8.5 and Article 5 of the Investment Agreement.

(b) Except as otherwise provided in Section 5.4 of the Investment Agreement and Section 8.5(d) of this Agreement, all transfers of funds from the Company to HSNi and Non-LLC Subs (other than distributions on, or redemptions of, the Class A Shares or payment of interest on indebtedness owed or assumed by the Company) shall either be (i) evidenced by a demand note from the recipient of such funds payable to the Company or (ii) applied to repay indebtedness owed by the Company to such recipient.

(c) Except as otherwise provided in Section 5.4 of the Investment Agreement and Section 8.5(d) of this Agreement, all transfers of funds from HSNi and Non-LLC Subs (other than contributions of capital in connection with the acquisition of the Class A Shares or payment of interest on indebtedness owed to the Company) shall either be (i) evidenced by a demand note from the Company payable to the transferor of such funds or (ii) applied to repay indebtedness owed by such transferor to the Company.

(d) The provisions of paragraphs (b) and (c) above shall not apply to the payments of funds described in clauses (i) through (iv) of Section 5.4 of the Investment Agreement. HSNi shall cause any transactions between the Company, on the one hand, and the Non-LLC Subs, on the other hand, to be (i) on terms in the aggregate which are no less favorable to the Company than the terms which the Company would have received in a transaction with an unaffiliated third party or (ii) on an allocated cost basis.

(e) The outstanding demand notes referred to in paragraphs (b) and (c) above shall bear interest at the Interest Rate from time to time and interest shall be payable monthly in arrears.

ARTICLE IX

BOOKS AND RECORDS

Section 9.1 Books, Records and Financial Statements. (a) The Company shall at all times maintain, at its principal place of business, separate books of account for the Company that shall show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Company in accordance with GAAP consistently applied, and, to the extent inconsistent therewith, in accordance with this Agreement. Such books of account, together with a copy of this Agreement and the Certificate, shall at all times be maintained at the principal place of business of the Company and shall be open to inspection and examination at reasonable times by each Member and its duly authorized representatives for any purpose reasonably related to such Member's interest in the Company.

(b) The Officers shall prepare and maintain, or cause to be prepared and maintained, the books of account of the Company. The following financial information, prepared in accordance with GAAP (or, in the case of item (v), in accordance with United States federal income tax principles) and applied on a basis consistent with prior periods, which shall be audited and certified to by an independent certified public accountant (who may be the independent certified public accountant for HSNi and its Affiliates), shall be

transmitted by the Company to each Member as soon as reasonably practicable and in no event later than ninety (90) days after the close of each Fiscal Year:

(i) balance sheet of the Company as of the beginning and close of such Fiscal Year;

(ii) statement of profits and losses for such Fiscal Year;

(iii) statement of each Member's Capital Account as of the close of such Fiscal Year, and changes therein during such Fiscal Year;

(iv) statement of the Company's cash flows during such Fiscal Year; and

(v) a statement indicating such Member's share of each item of the Company income, gain, loss, deduction or credit for such Fiscal Year for income tax purposes, which statement shall include or consist of a Schedule K-1 to the Company's Internal Revenue Service Form 1065 (or any corresponding schedule to any successor form) for such Fiscal Year.

(c) Following the end of each of the Company's four fiscal quarters, the Company shall prepare and provide to each Member on a reasonably timely basis in order to permit each Member to comply with its public reporting requirements an unaudited balance sheet of the Company with respect to such quarter, a statement of the profits and losses of the Company for such quarter and a statement of cash flows during such quarter, each of which shall be prepared in accordance with GAAP, applied on a basis consistent with prior periods. To the extent that, with respect to the first four fiscal quarters of the Company, the Company cannot provide final financial statements with respect to such fiscal quarter on a reasonably timely basis for a Member to comply with its reporting obligations, the Company shall provide estimates on a reasonably timely basis to permit such compliance. Except as provided in the next paragraph, a Member shall not disclose any of the information provided pursuant to this paragraph prior to the earlier of (i) immediately following the time such information is made publicly available by HSNi, and (ii) the date HSNi is required to file its quarterly report on Form 10-Q or its annual report on Form 10-K with respect to the fourth quarter, as the case may be, containing such information.

(d) To the extent that a Member is required pursuant to its public reporting requirements to disclose the quarterly financial information described in paragraph (c) prior to the date described in the last sentence thereof, a Member may use such information or estimates in its required public disclosure, provided that such disclosure does not result in the financial information relating to the Company being separately identifiable or determinable from such disclosure.

Section 9.2 Accounting Method. For both financial and tax reporting purposes and for purposes of determining Profits and Losses, the books and records of the Company shall be kept on the accrual method of accounting and shall reflect all Company transactions and be appropriate and adequate for the Company's business.

Section 9.3 Annual Audit. The financial statements of the Company shall be audited by an independent certified public accountant, selected by the HSNi Board, with

such audit to be accompanied by a report of such accountant containing its opinion. The cost of such audit shall be an expense of the Company.

ARTICLE X

TAX MATTERS

Section 10.1 Tax Matters. (a) The "Tax Matters Partner" of the Company for purposes of ss.6231(a)(7) of the Code shall have the power to manage and control, on behalf of the Company, any administrative proceeding at the Company level with the Internal Revenue Service or any other taxing authority relating to the determination of any item of Company income, gain, loss, deduction or credit for United States federal, state, local or foreign income or franchise tax purposes. The Tax Matters Partner shall take such action as may be reasonably necessary to constitute each other Member a "notice partner" within the meaning of ss.6231(a)(8) of the Code. The Tax Matters Partner shall cause to be prepared for each taxable year of the Company the federal, state and local tax returns and information returns, if any, which the Company is required to file, copies of which returns shall be made available by the Company at least 30 days prior to filing for inspection, examination, and approval by any Member or any of its representatives during reasonable business hours, and all of such persons shall be entitled to make copies or extracts thereof. The Members shall provide any comments on such returns to the Tax Matters Partner within 15 days after their being made available to the Members. Where the Members are required to file federal, state or local income tax returns by reason of their interest in the Company, the Tax Matters Partner shall cause them to be furnished with the relevant returns filed by the Company. The Tax Matters Partner shall notify each other Member of all material matters that come to its attention in its capacity as Tax Matters Partner. The Tax Matters Partner shall be Home Shopping while Mr. Diller is the Manager and, thereafter, the Tax Matters Partner shall be a designee of the Manager. The Tax Matters Partner shall not have the authority to bind any of the Members, including with respect to any extension of any statute of limitations.

(b) The Company shall, within ten (10) days of the receipt of any notice from the Internal Revenue Service or any state, local or foreign tax authority in any administrative proceeding at the Company level relating to the determination of any Company item of income, gain, loss, deduction or credit, mail a copy of such notice to each Member.

Section 10.2 Right to Make Section 754 Election. The Company Board may, in its sole discretion, make or apply for permission with the Commissioner of the Internal Revenue Service to revoke, on behalf of the Company, an election in accordance with ss.754 of the Code, so as to adjust the basis of Company property in the case of a distribution of property within the meaning of ss.734 of the Code, and in the case of a transfer of a Company interest within the meaning of ss.743 of the Code. Each Member shall, upon request of the Company, supply the information necessary to give effect to such an election.

Section 10.3 Section 709 Election. The Tax Matters Partner shall cause the Company to file, with the Company's Internal Revenue Service Form 1065 for the taxable year in which the Company begins business, an election under ss.709 of the Code (meeting

the requirements of Treasury Regulation ss.1.709-1(c)) to amortize its organizational expenses over 60 months. Each Member agrees to (i) treat any amounts paid or incurred by such Member to organize the Company as deferred expenses of the Company that are subject to ss.709 of the Code and (ii) maintain records of any such amounts that are sufficiently detailed to enable the Company to file an election meeting the requirements of Treasury Regulation ss.1.709-1(c).

Section 10.4 Taxation as Partnership. The Company shall be treated as a partnership for United States federal, state, local and foreign tax purposes and will make any necessary elections to achieve such status.

ARTICLE XI

LIABILITY, EXCULPATION AND INDEMNIFICATION

Section 11.1 Liability. Except as otherwise provided by the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Covered Person or Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person or Member. Except as expressly provided herein, no Member in its capacity as such, shall have liability to the Company, any other Member or the creditors of the Company.

Section 11.2 Exculpation. (a) No Covered Person shall be liable to the Company or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement, the Company Board or an appropriate Officer or employee of the Company, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence, fraud or willful misconduct.

(b) A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, Profits or Losses or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

Section 11.3 Fiduciary Duty. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, a Covered Person acting under this Agreement shall not be liable to the Company or to any Member for its good faith acts or omissions in reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Covered Person.

Section 11.4 Indemnification. To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of gross negligence, fraud or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section shall be provided out of and to the extent of Company assets only, and no Covered Person shall have any personal liability on account thereof.

Section 11.5 Expenses. To the fullest extent permitted by applicable law, reasonable expenses (including reasonable legal fees) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in Section 11.4 hereof.

Section 11.6 Insurance. The Company may purchase and maintain insurance, to the extent and in such amounts as the Company Board by resolution shall deem reasonable or appropriate, on behalf of Covered Persons and such other Persons as the Company Board by resolution shall determine, against any liability that may be asserted against or expenses that may be incurred by any such Person in connection with the activities of the Company or such indemnities, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement. The Members and the Company may enter into indemnity contracts with Covered Persons and such other Persons as the Company Board shall determine and adopt written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under Section 11.5 hereof and containing such other procedures regarding indemnification as are appropriate.

Section 11.7 Outside Businesses. Any Member (including any Member that is the Manager) or Affiliate thereof may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Company, and the Company and the Members shall have no rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Company, shall not be deemed wrongful or improper. No Member or Affiliate thereof shall be obligated to present any particular investment opportunity to the Company even if such opportunity is of a character that, if presented to the Company, could be taken by the Company, and any Member or Affiliate thereof shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity. The provisions of this Section 11.7 shall not in any way limit, modify or amend the terms of any noncompetition, license or employment agreement that may be entered into between the Company and any Member, which terms shall be binding on the parties thereto.

Section 11.8 Third-Party Beneficiaries. There shall be no third-party beneficiaries of this Agreement.

ARTICLE XII

ADDITIONAL MEMBERS

Section 12.1 Admission. Except as provided in Section 2.1(b), Article VI or Section 13.1, the Company may not admit any new Members and may issue no new Class A Shares, Class B Shares or Class C Shares.

Section 12.2 Allocations. Additional Shares shall not be entitled to any retroactive allocation of the Company's income, gains, losses, deductions, credits or other items; provided that, subject to the restrictions of ss.706(d) of the Code, Additional Shares shall be entitled to their respective share of the Company's income, gains, losses, deductions, credits and other items arising under contracts entered into before the effective date of the issuance of any Additional Shares to the extent that such income, gains, losses, deductions, credits and other items arise after such effective date. To the extent consistent with ss.706(d) of the Code and Treasury Regulations promulgated thereunder, the Company's books may be closed at the time Additional Shares are admitted (as though the Company's tax year had ended) or the Company may credit to the Additional Shares pro rata allocations of the Company's income, gains, losses, deductions, credits and other items for that portion of the Company's Fiscal Year after the effective date of the issuance of the Additional Shares.

ARTICLE XIII

ASSIGNMENTS

Section 13.1 Assignments of Shares Generally. Except as permitted by the Investment Agreement and the Exchange Agreement, a Member may not, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage or dispose of, by gift or otherwise, or in any way encumber ("Assign," and such act, an "Assignment") all or any part of the Shares or Additional Shares owned by such Member without the consent of the holders of the Class A Shares, Class B Shares and Class C Shares and any attempt to do so shall be void ab initio to the maximum extent permitted by law; provided, however, that a merger or consolidation between a Member and a member of its Group (as defined in the Exchange Agreement) shall not be deemed to be an Assignment of any of the Shares or Additional Shares owned by such Member and that a merger or consolidation in which Universal, HSNi (or Home Shopping Network) or Liberty is a constituent corporation shall not be deemed to be an Assignment of any Shares or Additional Shares Beneficially Owned by such person (provided in each case that a significant purpose of any such transaction is not to avoid the provisions of this Agreement and provided that the surviving corporation agrees to be bound by the terms of this Agreement then applicable to such Member). Any assignment of a Share permitted under this Section 13.1 shall not be effective until the assignee has been admitted as a Member of the Company which shall be when the assignee has executed a counterpart to this Agreement and is reflected as a Member of the Company on Schedule A hereto. Notwithstanding any other provision of this Agreement, the Members

expressly agree that the transactions contemplated by that certain credit agreement among the Company, certain Affiliates of the Company and the lenders thereunder, with Chase Securities, Inc. as Arranger, in connection with consummation of the transactions contemplated by the Investment Agreement, which include the incurrence of certain indebtedness and the issuance of certain guarantees and pledges (including of the Class A Shares), or in connection with any replacement facility, shall not constitute an Assignment or otherwise violate this Agreement.

Section 13.2 Recognition of Assignment by the Company. No Assignment of Shares or Additional Shares in violation of Section 13.1 shall be valid or effective, and neither the Company nor the Members shall recognize the same for the purpose of making allocations or Distributions. Neither the Company nor the Members shall incur any liability as a result of refusing to make any such allocations or Distributions with respect to Assigned Shares in violation of Section 13.1.

ARTICLE XIV

DISSOLUTION, LIQUIDATION AND TERMINATION

Section 14.1 No Dissolution. The death, retirement, resignation, expulsion, bankruptcy or dissolution of any Member or the occurrence of any other event that terminates the continued membership of a Member in the Company shall not, in and of itself, cause the dissolution of the Company. In such event, the business of the Company shall be continued by the remaining Members.

Section 14.2 Events Causing Dissolution. The Company shall be dissolved and its affairs shall be wound up upon the occurrence of any of the following events:

(a) the written consent of the holders of a majority of each of the Class A Shares, the Class B Shares and the Class C Shares; or

(b) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act.

Section 14.3 Liquidation. Upon dissolution of the Company, the Person or Persons approved by the Members to carry out the winding up of the Company shall immediately commence to wind up the Company's affairs; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the satisfaction of liabilities to creditors so as to enable the Members to minimize the normal losses attendant upon a liquidation. The Members shall continue to share Profits and Losses during liquidation as specified in Article VII hereof. The proceeds of liquidation shall be distributed in the following order and priority:

(a) to secured creditors of the Company whether or not they are Members and to unsecured creditors that are not Members, to the extent otherwise permitted by law, in satisfaction of the liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof);

(b) to unsecured creditors of the Company that are Members, to the extent otherwise permitted by law, in satisfaction of the liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof); and

(c) to the holders of the Class A Shares, the Class B Shares and the Class C Shares on a pro rata basis in accordance with their respective Economic Percentage Interests.

Section 14.4 Termination. The Company shall terminate when all of the assets of the Company, after payment, or due provision for all debts, liabilities and obligations, of the Company shall have been distributed to the Members in the manner provided for in this Article XIV and the Certificate shall have been canceled in the manner required by the Delaware Act.

Section 14.5 Claims of the Members. The Members and former Members shall look solely to the Company's assets for the return of their Capital Contributions, and if the assets of the Company remaining after payment of or due provision for all debts, liabilities and obligations of the Company are insufficient to return such Capital Contributions, the Members and former Members shall have no recourse against the Company or any other Member.

ARTICLE XV

MISCELLANEOUS

Section 15.1 Notices. All notices provided for in this Agreement shall be in writing, duly signed by the party giving such notice, and shall be hand delivered, faxed or mailed by registered or certified mail or overnight courier service, as follows:

(a) if given to the Company, to the address (and, if applicable, fax number) specified in Section 2.5 hereof to the attention of the General Counsel of the Company (or, if there be none, to the General Counsel of HSNi); or

(b) if given to any Member, to the person and at the address (and, if applicable, fax number) set forth opposite its name on Schedule A attached hereto, or at such other address (and, if applicable, fax number) as such Member may hereafter designate by written notice to the Company.

All such notices shall be deemed to have been given when received.

Section 15.2 Formation Expenses. Each party shall pay its own expenses incurred in connection with the formation of the Company.

Section 15.3 Failure to Pursue Remedies. The failure of any party to seek redress for violation of, or to insist upon the strict performance of, any provision of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

Section 15.4 Cumulative Remedies. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Section 15.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, legal representatives and assigns.

Section 15.6 Interpretation. All references herein to "Articles," "Sections" and "Paragraphs" shall refer to corresponding provisions of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent in writing and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns. It is the intent of the parties hereto that this Agreement shall be an effectuation of certain terms of the Investment Agreement consistent with such terms of the Investment Agreement and that the provisions of this Agreement should be interpreted to give effect to the Investment Agreement.

Section 15.7 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

Section 15.8 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be construed together and shall constitute one instrument.

Section 15.9 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto other than the Exchange Agreement (including the related letter agreement), the Investment Agreement and the agreements referred to therein (including the Stockholders Agreement). Notwithstanding anything to the contrary contained herein, this Agreement shall not alter any of HSNi's, Universal or Liberty's indemnification obligations under the Investment Agreement or their respective obligations to make Capital Contributions to the Company pursuant to the Investment Agreement.

Section 15.10 Governing Law. This Agreement and the rights of the parties hereunder shall be interpreted in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

Section 15.11 Confidentiality. Each Member expressly acknowledges that such Member will receive confidential and proprietary information relating to the Company, including, without limitation, information relating to the Company's financial condition and business plans, and that the disclosure of such confidential information to a third party would cause irreparable injury to the Company. Except with the prior written consent of the Company or as required by law, no Member shall disclose any such information to a third party (other than on a "need to know" basis to any Affiliate or any employee, agent or representative of such Member or its Affiliates (each of whom shall agree to maintain the confidentiality of such information)), and each Member shall use reasonable efforts to preserve the confidentiality of such information.

ARTICLE XVI

AMENDMENTS

Section 16.1 Amendments. Subject to approval pursuant to Section 4.12 of this Agreement, any amendment to this Agreement shall be adopted and be effective as an amendment hereto if approved by the affirmative vote of 85% of the Total Voting Power of the holders of the Class A Shares, the Class B Shares and the Class C Shares, voting together as a single class, except that any amendment which would adversely affect the rights or obligations of any Member shall be approved by such Member.

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

MEMBERS:

HSN, INC.

By: /s/ James G. Gallagher

Name: James G. Gallagher
Title: Vice President

HOME SHOPPING NETWORK, INC.

By: /s/ James G. Held

Name: James G. Held
Title: President and Chief Executive Officer

UNIVERSAL STUDIOS, INC.

By: Brian C. Mulligan

Name: Brian C. Mulligan
Title: Senior Vice President

LIBERTY MEDIA CORPORATION

By: /s/ Robert R. Bennett

Name: Robert R. Bennett
Title: President and CEO

BARRY DILLER, for purposes of Sections 4.12 and 5.1 of this Agreement

/s/ Barry Diller

Exhibit 10.60

EXCHANGE AGREEMENT

DATED AS OF OCTOBER 19, 1997

BY AND AMONG

HSN, INC.,
(to be renamed
USA Networks, Inc.)

UNIVERSAL STUDIOS, INC.
(and certain of its subsidiaries)

AND

LIBERTY MEDIA CORPORATION
(and certain of its subsidiaries)

TABLE OF CONTENTS

EXCHANGE AGREEMENT

EXCHANGE AGREEMENT, dated as of October 19, 1997, by and among HSN, INC., a Delaware corporation ("HSN"), UNIVERSAL STUDIOS, INC. (for itself and on behalf of Universal Sub and the Universal Newcos), a Delaware corporation ("Universal"), and LIBERTY MEDIA CORPORATION (for itself and on behalf of the Liberty Newcos), a Delaware corporation ("Liberty").

RECITALS

WHEREAS, HSN, Universal and Liberty have entered into an Investment Agreement, dated as of the date hereof (the "Investment Agreement"), pursuant to which, among other things, subject to the terms and conditions contained therein, Universal will acquire (i) shares of HSN Common Stock, par value $.01 per share ("HSN Common Stock"), and/or HSN Class B Common Stock, par value $.01 per share ("HSN Class B Stock" and, together with the HSN Common Stock, "HSN Stock"), and (ii) Class B shares of USAN LLC, a Delaware limited liability company to be formed in connection with consummation of the transactions contemplated by the Investment Agreement ("LLC", and such shares, "Class B LLC Shares"), which may be exchanged from time to time pursuant to the terms hereof and of the Investment Agreement for shares of HSN Common Stock or HSN Class B Common Stock;

WHEREAS, pursuant to the Investment Agreement (or any amendment thereto), Liberty will, at the Holder Closing (as defined in the Investment Agreement), contribute cash or other assets to HSN or the LLC in exchange for shares of HSN Common Stock and/or Class C shares of the LLC ("Class C LLC Shares" and, together with the Class B LLC Shares, the "LLC Shares"), which shares will be mandatorily exchangeable, subject to the terms and conditions hereof, into shares of HSN Common Stock;

WHEREAS, the parties hereto desire to establish in this Agreement certain rights and obligations relating to the exchange of LLC Shares for shares of HSN Stock (as described in Article 6 of the Investment Agreement) and other matters relating to the LLC Shares; and

WHEREAS, the parties have entered into this Agreement in connection with the execution and delivery of the Investment Agreement;

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree, effective, with respect to Universal and HSN, upon the Closing Date and, with respect to Liberty, upon the Holder Closing (as defined in the Investment Agreement), as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Defined Terms. The definitions set forth in this Article shall apply to the following terms when used with initial capital letters in this Agreement.

"Agreement to Transfer" shall mean an agreement by a holder of LLC Shares to transfer, directly or indirectly, the HSN Stock to be issued upon an Exchange to one or more third parties who are entitled or otherwise permitted to Own (in accordance with the Governance Agreement, Stockholders Agreement and FCC Regulations) such HSN Stock (including in connection with a public offering of HSN Stock effected pursuant to a Group's demand and piggyback registration rights under the Stockholders Agreement).

"Available HSN Amount" shall mean, as of the date of determination, the number equal to the difference between (i) the maximum number of shares of HSN Stock which a holder of LLC Shares would, under the FCC Regulations then in effect, then be permitted to Own (in accordance with FCC Regulations), and (ii) the number of shares of HSN Stock then Owned (for purposes of the FCC Regulations) by such holder of LLC Shares, giving effect to the voting power of the stock Owned or to be Owned by such holder (and including all shares of HSN Stock held by the entities known as "BDTV Entities").

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the City of New York, New York are authorized or obligated by law or executive order to remain closed.

"Closing Date" shall mean the date of closing of the transactions with Universal contemplated by the Investment Agreement.

"Closing Price" shall mean, on any Trading Day, (i) the last sale price (or, if no sale price is reported on that Trading Day, the average of the closing bid and asked prices) of a share of HSN Common Stock on the Nasdaq National Market on such Trading Day, or (ii) if the primary trading market for the HSN Common Stock is not the Nasdaq National Market, then the closing sale price regular way on such Trading Day, or, in case no such sale takes place on such Trading Day, the reported closing bid price regular way on such Trading Day, in each case on the principal exchange on which such stock is traded, or (iii) if the Closing Price on such Trading Day is not available pursuant to one of the methods specified above, then the average of the bid and asked prices for the HSN Common Stock on such Trading Day as furnished by any New York Stock Exchange member firm selected from time to time by the HSN Board of Directors for that purpose.

"Contingent Shares" shall mean the shares of HSN Class B Stock (or other securities) which HSN is obligated to issue to Liberty HSN, Inc. pursuant to Section 2(d) and Exhibit A of the Agreement and Plan of Exchange and Merger, dated as of August 25, 1996, by and among House Acquisition Corp., Home Shopping Network, Inc. and Liberty HSN.

"Convertible Securities" shall mean rights, options, warrants and other securities which are exercisable or exchangeable for or convertible into shares of capital stock of any Person at the option of the holder thereof; provided, however, that the term Convertible Securities shall not include the HSN Class B Stock.

"Current Market Price" on the Determination Date for any issuance of rights, warrants or options or any distribution in respect of which the Current Market Price is being calculated, shall mean the average of the daily Closing Prices of the HSN Common Stock for the shortest of:

(a) the period of 20 consecutive Trading Days commencing 30 Trading Days before such Determination Date,

(b) the period commencing on the date next succeeding the first public announcement of the issuance of rights, warrants or options or the distribution in respect of which the Current Market Price is being calculated and ending on the last full Trading Day before such Determination Date, and

(c) the period, if any, commencing on the date next succeeding the Ex-Dividend Date with respect to the next preceding issuance of rights, warrants or options or distribution for which an adjustment is required by the provisions of Section 3.1(a)(i)(4), 3.1(b) or 3.1(c), and ending on the last full Trading Day before such Determination Date.

If the record date for an issuance of rights, warrants or options or a distribution for which an adjustment is required by the provisions of Section 3.1(a)(i)(4), or Section 3.1(b) or (c) (the "preceding adjustment event") precedes the record date for the issuance or distribution in respect of which the Current Market Price is being calculated and the Ex-Dividend Date for such preceding adjustment event is on or after the Determination Date for the issuance or distribution in respect of which the Current Market Price is being calculated, then the Current Market Price shall be adjusted by deducting therefrom the fair market value (on the record date for the issuance or distribution in respect of which the Current Market Price is being calculated), as determined in good faith by the HSN Board of Directors, of the capital stock, rights, warrants or options, assets or debt securities issued or distributed in respect of each share of HSN Common Stock in such preceding adjustment event. Further, in the event that the Ex-Dividend Date (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, combination or reclassification to which Section 3.1(a)(i)(1), Section 3.1(a)(i)(2), Section 3.1(a)(i)(3) or Section 3.1(a)(i)(5) applies occurs during the period applicable for calculating the Current Market Price, then the Current Market Price shall be calculated for such period in a manner determined in good faith by the HSN Board of Directors to reflect the impact of such dividend, subdivision, combination or reclassification on the Closing Prices of the HSN Common Stock during such period.

"Determination Date" for any issuance of rights, warrants or options or any dividend or distribution to which Section 3.1(b) or (c) applies shall mean the earlier of (i) the record date for the determination of stockholders entitled to receive the rights, warrants or options or the dividend or distribution to which such paragraph applies and (ii) the Ex-Dividend Date for such rights, warrants or options or dividend or distribution.

"Exchange" shall mean an exchange of LLC Shares for shares of HSN Stock pursuant to Section 2.1, including a merger or exchange described in Section 2.1(a)(iii).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Exchange Notice" shall mean the written notice required to be delivered to notify HSN or an Eligible Holder, as the case may be, of the exercise of an Exchange Right.

"Exchange Rate" shall mean the kind and amount of securities, assets or other property that as of any date are issuable or deliverable upon exchange of a Class B LLC Share or Class C LLC Share, as the case may be. The Exchange Rate shall initially be one share of HSN Common Stock (or, in the case of Universal, one share of HSN Common Stock or HSN Class B Stock as determined in accordance with the Investment Agreement) per LLC Share. The Exchange Rate shall be subject to adjustment, from time to time, as set forth in Article 3 of this Agreement. In the event that pursuant to Article 3, the LLC Shares become exchangeable for more than one class or series of capital stock of HSN or another Person, the term "Exchange Rate," when used with respect to any such class or series, shall mean the number or fraction of shares or other units of such capital stock that as of any date would be issuable upon exchange of an LLC Share.

"Exchange Right" shall mean the right of a Group or HSN, as the case may be, to effect an Exchange pursuant to Section 2.1.

"Ex-Dividend Date" shall mean the date on which "ex-dividend" trading commences for a dividend, an issuance of rights, warrants or options or a distribution to which any of Section 3.1(a), (b), or (c) applies, in the Nasdaq National Market or on the principal exchange on which the HSN Common Stock is then quoted or traded.

"FCC" shall mean the Federal Communications Commission or any successor regulatory agency.

"FCC Regulations" shall mean as of the applicable date, collectively, all federal communications statutes and all rules, regulations, orders, decrees and policies (including the FCC's Memorandum Opinion and Order released March 11, 1996 and its Memorandum Opinion and Order released June 14, 1996) of the FCC as then in effect, and any interpretations or waivers thereof or modifications thereto.

"Foreign Ownership Limitation" shall mean the maximum aggregate percentage of the capital stock of HSN that may be Owned or voted by or for the account of Non-U.S. Persons under Section 310(b) of the Communications Act of 1934, as amended, to the extent and for so long as such section (or any successor provision) is applicable.

"Governance Agreement" shall mean the governance agreement among HSN, Universal, Liberty and Mr. Diller, dated as of the date hereof (or any successor agreement).

"Group" shall mean the Universal Group or the Liberty Group.

"Holder Closing" shall have the meaning provided in the Investment Agreement.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Issuance Event" shall mean the occurrence of any event or the existence of any fact or circumstance which would permit, under applicable FCC Regulations, a Group (together with any affiliates, to the extent applicable under law) to Own a greater number of shares of HSN Stock than such Group (together with any affiliates, to the extent applicable under law) Owns as of the date of such determination. For purposes of this Agreement, an

Issuance Event which occurs (i) as a result of an order of the FCC, shall be deemed to occur on the date that any such order becomes final and non-appealable, or (ii) as a result of a change in law or regulation of the FCC, shall be deemed to occur on the date such law or regulation was promulgated, enacted or adopted or, if later, the date such law or regulation becomes effective.

"Liberty Group" shall mean, collectively, Liberty and the Liberty Newcos, if any.

"Liberty HSN" shall mean Liberty HSN, Inc., a Colorado corporation and a wholly-owned subsidiary of Liberty.

"Liberty HSN Exchange Shares" shall mean the shares of HSN Common Stock and HSN Class B Common Stock issuable in connection with that certain exchange agreement, dated as of December 20, 1996, by and between HSN and Liberty HSN (the "Liberty Exchange Agreement").

"Liberty Newco" shall mean each wholly-owned subsidiary of Liberty or of an Affiliate of Liberty formed solely for the purpose of acquiring an equity interest in the LLC, which entity shall not, so long as it holds LLC Shares, engage in any other business other than the transactions contemplated by the Investment Agreement, the Stockholders Agreement and related agreements (including this Agreement); provided that prior to the Holder Closing, Liberty and HSN shall agree in good faith as to the appropriate number of Liberty Newcos in order to permit HSN to exercise its rights under Section 2.1(b) from time to time.

"Newco" shall mean a Universal Newco or a Liberty Newco.

"Non-U.S. Persons or Entities" shall mean any foreign government or the representative thereof, any alien or the representative of any alien or any corporation organized under the laws of any foreign country or a foreign government or a representative thereof, as those terms are used in 47 U.S.C. ss. 310(b) (or any successor provision).

"Other Property" shall mean any security (other than HSN Common Stock or HSN Class B Stock), assets or other property deliverable upon the surrender of LLC Shares for Exchange in accordance with this Agreement.

"Own" shall mean record, beneficial or other ownership, direct or indirect, of securities which are attributable to a Person or otherwise owned by a Person in accordance with applicable FCC Regulations. The terms "Ownership" and "Owner" shall have correlative meanings.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, government or agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

"Redemption Securities" shall mean securities of an issuer other than HSN that are distributed by HSN in payment, in whole or in part, of the call, redemption, exchange or other acquisition price for Redeemable Capital Stock.

"Restrictive Condition" means any limitation or restriction imposed on a Person as a result of such Person's acquisition of HSN Stock upon an Exchange, or the imposition of any restriction or limitation of the type referred to in clause (i) of Section 7.6(a) or any requirement that such Person dispose or divest of any HSN Stock or interest therein (including any interest in the entities known as the BDTV Entities) in connection with or as a result of such Exchange.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Stockholders Agreement" shall mean the stockholders agreement among HSN, The Seagram Company Ltd., Universal, Liberty and Mr. Diller, dated as of the date hereof (or any successor agreement).

"Trading Day" shall mean a day on which the primary trading market for the HSN Common Stock is open for the transaction of business.

"Universal Group" shall mean Universal, Universal Sub and the Universal Newcos.

"Universal Newco" shall mean each wholly-owned subsidiary of Universal or of an Affiliate of Universal formed solely for the purpose of acquiring an equity interest in the LLC, which entity shall not, so long as it holds LLC Shares, engage in any other business other than the transactions contemplated by the Investment Agreement, the Stockholders Agreement and related agreements (including this Agreement).

"Universal Sub" shall mean the entity described in Section 1.5 of the Investment Agreement and otherwise complying with the requirements of the definition of Universal Newco.

SECTION 1.2 Additional Defined Terms. The following additional terms listed below shall have the meanings ascribed thereto in the Section (or other provisions hereof) indicated opposite such term:

Term	Section
Additional Contingent Right	7.3
Adjustment Event	3.2
Class B LLC Shares	Recitals
Class C LLC Shares	Recitals
Contract	5.4(d)
Contract Consent	5.4(c)
Contract Notice	5.4(c)
Exchange Date	2.3(d)
Governmental Consent	5.4(b)
Governmental Entity	5.4(b)
Governmental Filing	5.4(b)
HSN	Introduction

HSN Bylaws	5.1
HSN Charter	5.1
HSN Class B Stock	Recitals
HSN Common Stock	Recitals
HSN Preferred Stock	4.1(a)
HSN Stock	Recitals
Investment Agreement	Recitals
Liberty	Introduction
Liberty Exchange Agreement	2.1(a)
Liberty HSN Exchange Shares	2.1(a)
LLC	Recitals
LLC Shares	Recitals
NASD	5.3
Redeemable Capital Stock	3.1(a)(ii)
Redemption Event	3.1(d)
Sale Transaction	2.4(a)
Tendered Exchange Shares	2.4(c)
Transferee	2.4(c)
Universal	Introduction
Violation	5.4(d)

ARTICLE 2

EXCHANGE OF SHARES; TRANSFER OF SHARES

SECTION 2.1 Right to Exchange the LLC Shares. (a) (i) Universal Group Right. The Universal Group shall have the right, from time to time, subject to the terms and conditions of this Agreement, to exchange a number of LLC Shares at the then applicable Exchange Rate (as of the Exchange Date (as defined below)), rounded down to the nearest whole number, for shares of HSN Stock, so long as, after giving effect to such issuance, the Foreign Ownership Limitation would not be exceeded and Universal (or its permitted transferee) is otherwise permitted by law to Own such shares. Universal shall also be entitled to receive upon such Exchange the kind and amount of Other Property (other than shares of HSN Stock) for which such LLC Shares are then exchangeable pursuant to Article 3 hereof. Subject to the provisions of the Investment Agreement, Universal shall be entitled to elect whether to receive shares of HSN Common Stock or HSN Class B Stock in connection with such exchange.

(ii) Liberty Group Right. At such time, or from time to time, that Liberty is entitled or otherwise permitted to Own additional shares of HSN Stock in accordance with paragraph (c) of this Section 2.1, the Liberty Group shall have the right, subject to the terms and conditions of this Agreement, to exchange a number of LLC Shares at the then applicable Exchange Rate (as of the Exchange Date), rounded down to the nearest whole number, for shares of HSN Common Stock which would result in the issuance to such holder of a number of shares of HSN Common Stock no greater than the then Available HSN Amount. Liberty shall also be entitled to receive upon such Exchange the kind and amount of Other Property (other than shares of HSN Stock) for which such LLC Shares are then exchangeable pursuant to Article 3 hereof.

(iii) Alternative Merger. With respect to any exchange provided for in this Agreement, Universal or Liberty, as the case may be, may, in lieu of such exchange, effect a transaction intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of a member or members of the Universal Group or the Liberty Group, as the case may be, that owns LLC Shares by either (A) merging such member or members of the Universal Group or the Liberty Group, as the case may be (other than Universal or Liberty), with and into HSN (or, subject to HSN's consent, which consent shall not be unreasonably withheld and shall be exercised in good faith, with any direct wholly owned subsidiary of HSN) or (B) exchanging all of the issued and outstanding stock of such member or members of the Universal Group or the Liberty Group, as the case may be, for a number of shares of HSN Common Stock (or, in the case of Universal, shares of HSN Class B Stock as described in this Section), in the case of clause (A) or (B) as provided in this paragraph. It shall be a condition to HSN's obligation to effect any such merger or exchange that the representations set forth in Section 6.3 are true and correct, and the party hereto electing to effect such merger or exchange shall have agreed to indemnify HSN with respect to any liabilities of the Group member (regardless of materiality) pursuant to a customary indemnification agreement reasonably satisfactory to HSN. In the event that such condition cannot be satisfied, then Universal or Liberty, as the case may be, shall not be entitled to the right described in this paragraph and such exchange shall be effected as otherwise provided in this Agreement.

In the case of a merger or exchange described in this paragraph, the Exchange Rate for each outstanding share of stock of the member of the respective Group shall be calculated by dividing the number of LLC Shares owned by such member of the respective Group by the number of shares of stock of such member issued and outstanding. The Exchange Rate shall be adjusted as contemplated by the definition thereof to include Other Property as applicable.

HSN shall take all reasonable actions to cause any merger pursuant to clause (A) above to qualify as a statutory merger under state law and shall make all required tax filings in connection with such merger.

(b) (i) At such time as Liberty is entitled or otherwise permitted to Own additional Shares of HSN Stock in accordance with paragraph (c) of this Section 2.1, but following the issuance or expiration of the Contingent Shares and prior to the exchange of any Liberty HSN Exchange Shares, HSN and Liberty shall be obligated, subject to the terms and conditions of this Agreement, to exchange a number of LLC Shares held by the Liberty Group at the then applicable Exchange Rate (as of the Exchange Date) for shares of HSN Common Stock, rounded down to the nearest whole number, which would result in the issuance to such holder of a number of shares of HSN Common Stock up to the then Available HSN Amount. Any Exchange described in this Section shall be effected by means of the merger described in Section 2.1(a)(iii) and shall be subject to paragraph (d) below, provided that if such Exchange would not satisfy the condition set forth in paragraph (d)(i)(A) below, HSN may elect to effect such Exchange in any reasonable manner to the extent that HSN agrees to indemnify Liberty for any taxable income recognized by it as a result of such other manner of Exchange (compared to an Exchange under Section 2.1(a)(iii)), on terms reasonably acceptable to Liberty. Such holder shall also be entitled to receive upon such Exchange, the kind and amount of Other Property (other than shares of HSN Stock) for which such LLC Shares are then exchangeable pursuant to Article 3 hereof.

(ii) In the event that the exchange with the Liberty Group described in this paragraph is with a Liberty Newco, HSN shall only be permitted to effect such exchange with respect to all LLC Shares held by any single Liberty Newco.

(iii) HSN shall have the option, which may be exercised at any time or from time to time, after the issuance or expiration of all Contingent Shares, to suspend the mandatory exchange described in this paragraph as well as Liberty HSN's right to exchange the Liberty HSN Exchange Shares in connection with a future issuance of shares of HSN Stock in order to permit HSN to purchase or redeem (in compliance with applicable law, including the FCC Regulations) up to 10 million shares of HSN Stock, which suspension shall remain in effect as long as HSN continues to make diligent efforts to effect such purchase or redemption and to complete such repurchases as promptly as reasonably practicable.

(c) A Group shall be deemed to be entitled or otherwise permitted to own additional shares of HSN Stock (i) upon the occurrence of an Issuance Event or (ii) in connection with an Agreement to Transfer; provided that in the case of clause (ii), all conditions to such transfer (other than the issuance of the applicable number of shares of HSN Stock and other than any conditions which are capable of being satisfied only at the closing of such transfer) have been satisfied or waived by the applicable parties. In the case of an Exchange in connection with an Agreement to Transfer, such holder shall be deemed to be entitled or otherwise permitted to Own the number of shares of HSN Stock subject to such agreement and which the applicable Transferee is entitled or otherwise permitted to Own.

(d) (i) It shall be a condition to the obligation of the Liberty Group to consummate an Exchange that is mandatory pursuant to this Agreement (including under subsection (b) above) that:

(A) only in the case of an Exchange described in Section 2.1(a)(iii), that such Exchange not be taxable to such holder; provided, however, (x) that to the extent that the taxability of such Exchange was caused by or resulted from (1) any action or inaction by a member of the Liberty Group or any controlled affiliate thereof (other than any action or inaction specifically contemplated or required by the Investment Agreement, the Stockholders Agreement or this Agreement), or (2) the laws and regulations in effect as of the Closing Date, then such holder shall not be entitled to assert the failure of this condition; and (y) in the case of a Sale Transaction, the only condition under this clause (A) shall be that HSN and any other party to such transaction comply with the applicable requirements set forth in Section 2.4 regarding tax matters; and

(B) such Exchange not result in the creation or imposition of any Restrictive Condition with respect to any member of the Liberty Group or with respect to any shares received in the Exchange.

(ii) It shall be a condition to the obligation of the Universal Group to consummate an Exchange that is mandatory pursuant to Section 2.4 of this Agreement that:

(A) HSN has complied with the covenants set forth in Section 2.4 regarding tax matters; and

(B) such Exchange not result in the creation or imposition of any Restrictive Condition with respect to any member of the Universal Group or with respect to any shares received in the Exchange.

(e) HSN's right and obligation to effect an Exchange shall be deferred to the extent that the number of shares of HSN Stock which would then otherwise be required to be issued to a Group upon such Exchange is less than 25,000 (which number shall be adjusted to give effect to any stock splits, reverse splits, recapitalizations or the like); provided, however, that any such LLC Shares not then required to be exchanged as a result of the provisions of this paragraph shall be exchanged at such time as such number of shares of HSN Stock issuable upon the Exchange of all LLC Shares then required or permitted to be exchanged equals or exceeds such number, at which time, subject to the other conditions herein, the parties shall execute each such Exchange. The deferral set forth in this paragraph shall not be applicable in the event that upon the Exchange of all of the outstanding LLC Shares by a Group, such holder would be entitled to receive in the aggregate less than 25,000 shares of HSN Stock.

SECTION 2.2 Disputes Concerning Occurrence of an Issuance Event and Available HSN Amount. The determination of whether or not a holder is entitled or otherwise permitted to Own additional shares of HSN Stock and the determination of the Available HSN Amount issuable to the applicable holder, shall be made in the good faith reasonable determination of the Person exercising the Exchange Right based upon FCC Regulations. In the event of any dispute between HSN and a holder of LLC Shares with respect to whether a holder is entitled or otherwise permitted to Own additional shares of HSN Stock or the determination of the Available HSN Amount issuable to such holder, such dispute shall be resolved by delivery to HSN and such holder of a written opinion addressed to each of HSN and such holder (which opinion shall be in form and substance reasonably satisfactory to HSN and such holder and shall not be subject to material qualifications or limitations) of counsel to HSN specializing in FCC matters as to the matters that are the subject of any such dispute. Such opinion shall be delivered within 10 Business Days after notice by either HSN or such holder to the other party that the matter is outstanding and has not been resolved between them. In the event that no such opinion is delivered within 10 Business Days after such notice, the matter shall be resolved in favor of such holder.

SECTION 2.3 Mechanics of the Exchange. (a) A Group may exercise the Exchange Right set forth in Section 2.1(a) above by delivering an Exchange Notice to HSN. Subject to the terms and conditions thereof, HSN shall exercise the Exchange Right set forth in Section 2.1(b) above by delivering an Exchange Notice to the Liberty Group. If HSN delivers the Exchange Notice, such notice shall set forth in reasonable detail the facts and circumstances which have entitled or otherwise permitted such holder to Own additional shares of HSN Stock, the Available HSN Amount, a brief description of the method used to calculate such amount and the Exchange Rate in effect at such time. If a holder delivers the Exchange Notice, such notice shall include the same information, to the extent known by such holder, and shall also set forth whether the holder elects to effect the Exchange under Section 2.1(a)(iii) and the number of LLC Shares such holder desires to exchange or that are Owned by the member. Universal shall in its Exchange Notice indicate the number and type of shares of HSN Stock Universal requests be issued in respect of such Exchange. Each Exchange Notice shall be irrevocable, and upon receipt of an Exchange Notice and satisfaction of the conditions to such Exchange, HSN and such holder shall be obligated to effect such Exchange.

(b) Subject to the resolution of any disputes pursuant to Section 2.2 and subject to Section 2.1(d) and (e), as promptly as practicable following receipt or delivery by HSN of an Exchange Notice, each of HSN and the applicable holder shall, and shall cause each of its respective subsidiaries and the officers, directors and employees of such Person and such Person's subsidiaries to, (i) make any and all required applications or filings with, and seek any required authorizations, consents, approvals, waivers, licenses, franchises, permits or certificates from, any governmental or regulatory agencies (including, but not limited to, with the FCC and under the HSR Act), (ii) use all reasonable efforts to obtain any and all such authorizations, consents, approvals, waivers, licenses, franchises, permits or certificates and the expiration or termination of any applicable waiting period under the HSR Act, in each case, which are reasonably necessary in connection with the applicable Exchange, and (iii) use reasonable efforts to cooperate with, and express its support for, such other party's efforts to obtain any such authorizations, consents, approvals, waivers, licenses, franchises, permits and certificates and the expiration or termination of any applicable waiting period under the HSR Act. Upon receipt of such authorizations, consents, approvals, waivers, license, franchises, permits or certificates or the expiration or termination of such waiting period, as the case may be, HSN or the holder, as the case may be, shall notify the other of such receipt, expiration or termination. Within 5 Business Days of the receipt of any required authorizations, consents, approvals, waivers, licenses, franchises, permits or certificates and the termination or expiration of any applicable waiting period under the HSR Act has terminated, and all required filings, notifications, registrations and qualifications with federal, state, and local governmental and regulatory authorities have been obtained, such holder of the LLC Shares specified (or the shares of the member of the Group, if applicable) in the applicable Exchange Notice shall surrender for exchange the appropriate stock certificate(s) pursuant to Section 2.3(c) hereof.

(c) At such time as all required consents, approvals, waivers and terminations described in Section 2.3(b) have been obtained or waived and provided that the conditions set forth in Section 2.2(e) have been satisfied (if applicable), the holder shall surrender such holder's certificate or certificates for the LLC Shares (or the shares of the member of the Group, if applicable) to be exchanged, with appropriate stock powers attached, duly endorsed, at the office of HSN or any transfer agent for HSN's stock, together with a written notice to HSN that such holder is exchanging all or a specified number of LLC Shares (or the shares of the member of the Group, if applicable), represented by such certificate or certificates and stating the name or names in which such holder desires the certificate or certificates for HSN Stock, to be issued. Promptly thereafter, HSN shall (i) issue and deliver to such holder or such holder's nominee or nominees, a certificate or certificates representing the HSN Stock to be issued, conveyed and delivered to such holder pursuant to Section 2.1, with any necessary documentary or transfer tax stamps duly affixed and canceled, dated the applicable Exchange Date (as defined below), and such certificates shall be issued to and registered in the name of the applicable holder or in such other name as such holder shall request, and, (ii) if applicable, file a certificate of merger. Certificates representing HSN Stock include appropriate legends based on federal and state securities laws.

(d) Each Exchange shall be deemed to have been effected at the close of business on the date (the "Exchange Date") of receipt by HSN or any such transfer agent of the certificate or certificates and notice referred to in paragraph (c) above and, in any case, no later than five Business Days after all applicable conditions to such Exchange have been satisfied or upon the filing of a certificate of merger, if applicable. Each Exchange shall be at the Exchange Rate in effect immediately prior to the close of business on the Exchange

Date. If any transfer is involved in the issuance or delivery of any certificate or certificates for shares of HSN Stock in a name other than that of the registered holder of the LLC Shares (or the shares of the member of the Group, if applicable), surrendered for exchange, such holder shall also deliver to HSN a sum sufficient to pay all stock transfer taxes, if any, payable in respect of such transfer or evidence satisfactory to HSN that such stock transfer taxes have been paid. Except as provided above, HSN shall pay any issue, stamp or other similar tax in respect of such issuance or delivery.

(e) The Person or Persons entitled to receive the shares of HSN Stock issuable on such Exchange shall be treated for all purposes as the record holder or holders of such shares of HSN Stock, as of the close of business on the Exchange Date; provided, however, that no surrender of LLC Shares (or the shares of the member of the Group, if applicable) on any date when the stock transfer books of HSN are closed for any purpose shall be effective to constitute the Person or Persons entitled to receive the shares of HSN Stock, deliverable upon such Exchange as the record holder(s) of such shares of HSN Stock, on such date, but such surrender shall be effective (assuming all other requirements for the valid Exchange of such shares have been satisfied) to constitute such Person or Persons as the record holder(s) of such shares of HSN Stock for all purposes as of the opening of business on the next succeeding day on which such stock transfer books are open, and such Exchange shall be at the Exchange Rate in effect on the Exchange Date as if the stock transfer books of HSN had not been closed on such date. Without limiting the first sentence of this paragraph (e), as of the close of business on an Exchange Date, the rights and obligations of the holder of the applicable LLC Shares, as a holder thereof, shall cease (other than with respect to such holder's right to receive the applicable number of shares of HSN Stock and its obligation to deliver the applicable certificate(s) for shares of HSN Stock as provided herein).

(f) Holders of LLC Shares at the close of business on a record date for any payment of declared dividends or distributions on such shares shall be entitled to receive the dividend payable on such shares on the corresponding dividend payment date notwithstanding the effective Exchange of such shares following such record date and prior to the corresponding dividend payment date; provided that in the event of a merger under Section 2.1(a)(iii), the holder of the stock of such member shall be entitled to such dividend or distribution.

(g) If LLC Shares represented by a certificate surrendered for exchange are exchanged in part only, then simultaneously with any such Exchange, HSN shall cause the LLC to issue and deliver to the registered holder, without charge therefor, a new certificate or certificates representing in the aggregate the number of unexchanged shares.

SECTION 2.4 Sale Transaction. (a) Subject to applicable law, each of the Universal Group and the Liberty Group agrees to immediately exercise its option with respect to an Exchange provided for in this Article 2 with respect to all LLC Shares held by any member of its Group simultaneously with the consummation of a merger, consolidation or amalgamation between HSN and another entity (other than an affiliate of HSN) in which HSN is acquired by such other entity or a person who controls such entity, other than a subsidiary of HSN (a "Sale Transaction"); provided that if such Sale Transaction can be effected as to the applicable holders as a tax-free exchange involving a merger or exchange of shares of members of the Universal Group (other than Universal) or Liberty Group (other than Liberty), as the case may be, the Sale Transaction shall be structured in such

manner in lieu of such members exercising the option to effect an Exchange and, in lieu of receiving shares of HSN Stock upon consummation of an Exchange, such Persons shall be entitled to receive the type and amount of consideration that such Persons would have received had such Exchange been consummated immediately prior to the Sale Transaction, unless the alternative structure described in this paragraph would materially adversely affect the ability of HSN to consummate such Sale Transaction. In the case of a Sale Transaction which provides for holders of HSN Stock to elect the form of consideration, HSN shall make reasonable provision so that holders of LLC Shares may similarly make such election, to the same extent that would be the case had such holder held shares of HSN Stock immediately prior to the time of such election.

(b) To the extent that a member of the Universal Group or the Liberty Group is not permitted by law (including FCC Regulations) to take the actions described in paragraph (a) above, in connection with a Sale Transaction, the Exchange Rate shall, upon consummation of such transaction, be adjusted to reflect the right to receive for each share of HSN Stock issuable pursuant to this Article 2, the same consideration per share to be received by the holders of HSN Common Stock in the Sale Transaction.

(c) If a tender offer or exchange offer has been commenced for HSN Common Stock (other than by HSN or a subsidiary of HSN) and, to the extent permissible under the terms of the Governance Agreement, either Universal or Liberty wishes to tender their respective LLC Shares or the stock of Universal Sub, the Universal Newcos, or the Liberty Newcos, as the case may be, in such tender or exchange offer, Universal or Liberty may at its option, either: (i) simultaneously tender its shares of HSN Stock received pursuant to an Exchange ("Tendered Exchange Shares") to the exchange agent in such tender offer and exercise its right to exchange LLC Shares for such shares in accordance with the provisions of Section 2.1 (a) and the terms of this Agreement; provided that any such exercise shall be conditioned on, and subject to, the consummation of such tender offer; provided, further, that in the event that fewer than all Tendered Exchange Shares are purchased in the tender offer, the exchange shall only occur with respect to such Tendered Exchange Shares that are purchased in the tender offer and the remaining Tendered Exchange Shares shall be returned to Universal or Liberty, as the case may be, or (ii) transfer such LLC Shares or the stock of Universal Sub, the Universal Newcos or the Liberty Newcos, as the case may be, to a person or entity (the "Transferee") which (A) is not considered to be a foreign owner for purposes of the FCC alien ownership rules and who would otherwise be permitted to lawfully hold the shares of HSN Stock underlying the right to effect the Exchange and (B) agrees to be bound by the terms of this Agreement, and such Transferee shall exercise such Exchange right immediately prior to the closing of the tender offer solely for purposes of participating in such tender offer and pay the proceeds to Universal or Liberty, as the case may be. In the case of clause (ii) above, in the event that less than all the HSN Stock represented by the exchanged LLC Shares are purchased in such tender offer or the tender offer is not consummated, at HSN's election, either (x) the Transferee shall exchange with HSN such shares of HSN Stock not purchased in the tender offer for a number of LLC Shares (based on the Exchange Rate and which LLC Shares shall have the same terms as the original right contained herein), and HSN shall deliver such shares and issue such replacement right to exchange to the Transferee and the Transferee shall transfer such LLC Shares and related right to exchange to Universal or Liberty, as the case may be, or (y) permit Universal or Liberty, as the case may be, to hold the LLC Shares not purchased in the tender offer.

(d) In connection with any of the transactions described in this Section 2.4 with respect to which HSN is a party to any agreement or contract relating thereto, HSN shall require that effective provision be made in any such transaction agreements or otherwise so that the provisions set forth herein relating to any LLC Shares that are not exchanged in connection with such transaction pursuant to paragraph (a) of this Section shall be entitled to the same rights of Exchange as provided herein, as nearly as reasonably may be practicable, to any other securities and assets deliverable upon an Exchange. The resulting or surviving corporation of any such transaction shall expressly assume the obligation to deliver, upon the exercise of an Exchange, such securities, cash or other assets as the holders of LLC Shares shall be entitled to receive pursuant to the provisions hereof, and to make provision for the protection of the exchange of LLC Shares as provided in the preceding sentence.

SECTION 2.5 Transfer Restrictions. (a) Except as otherwise set forth in this Article 2 in connection with an Exchange, the rights and obligations of each Group to effect an Exchange shall not be transferable by any member of such Group.

(b) (i) Except as permitted pursuant to Section 2.3(a), Universal shall not sell or otherwise transfer any of its shares in Universal Sub or any Universal Newco while such entity holds LLC Shares (other than to another member of such Group) (provided that a merger or consolidation not in violation of with the Governance Agreement in which Universal is a constituent corporation shall be deemed not to be the transfer of shares beneficially owned by Universal if a significant purpose of such transaction is not to avoid the provisions of this Agreement), and Liberty shall not sell or otherwise transfer any of its shares in any Liberty Newco while such entity holds LLC Shares (other than to another member of such Group).

(ii) Except in connection with the exercise of a right or obligation to exchange LLC Shares (or shares of a member of the Universal Group or the Liberty Group) (including pursuant to a transfer provided for in Sections 2.4(a) and (c)), or the hypothecation, pledge or creation of a lien or security interest in LLC Shares by HSN or its affiliates (including Home Shopping Network, Inc.), except as specifically contemplated by the Investment Agreement, none of HSN, Home Shopping Network, Inc., any Universal Newco, Liberty or any Liberty Newco shall directly or indirectly transfer, pledge or create a lien or security interest in their respective LLC Shares to any other person or entity. The parties agree that any attempt to make or create such transfer, pledge, lien or security interest shall be null and void and of no force and effect. The foregoing notwithstanding, Universal or Liberty (so long as, in the case of Liberty, such pledge does not impair HSN's right to cause an Exchange hereunder), may pledge LLC Shares in connection with a bona fide financing, provided that the pledgee agrees with HSN to effect an Exchange promptly upon any foreclosure of such pledge and is permitted to Own such shares of HSN Stock.

(iii) Notwithstanding paragraphs (i) and (ii), a holder may transfer shares of the members of its Group so long as, after giving effect to such transfer, such member continues to be a controlled member of the Group and the transfer is not otherwise in violation of the Stockholders Agreement or the Governance Agreement. Any such transfer shall be deemed an action taken by the applicable holder, including for purposes of the tax matters in this Agreement.

(c) Without limiting the foregoing, HSN shall cooperate with each of the Universal Group and Liberty Group to ensure that, by virtue of holding LLC Shares, neither Universal nor Liberty is disadvantaged in connection with a Sale Transaction or tender or exchange offer by virtue of holding LLC Shares.

ARTICLE 3

EXCHANGE RATE ADJUSTMENTS

SECTION 3.1 Exchange Rate Adjustments. Subject to Section 3.5 hereof, the Exchange Rate shall be subject to adjustment from time to time as provided below in this Section 3.1.

(a) (i) If HSN shall, after the Closing Date:

(1) pay a stock dividend or make a distribution on the outstanding shares of HSN Common Stock in shares of HSN Common Stock,

(2) subdivide or split the outstanding shares of HSN Common Stock into a greater number of shares,

(3) combine the outstanding shares of HSN Common Stock into a smaller number of shares,

(4) pay a dividend or make a distribution on the outstanding shares of HSN Common Stock in shares of its capital stock (other than HSN Common Stock, or rights, warrants or options for its capital stock), or

(5) issue by reclassification of its outstanding shares of HSN Common Stock (other than a reclassification by way of merger or binding share exchange that is subject to Section 3.2) any shares of its capital stock (other than rights, warrants or options for its capital stock),

then, in any such event, the Exchange Rate, in effect immediately prior to the opening of business on the record date for determination of stockholders entitled to receive such dividend or distribution or the effective date of such subdivision, split, combination or reclassification, as the case may be, shall be adjusted so that the holder of LLC Shares shall thereafter be entitled to receive, upon exchange of such shares, the number of shares of HSN Common Stock (or, in the case of permitted election by Universal pursuant to Section 2.1(a) and the Investment Agreement, HSN Class B Stock) or other capital stock (or a combination of the foregoing) of HSN which such holder would have owned or been entitled or otherwise permitted to receive immediately following such event if such holder had exchanged its LLC Shares immediately prior to the record date for, or effective date of, as applicable, such event.

(ii) Notwithstanding the foregoing, if an event listed in clause (4) or (5) above would result in the LLC Shares being exchangeable for shares or units (or a fraction thereof) of more than one class or series of capital stock of HSN and any such class or

series of capital stock provides by its terms a right in favor of HSN to call, redeem, exchange or otherwise acquire all of the outstanding shares or units of such class or series (such class or series of capital stock being herein referred to as "Redeemable Capital Stock") for consideration that may include Redemption Securities, then the Exchange Rate shall not be adjusted pursuant to this subparagraph (a) and in lieu thereof, the holders of such LLC Shares shall be entitled to the rights contemplated by paragraph (c) with the same effect as if the dividend or distribution of such Redeemable Capital Stock or the issuance of the additional class or series of such Redeemable Capital Stock by reclassification had been a distribution of assets of HSN to which such paragraph (c) is applicable.

(iii) The adjustment contemplated by this paragraph (a) shall be made successively whenever any event listed above shall occur. For a dividend or distribution, the adjustment shall become effective at the opening of business on the Business Day next following the record date for such dividend or distribution. For a subdivision, split, combination or reclassification, the adjustment shall become effective immediately after the effectiveness of such subdivision, split, combination or reclassification.

(iv) If after an adjustment pursuant to this paragraph (a) a holder of LLC Shares would be entitled to receive upon exchange thereof shares of two or more classes or series of capital stock of HSN, the Exchange Rate shall thereafter be subject to adjustment upon the occurrence of an action contemplated by this Section 3.1 taken with respect to any such class or series of capital stock other than HSN Common Stock on terms comparable to those applicable to the HSN Common Stock pursuant to this Section 3.1.

(b) (i) Subject to Section 3.5 hereof, if HSN shall, after the Closing Date, distribute rights, warrants or options to all or substantially all holders of its outstanding shares of HSN Common Stock and/or HSN Class B Stock entitling them (for a period not exceeding 45 days from the record date referred to below) to subscribe for or purchase shares of HSN Common Stock (or Convertible Securities for shares of HSN Common Stock) at a price per share (or having an exercise, exchange or conversion price per share, after adding thereto an allocable portion of the exercise price of the right, warrant or option to purchase such Convertible Securities, computed on the basis of the maximum number of shares of HSN Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities) less than the Current Market Price on the applicable Determination Date, then, in any such event, the Exchange Rate shall be adjusted by multiplying such exchange rate in effect immediately prior to the opening of business on the record date for the determination of stockholders entitled to receive such distribution by a fraction, of which the numerator shall be the number of shares of HSN Common Stock outstanding on such record date plus the number of additional shares of HSN Common Stock so offered pursuant to such rights, warrants or options to the holders of HSN Common Stock (and to holders of Convertible Securities for shares of HSN Common Stock) for subscription or purchase (or into which the Convertible Securities for shares of HSN Common Stock so offered are exercisable, exchangeable or convertible), and of which the denominator shall be the number of shares of HSN Common Stock outstanding on such record date plus the number of additional shares of HSN Common Stock which the aggregate offering price of the total number of shares of HSN Common Stock so offered (or the aggregate exercise, exchange or conversion price of the Convertible Securities for shares of HSN Common Stock so offered, after adding thereto the aggregate exercise price of the rights, warrants or options to purchase such Convertible Securities) to the holders of HSN Common Stock (and

to such holders of Convertible Securities for shares of HSN Common Stock) would purchase at such Current Market Price.

(ii) The adjustment contemplated by this paragraph (b) shall be made successively whenever any such rights, warrants or options are distributed, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution. If all of the shares of HSN Common Stock (or all of the Convertible Securities for shares of HSN Common Stock) subject to such rights, warrants or options have not been issued when such rights, warrants or options expire (or, in the case of rights, warrants or options to purchase Convertible Securities for shares of HSN Common Stock which have been exercised, if all of the shares of HSN Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities have not been issued prior to the expiration of the exercise, exchange or conversion right thereof), then the Exchange Rate shall promptly be readjusted to the Exchange Rate which would then be in effect had the adjustment upon the issuance of such rights, warrants or options been made on the basis of the actual number of shares of HSN Common Stock (or such Convertible Securities) issued upon the exercise of such rights, warrants or options (or the exercise, exchange or conversion of such Convertible Securities).

(iii) No adjustment shall be made under this paragraph (b) if the adjusted Exchange Rate would be lower than the Exchange Rate in effect immediately prior to such adjustment, other than in the case of an adjustment pursuant to the last sentence of paragraph (b)(ii). The adjustment pursuant to this paragraph in respect of any one event offered to holders of both HSN Common Stock and HSN Class B Stock shall be made only once.

(c) (i) Subject to Section 3.5 hereof, if HSN shall, after the Closing Date, (x) pay a dividend or make a distribution to all or substantially all holders of its outstanding shares of HSN Common Stock and/or HSN Class B Stock of any assets (including cash) or debt securities or any rights, warrants or options to purchase securities (excluding dividends or distributions referred to in paragraph (a) (except as otherwise provided in clause (y) of this sentence) and distributions of rights, warrants or options referred to in paragraph (b)), or (y) pay a dividend or make a distribution to all or substantially all holders of its outstanding shares of HSN Common Stock and/or HSN Class B Stock of Redeemable Capital Stock, or issue Redeemable Capital Stock by reclassification of the HSN Common Stock and/or HSN Class B Stock, and pursuant to paragraph (a) such Redeemable Capital Stock is to be treated the same as a distribution of assets of HSN subject to this paragraph (c), then, in any such event, from and after the record date for determining the holders of HSN Common Stock and HSN Class B Stock entitled to receive such dividend or distribution, a holder of LLC Shares that exchanges such shares in accordance with the provisions of this Agreement will upon such Exchange be entitled to receive, in addition to the shares of HSN Common Stock or HSN Class B Stock for which such shares are then exchangeable, the kind and amount of assets or debt securities or rights, warrants or options to purchase securities comprising such dividend or distribution that such holder would have received if such holder had exchanged such LLC Shares immediately prior to the record date for determining the holders of HSN Common Stock or HSN Class B Stock entitled to receive such distribution. The adjustment pursuant to this paragraph in respect of any one event offered to holders of both HSN Common Stock and HSN Class B Stock shall be made only once.

(ii) The adjustment pursuant to the foregoing provisions of this paragraph (c) shall be made successively whenever any dividend or distribution or reclassification to which this paragraph (c) applies is made, and shall become effective immediately after (x) in the case of a dividend or distribution, the record date for the determination of stockholders entitled to receive such dividend or distribution or (y) in the case of a reclassification, the effective date of such reclassification.

(d) In the event that a holder of LLC Shares would be entitled to receive upon exercise of an Exchange pursuant to this Agreement any Redeemable Capital Stock and HSN redeems, exchanges or otherwise acquires all of the outstanding shares or other units of such Redeemable Capital Stock (such event being a "Redemption Event"), then, from and after the effective date of such Redemption Event, the holders of LLC Shares then outstanding shall be entitled to receive upon the Exchange of such shares (in addition to the consideration such holders are otherwise entitled to receive pursuant to this Agreement), in lieu of shares or any units of such Redeemable Capital Stock, the kind and amount of securities, cash or other assets receivable upon the Redemption Event (less any consideration paid to HSN by a holder of HSN Stock in connection with such holders' receipt of Redemption Securities upon such Redemption Event (other than the surrender of shares of Redeemable Capital Stock)) by a holder of the number of shares or units of such Redeemable Capital Stock for which such LLC Shares could have been exchanged immediately prior to the effective date of such Redemption Event (assuming, to the extent applicable, that such holder failed to exercise any rights of election with respect thereto and received per share or unit of such Redeemable Capital Stock the kind and amount of securities, cash or other assets received per share or unit by a plurality of the non-electing shares or units of such Redeemable Capital Stock) (as such type and amount of securities may be adjusted in accordance with this Agreement to reflect events or actions subsequent to the Redemption Event), and from and after the effective date of such Redemption Event the holders of LLC Shares shall have no other exchange rights under these provisions with respect to such Redeemable Capital Stock.

(e) If this Section 3.1 shall require that an adjustment be made to the Exchange Rate, such adjustment shall apply to any Exchange effected after the record date for the event which requires such adjustment notwithstanding that such Exchange is effected prior to the occurrence of the event which requires such adjustment.

(f) All adjustments to the Exchange Rate shall be calculated to the nearest 1/1000th of a share. No adjustment in either such exchange rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein; provided, however, that any adjustment which by reason of this paragraph (f) is not required to be made shall be carried forward and taken into account in any subsequent adjustment. No adjustment need be made for a change in the par value of the HSN Common Stock and/or HSN Class B Stock. To the extent the LLC Shares become exchangeable for cash, no adjustment need be made thereafter as to the cash and no interest shall accrue on such cash, except to the extent (as required under applicable law or otherwise) such cash is to be held separate for the benefit of the holder, in which case the cash shall be placed in an interest-bearing account with such interest for the benefit of the holder.

(g) HSN shall be entitled, to the extent permitted by law, to make such increases in the Exchange Rate, in addition to those referred to above in this Section 3.1, as HSN determines to be advisable in order that any stock dividends, subdivisions of shares,

reclassification or combination of shares, distribution of rights, options or warrants to purchase stock or securities, or a distribution of other assets hereafter made by HSN to its stockholders shall not be taxable.

(h) There shall be no adjustment to the Exchange Rate in the event of the issuance of any stock or other securities or assets of HSN in a reorganization, acquisition or other similar transaction, except as specifically provided in this Section 3.1 or, if applicable, Section 3.2. In the event this Section 3.1 requires adjustments to the Exchange Rate under more than one of paragraph (a), (b) or (c), and the record dates for the dividends or distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying first, the provisions of paragraph (a), second, the provisions of paragraph (c) and third, the provisions of paragraph (b).

SECTION 3.2 Notice of Adjustment. Whenever the Exchange Rate is adjusted as provided in Section 3.1 or 3.4 (an "Adjustment Event"), HSN shall:

(a) compute the adjusted Exchange Rate in accordance herewith and prepare a certificate signed by an officer of HSN setting forth the adjusted Exchange Rate, the method of calculation thereof and the facts requiring such adjustment and upon which such adjustment is based, all in reasonable detail; and

(b) promptly mail a copy of such certificate and a notice to the holders of the outstanding LLC Shares.

The notice of adjustment and such certificate shall be mailed at or prior to the time HSN mails an interim statement, if any, to its stockholders covering the fiscal quarter during which the facts requiring such adjustment occurred, but in any event within 45 days following the end of such fiscal quarter; provided that if an Adjustment Event occurs following delivery of an Exchange Notice but prior to the Exchange Date, HSN shall mail the notice of adjustment as soon as practicable following the Adjustment Event but in no event later than five days prior to the applicable Exchange Date.

SECTION 3.3 Notice of Certain Transactions. In case, at any time while any of the LLC Shares are outstanding,

(a) HSN takes any action which would require an adjustment to the Exchange Rate;

(b) HSN shall authorize (i) any consolidation, merger or binding share exchange to which HSN is a party, for which approval of the stockholders of HSN is required or (ii) the sale or transfer of all or substantially all of the assets of HSN (including any Sale Transaction); or

(c) HSN shall authorize the voluntary dissolution, liquidation or winding up of HSN or HSN is the subject of an involuntary dissolution, liquidation or winding up;

then HSN shall cause to be filed at each office or agency maintained for the purpose of exchange of LLC Shares and shall cause to be mailed to each holder of LLC Shares at its last address as it shall appear on the stock register, at least 10 days before the record date (or other date set for definitive action if there shall be no record date), a notice stating the

action or event for which such notice is being given and the record date for (or such other date) and the anticipated effective date of such action or event; provided, however, that any notice required hereunder shall in any event be given no later than the time that notice is given to the holders of HSN Common Stock or HSN Class B Stock.

SECTION 3.4 Exchange Rate Adjustments for Actions of the LLC. In the event of the occurrence of any of the transactions or other events described in paragraphs (a)-(d) of Section 3.1 or in Section 2.4(a) with respect to the LLC Shares, or otherwise affecting the LLC, the Exchange Rate shall be appropriately adjusted in the manner contemplated by Sections 3.1 and 2.4(a), mutatis mutandis, so that each holder's LLC Shares thereafter shall become exchangeable for the kind and amount of HSN Stock or Other Property, upon the Exchange of such holder's LLC Shares, that such holder would have received had such holder exchanged all of its LLC Shares pursuant to this Agreement immediately prior to the applicable Determination Date (or other comparable date) for such transaction or other event. In addition to its obligation to adjust the Exchange Rates, HSN's other rights and obligations set forth in Sections 3.1, 3.2 and 3.3 shall also apply to the extent applicable in the event of an adjustment pursuant to this Section 3.4. HSN agrees that it will not cause or permit to occur any such transaction or other event which would result in any adjustment to the Exchange Rate unless the terms of the agreement relating to such transaction or other event include obligations of the applicable parties consistent with the foregoing. The provisions of this paragraph shall apply similarly to successive transactions or other events to which this paragraph would otherwise be applicable.

SECTION 3.5 Limitation on Adjustments to Exchange Rate. The covenants set forth in Sections 6.2 and 6.4 of the Investment Agreement shall take priority over the adjustments to the Exchange Rate and other actions set forth in this Article 3. With respect to any action, event or circumstance that is covered by Section 6.2 or Section 6.4 of the Investment Agreement, HSN shall have no obligation hereunder (and the Exchange Rate shall not be adjusted) provided that HSN and the LLC comply with the terms of Sections 6.2 and 6.4 of the Investment Agreement.

ARTICLE 4

GENERAL REPRESENTATIONS AND WARRANTIES OF HSN AND EACH HOLDER

SECTION 4.1 Representations and Warranties of HSN. HSN hereby represents and warrants:

(a) As of the date hereof, the authorized capital stock of HSN consists of (a) 150,000,000 shares of HSN Common Stock and 30,000,000 shares of HSN Class B Stock, and (b) 15,000,000 shares of preferred stock, par value $.01 per share, of HSN (the "HSN Preferred Stock"), none of which have been designated as to class or series. At the close of business on August 8, 1997, (i) 43,526,372 shares of HSN Common Stock were issued and outstanding and 12,227,647 shares of HSN Class B Stock were issued and outstanding, all of which are validly issued, fully paid and nonassessable and not subject to any preemptive rights and (ii) no shares of HSN Common Stock were held in treasury by HSN or by subsidiaries of HSN. The statements in Section 3.2 of the Investment Agreement with respect to the number of outstanding options and other rights to purchase or acquire

HSN Common Stock or HSN Class B Stock are true and complete in all material respects as of the date reflected therein. As of the date hereof, no shares of HSN Preferred Stock were issued or outstanding.

(b) HSN has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by HSN and the consummation by HSN of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of HSN, and no other corporate proceedings on the part of HSN are necessary to authorize this Agreement or consummate the transactions contemplated hereby.

(c) This Agreement has been duly and validly executed and delivered by HSN and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes the legal and binding obligation of HSN, enforceable against HSN in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (ii) the availability of injunctive relief and other equitable remedies.

(d) The execution, delivery and performance of this Agreement by HSN (with or without the giving of notice, the lapse of time, or both): (i) do not require any notices, reports or other filings to be made by HSN with any public or governmental authority; (ii) do not require the consent of any third party (including any governmental or regulatory authority); (iii) will not conflict with any provision of the HSN Charter or the HSN By-Laws; (iv) will not violate or result in a breach of, or contravene any law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any court or governmental instrumentality applicable to HSN; and (v) violate or result in the breach of any material Contract, except for such matters that would not have a material adverse effect on the transactions contemplated hereby.

SECTION 4.2 Representations and Warranties of Universal and Liberty. Each of Universal and Liberty, with respect to itself and each member of its respective Group, hereby represents and warrants:

(a) It has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by it, and the consummation by it and the members of its Group of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of it and the members of its Group, and no other corporate proceedings on the part of it and the members of its Group are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(b) This Agreement has been duly and validly executed and delivered by it and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes the legal and binding obligation of it and the members of its Group, enforceable against it and the members of its Group in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (ii) the availability of injunctive relief and other equitable remedies.

(c) The execution, delivery and performance of this Agreement by it and the members of its Group (with or without the giving of notice, the lapse of time, or both): (i) do not require any notices, reports or other filings to be made by it or the members of its Group with any public or governmental authority; (ii) do not require the consent of any third party (including any governmental or regulatory authority); (iii) will not conflict with any provision of the Certificate of Incorporation or By-Laws of it or any member of its Group; (iv) will not violate or result in a breach of, or contravene any law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any court or governmental instrumentality applicable to it or the members of its Group; and (v) violate or result in the breach of any material Contract (applying such term to such Group), except for such matters that would not have a material adverse effect on the transactions contemplated hereby.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF
HSN WITH RESPECT TO EACH EXCHANGE

With respect to each Exchange, HSN shall be deemed to have made, as of the applicable Exchange Date, the following representations and warranties to each holder effecting such Exchange:

SECTION 5.1 Organization and Qualification. HSN (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) has all requisite corporate power and authority to carry on its business as it is now conducted and to own, lease and operate the properties it now owns, leases or operates at the places currently located and in the manner currently used and operated and (iii) is duly qualified or licensed and in good standing to do business in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification or license necessary, except, in the case of clause (iii) where the failure to be so qualified or licensed, or in good standing would not have a material adverse effect on the business, assets or condition (financial or otherwise) of HSN and its subsidiaries, taken as a whole. HSN has delivered or made available to such holder true and complete copies of its certificate of incorporation and by-laws, each as amended to date and currently in effect (respectively, the "HSN Charter" and the "HSN Bylaws"). The HSN Charter and the HSN Bylaws are in full force and effect and neither HSN nor the LLC is in violation of its respective organizational documents.

SECTION 5.2 Authorization of the Exchange. The consummation of such Exchange by HSN has been duly and validly authorized by the board of directors of HSN and by any necessary action of the HSN stockholders. HSN has full corporate power and authority to perform its obligations under this Agreement with respect to such Exchange and to consummate such Exchange. No other corporate proceedings on the part of HSN or any of its subsidiaries are necessary to authorize the consummation of such Exchange.

SECTION 5.3 Validity of HSN Shares, etc. The shares of HSN Common Stock and/or HSN Class B Stock to be issued by HSN to such holder pursuant to such Exchange, upon issuance and delivery in accordance with the terms and conditions of this Agreement, will be duly authorized, validly issued, fully paid and non-assessable, and will be free of any liens, claims, charges, security interests, preemptive rights, pledges, voting

or stockholder agreements, options or encumbrances of any kind whatsoever (other than any of the foregoing arising under the Investment Agreement, the Governance Agreement, Stockholders Agreement or any Federal or state securities laws), will not be issued in violation of any preemptive rights and will vest in such holder full rights with respect thereto, including the right to vote such shares of HSN Stock on all matters properly presented to the stockholders of HSN to the extent set forth in the HSN Charter. The issuance of the shares of HSN Stock will not violate the rules, regulations and requirements of the National Association of Securities Dealers, Inc. ("NASD") or of the principal exchange or trading market on which the HSN Common Stock is then quoted or traded (including, without limitation the NASD policies set forth in Section 6(i) and (j) of Part III of Schedule D of the NASD By-Laws and the Policy of the Board of Governors with respect to Voting Rights set forth in Part III of Schedule D of the NASD By-Laws or any similar policies of such other exchange or trading market).

SECTION 5.4 No Approvals or Notices Required; No Conflict with Instruments. The performance by HSN of its obligations under this Agreement in connection with such Exchange and the consummation of the transactions contemplated by such Exchange, including the issuance of HSN Stock in such Exchange, will not:

(a) conflict with or violate the HSN Charter or the HSN Bylaws or the organizational documents of the LLC or any other subsidiary of HSN, in each case as amended to date;

(b) require any consent, approval, order or authorization of or other action by any court, administrative agency or commission or other governmental authority or instrumentality, foreign, United States federal, state or local (each such entity a "Governmental Entity" and each such action a "Governmental Consent") or any registration, qualification, declaration or filing with or notice to any Governmental Entity (a "Governmental Filing"), in each case on the part of or with respect to HSN or the LLC or any other subsidiary of HSN, other than (i) such as have been obtained or made or (ii) the absence or omission of which would, either individually or in the aggregate, have a material adverse effect on the applicable Exchange or otherwise with respect to the transactions contemplated hereby or on the business, assets, results of operations or financial condition of HSN and its subsidiaries, taken as a whole;

(c) require, on the part of HSN or the LLC or any other subsidiary of HSN, any consent by or approval of (a "Contract Consent") or notice to (a "Contract Notice") any other person or entity (other than a Governmental Entity), other than (i) such as have been obtained or made or (ii) the absence or omission of which would, either individually or in the aggregate, have a material adverse effect on the transactions contemplated hereby or on the business, assets, results of operations or financial condition of HSN and its subsidiaries, taken as a whole;

(d) conflict with, result in any violation or breach of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or the loss of any material benefit under or the creation of any lien, security interest, pledge, charge, claim, option, right to acquire, restriction on transfer, voting restriction or agreement, or any other restriction or encumbrance of any nature whatsoever on any assets pursuant to (any

such conflict, violation, breach, default, right of termination, cancellation or acceleration, loss or creation, a "Violation") any "Contract" (which term shall mean and include any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument, employee benefit plan or practice, or other agreement, obligation, commitment or concession of any nature) to which HSN or the LLC or any other subsidiary of HSN is a party, by which HSN, the LLC or any other subsidiary of HSN or any of their respective assets or properties is bound or pursuant to which HSN or the LLC or any other subsidiary of HSN is entitled to any rights or benefits, except for such Violations which would not, either individually or in the aggregate, have a material adverse effect on the applicable Exchange or otherwise with respect to transactions contemplated hereby or on the business, assets, results of operations or financial condition of HSN and its subsidiaries, taken as a whole; or

(e) result in a Violation of, under or pursuant to any law, rule, regulation, order, judgment or decree applicable to HSN or the LLC or any other subsidiary of HSN or by which any of their respective properties or assets are bound, except for such Violations which would not, either individually or in the aggregate, have a material adverse effect on the applicable Exchange or otherwise with respect to the transactions contemplated hereby.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF THE HOLDER
WITH RESPECT TO EACH EXCHANGE

As of each Exchange Date, the holder who is seeking or required to exchange its LLC Shares (or with respect to which the merger or exchange described in Section 2.1(a)(iii) is elected) shall be deemed to have made the following representations and warranties to HSN; provided that it shall be a condition to HSN's obligation to effect any such Exchange in connection with an Agreement to Transfer that the applicable Transferee and Transferor pursuant to Section 2.3 shall be deemed to have made to HSN the representations set forth in paragraphs (a)-(e) of Section 6.2 (as such matters relate to, and taking into account, such Transferee's ownership of HSN Stock or LLC Shares in connection with the Exchange):

SECTION 6.1 Ownership and Validity of LLC Shares. Such holder owns, and following such Exchange, HSN will own beneficially and of record the applicable LLC Shares, free of any liens, claims, charges, security interests, pledges, voting or stockholder agreements, encumbrances or equities (other than any of the foregoing arising under this Agreement, the Investment Agreement, the Governance Agreement, or the Stockholders Agreement or any Federal or state securities laws or as may be due to an action of HSN). Universal and Liberty also hereby make, with respect to each member of its respective Group which is participating in such Exchange (whether through ownership of LLC Shares or in the event shares of such entity are being exchanged or converted pursuant to Section 2.1(a)(iii)), the representations and warranties contained in the preceding sentence, subject to the same exceptions contained therein.

SECTION 6.2 No Approvals or Notices Required; No Conflict with Instruments. The consummation of such Exchange will not:

(a) if applicable, conflict with or violate such holder's (or its Group members') organizational documents;

(b) require any Governmental Consent or Governmental Filing, in each case on the part of or with respect to each of such holder or any member of its Group, other than (i) such as have been obtained or made or (ii) the absence or omission of which would, either individually or in the aggregate, have a material adverse effect on such Exchange or otherwise with respect to the transactions contemplated hereby;

(c) require, on the part of such holder or any member of its Group any Contract Consent or Contract Notice (in each case, applying such terms to such Group), other than (i) such as have been obtained or made or (ii) the absence or omission of which would, either individually or in the aggregate, have a material adverse effect on such Exchange or otherwise with respect to the transactions contemplated hereby;

(d) conflict with or result in any Violation of any Contract to which such holder or any member of its Group is a party, or by which such holder or any of its Group, or any of its respective assets or properties are bound, except for such Violations which would not, either individually or in the aggregate, have a material adverse effect on such Exchange or otherwise with respect to the transactions contemplated hereby; or

(e) result in a Violation of, under or pursuant to any law, rule, regulation, order, judgment or decree applicable to such holder or any member of its Group or by which any of its respective properties or assets are bound, except for such Violations which would not, either individually or in the aggregate, have a material adverse effect on such Exchange or otherwise with respect to the transactions contemplated hereby;

provided that any such representation pursuant to this Section 6.2 by a holder in connection with an Agreement to Transfer shall take into account the transactions contemplated to occur with such Transferee.

SECTION 6.3 No Liabilities of Universal Sub and Group Newco. In the case of a merger or exchange pursuant to Section 2.1(a)(iii), Universal (with respect to Universal Sub and each Universal Newco, to the extent participating in such Exchange) and Liberty (with respect to each Liberty Newco, to the extent participating in such Exchange) hereby represents and warrants that (a) none of such Newcos (or Universal Sub, if applicable) has any liabilities of any kind whatsoever, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, other than the obligation to consummate the transactions contemplated by the Exchange, and other than liabilities (i) that are immaterial and (ii) as to which HSN has a reasonable likelihood of being fully indemnified by the applicable Group pursuant to the contemplated indemnification agreement referred to in Section 2.1(a)(iii), (b) upon consummation of such Exchange, neither the LLC nor HSN shall have any obligation or liability in

respect of any liabilities of such entities other than those described in the preceding clause (a) that are covered by the agreement described in clause (a)(ii), (c) upon consummation of the Exchange, HSN shall own all of the capital stock of such entity (or, in the event of an Exchange under Section 2.1(a)(iii), all such capital stock shall have been exchanged), free of any liens, claims, charges, security interests, preemptive rights, voting or stockholder agreements, options or encumbrances of any kind whatsoever (other than any of the foregoing under the Investment Agreement, the Governance Agreement, Stockholders Agreement or any Federal or state securities laws, and (d) the shares of the capital stock of such entity are duly authorized, validly issued, fully paid and non-assessable and will result in HSN having full rights with respect thereto. The representations and warranties in this Section 6.3 shall survive consummation of the Exchange and be subject to the indemnification agreement referred to in Section 2.1(a)(iii).

ARTICLE 7

COVENANTS AND OTHER AGREEMENTS

For so long as there remain outstanding any LLC Shares, the parties covenant and agree as follows:

SECTION 7.1 Notification of Issuance Event. At any time HSN or any of its subsidiaries or a holder (i) plans or proposes to take any action which has resulted, or is reasonably likely to result, in an Issuance Event or (ii) becomes aware of any event, fact or circumstance which results in an Issuance Event, HSN or the holder, respectively, shall (x) in the case of clause (i), prior to taking such action and (y) in the case of clause (ii), promptly upon becoming so aware, give notice of such Issuance Event to each holder of LLC Shares or HSN, as the case may be, which notice shall set forth in reasonable detail the facts, circumstances or events which will result or have resulted, as the case may be, in the occurrence of such Issuance Event. No notice shall be required pursuant to this Section 7.1 unless the number of shares issuable pursuant to such Issuance Event, together with any other shares which are then issuable in accordance with this Agreement, meet the threshold set forth in Section 2.1(e).

SECTION 7.2 Reservation of HSN Stock. HSN agrees to at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued HSN Common Stock and HSN Class B Stock (assuming Universal would elect to receive the maximum number of shares of HSN Class B Stock permitted hereunder), for the purpose of effecting any Exchange pursuant to this Agreement, the full number of shares of HSN Common Stock and HSN Class B Stock, then deliverable upon the Exchange of all then outstanding LLC Shares (based on the assumption in the preceding parenthetical), and shall reserve an additional number of shares of HSN Common Stock equal to the number of shares issuable upon the conversion of shares of HSN Class B Stock issuable pursuant to this Agreement.

SECTION 7.3 Certain Obligations Upon Insolvency or Bankruptcy of LLC. In the event that the LLC should become insolvent or, within the meaning of any federal or state bankruptcy law, commence a voluntary case or consent to the entry of any order of

relief or for the appointment of any custodian for its property or a court of competent jurisdiction enters an order or decree for relief against the LLC appointing a custodian or ordering its liquidation, and Liberty or Universal determines in good faith that the equity of the LLC is reasonably likely to be impaired or extinguished in connection therewith, then upon the request of Liberty or Universal, its rights under this Agreement shall be converted into the deferred right to receive from HSN the number of shares of HSN Common Stock (or, in the case of Universal, of HSN Class B Stock) which Liberty or Universal, as the case may be, would then have had the right to acquire upon the Exchange of all of its LLC Shares then outstanding (such deferred right, the "Additional Contingent Right"). The terms and conditions of the Additional Contingent Right shall reflect, to the extent practicable and permitted by applicable law, the terms of this Agreement as well as other provisions to ensure, to the greatest extent practicable, that such holders will be able to exchange their LLC Shares as contemplated by this Agreement or otherwise receive the number of shares of HSN Stock or Other Property to which they would be entitled hereunder.

SECTION 7.4 Reasonable Efforts. (a) Subject to the terms and conditions of this Agreement and applicable law, in connection with an Exchange, each of the holder exercising an Exchange and HSN shall use its reasonable efforts to take, or cause to be taken, all actions, and do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective such Exchange as soon as reasonably practicable following the receipt or delivery by HSN of an Exchange Notice, including such actions or things as HSN or such holder may reasonably request in order to cause the consummation of an Exchange following the receipt or delivery by HSN of an Exchange Notice. Without limiting the generality of the foregoing, such holder and HSN shall (and shall cause their respective subsidiaries, and use their reasonable efforts to cause their respective affiliates, directors, officers, employees, agents, attorneys, accountants and representatives, to) consult and fully cooperate with and provide reasonable assistance to each other in (i) obtaining all necessary Governmental Consents and Contract Consents, and giving all necessary Contract Notices to, and making all necessary Governmental Filings and other necessary filings with and applications and submissions to, any Governmental Entity or other person or entity; (ii) lifting any permanent or preliminary injunction or restraining order or other similar order issued or entered by any court or Governmental Entity in connection with an Exchange; (iii) providing all such information about such party, its subsidiaries and its officers, directors, partners and affiliates and making all applications and filings as may be necessary or reasonably requested in connection with any of the foregoing; and (iv) in general, consummating and making effective the transactions contemplated hereby; provided, however, that, in order to obtain any such Consent, or the lifting of any injunction or order referred to in clauses (i) and (ii) of this sentence, neither such holder nor HSN shall be required to (x) pay any consideration, to divest itself of any of, or otherwise rearrange the composition of, its assets or to agree to any conditions or requirements which could reasonably be expected to be materially adverse or burdensome to its respective businesses, assets, financial condition or results of operations, or (y) amend, or agree to amend, in any material respect any Contract. Prior to making any application to, or filing with any Governmental Entity or other person or entity in connection with an Exchange, each of HSN and the applicable holder shall provide the other party with drafts thereof and afford the other party a reasonable opportunity to comment on such drafts.

(b) In addition to the foregoing paragraph (a), HSN shall take such reasonable action which may be necessary in order that (i) it may validly and legally deliver fully paid and nonassessable shares of HSN Common Stock or HSN Class B Stock upon

any surrender of LLC Shares or shares of a Newco, as applicable, for exchange pursuant to this Agreement, (ii) the delivery of shares of HSN Common Stock and HSN Class B Stock in accordance with this Agreement is exempt from the registration or qualification requirements of the Securities Act and applicable state securities laws or, if no such exemption is available, that the offer and Exchange of such shares of HSN Common Stock and HSN Class B Stock have been duly registered or qualified under the Securities Act and applicable state securities laws, (iii) the shares of HSN Common Stock (including the shares of HSN Common Stock issuable upon conversion of any shares of HSN Class B Stock), delivered upon such Exchange are listed for trading on the Nasdaq National Market or on a national securities exchange (upon official notice of issuance) and (iv) the shares of HSN Common Stock or HSN Class B Stock, as applicable, delivered upon such Exchange are free of preemptive rights and any liens or adverse claims (other than any of the foregoing created or caused by the Person receiving such shares in such Exchange).

SECTION 7.5 Notification of Certain Matters. HSN shall give prompt notice to each of Universal and Liberty so long as its Group holds LLC Shares, and each holder of LLC Shares shall give prompt notice to HSN, of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be likely to cause (a) any representation or warranty to be made as of an applicable Exchange Date to be untrue or inaccurate in any material respect, (b) any material failure of HSN or such holder of LLC Shares, as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant or agreement to be complied with or satisfied by it under this Agreement or (c) the failure to be satisfied of any condition to HSN's or such holder's respective obligations to consummate an Exchange. Notwithstanding the foregoing, the delivery of any notice pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 7.6 Additional Covenants. (a) Notwithstanding any other provision of this Agreement to the contrary (but excluding actions specifically contemplated by this Agreement, the Investment Agreement and the agreements contemplated thereby), and in addition to the rights granted to the holders of LLC Shares pursuant to this Agreement and any other voting rights granted by law to the holders of the LLC Shares, without the consent of Universal and Liberty, to the extent such party is affected by the matter (which consent, in the case of clauses (ii) through (iv) below, will not be unreasonably withheld), HSN will not (and will not cause or permit any of its subsidiaries to) cause or permit the LLC or any of its subsidiaries to take any action that would, or could reasonably be expected to, or fail to take any action which failure would or could reasonably be expected to:

(i) make the ownership by any holder of the LLC Shares or any other material assets of such holder unlawful or result in a violation of any law, rule, regulation, order or decree (including the FCC Regulations) or impose material additional restrictions or limitations on such holder's full rights of ownership of the LLC Shares or the ownership of its other material assets or the operation of its businesses (provided that for purposes of the foregoing with respect to the Liberty Group, to the extent that a condition, restriction or limitation upon HSN or LLC or their respective subsidiaries relates to or is based upon or would arise as a result of, any action or the consummation of a transaction by the Liberty Group, such condition, restriction or limitation shall be deemed to be such a condition, restriction or limitation on such Group (regardless of whether it is a party to or otherwise would

be legally obligated thereby) to the extent that the taking of an action or the consummation of a transaction by the Liberty Group would result in the entities known as the BDTV Entities, HSN, or any of their respective subsidiaries being in breach or violation of any law, rule, regulation, order or decree or otherwise causing such rule, regulation, order or decree to terminate or expire or would otherwise result in the Liberty Group's ownership of LLC Shares or any other material assets being illegal or in violation of any law, rule, regulation, order or decree);

(ii) cause the Exchange (but only with respect to an Exchange by merger as described in Section 2.1(a)(iii)) of LLC Shares for shares of HSN Stock and/or Redeemable Capital Stock or Redemption Securities to be a taxable transaction to the holder thereof (to the extent not otherwise taxable) or from and after the time, if any, at which a merger can no longer be effected as a tax-free transaction (to the extent not otherwise taxable), cause an Exchange under Section 2.1(a)(iii)(B) to be a taxable transaction to the holder thereof (to the extent not otherwise taxable);

(iii) result in LLC being unable to pay its debts as they become due or becoming insolvent; or

(iv) otherwise restrict, impair, limit or otherwise adversely affect the right or ability of a holder of LLC Shares at any time to exercise an Exchange under this Agreement (but excluding repurchases of shares of HSN equity securities).

provided, however, that with respect to clause (ii) hereof, if (x) such Exchange is taxable to a holder of LLC Shares as a result of (1) any action or failure to act by such holder (other than as required by the Investment Agreement, the Stockholders Agreement or this Agreement), (2) the laws and regulations in effect at the Closing Date or (3) any difference in the tax position of a member of the Universal Group or the Liberty Group relative to the tax position of Universal or Liberty, respectively, or (y) in the case of a Sale Transaction, HSN and any other party to such transaction have complied with the applicable terms of Section 2.4 regarding tax matters, then compliance with the covenants set forth in such clause (ii) shall be deemed waived by such holder of LLC Shares and provided, further, that with respect to the covenants set forth in clause (i) hereof, such covenants shall not apply to any such consequence that would be suffered or otherwise incurred by a holder of LLC Shares, solely as a result of such holder being subject to additional or different regulatory restrictions and limitations than those applicable to Liberty or Universal, as the case may be.

(b) If, other than in connection with a Sale Transaction, a mandatory Exchange which is effected by a merger pursuant to Section 2.1(a)(iii) is taxable to the applicable member of the Liberty Group as a result of any action taken by HSN (but not due to an action or unreasonable inaction by the Liberty Group, or any action of HSN contemplated by the Investment Agreement and the agreements contemplated thereby) after the Closing Date, HSN acknowledges and agrees that it shall be obligated to provide to such holder upon such Exchange, a number of additional shares of HSN Common Stock sufficient on an after-tax basis to pay any such resulting tax; provided, however, that HSN shall have no obligation under this paragraph (b) to the extent such Exchange is taxable to a holder solely as a result of any difference in the tax position of such holder relative to the tax position of Liberty.

(c) HSN shall not become a party and shall not permit any of its subsidiaries to become a party to any transaction with respect to the foregoing unless the terms of the agreements relating to such transaction include obligations of the applicable parties consistent with this Section 7.6.

ARTICLE 8

MISCELLANEOUS

SECTION 8.1 Further Assurances. From and after the Closing Date, each of HSN, Universal, Liberty and each member of their respective Group shall, at any time and from time to time, make, execute and deliver, or cause to be made, executed and delivered, such instruments, agreements, consents and assurances and take or cause to be taken all such actions as may reasonably be requested by any other party hereto to effect the purposes and intent of this Agreement.

SECTION 8.2 Expenses. Except as otherwise provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not any Exchange shall occur.

SECTION 8.3 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given on (i) the day on which delivered personally or by telecopy (with prompt confirmation by mail) during a Business Day to the appropriate location listed as the address below, (ii) three Business Days after the posting thereof by United States registered or certified first class mail, return receipt requested, with postage and fees prepaid or (iii) one Business Day after deposit thereof for overnight delivery. Such notices, requests, demands, waivers or other communications shall be addressed as follows:

(a) if to HSN to:

HSN, Inc.
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Telecopier No.: (212) 247-5811

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019-5150
Attention: Pamela S. Seymon, Esq.
Telecopier No.: (212) 403-2000

(b) if to a member of the Liberty Group, to:

Liberty Media Corporation
8101 East Prentice Avenue, Suite 500
Englewood, Colorado 80111
Attention: President
Telecopier No.: (303) 721-5415

with a copy to:

Baker & Botts, L.L.P.
599 Lexington Avenue
New York, New York 10022
Attention: Frederick H. McGrath Esq.
Telecopier No.: (212) 705-5125

(c) if to a member of the Universal Group, to:

Universal Studios, Inc.
100 Universal City Plaza
Universal City, CA 91608
Attention: Karen Randall, Esq.
Telecopier No.: (818) 866-3444

with a copy to:
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10117
Attention: John G. Finley, Esq.
Telecopier No.: (212) 455-2502;

or to such other person or address as any party shall specify by notice in writing to the other party.

SECTION 8.4 Entire Agreement. This Agreement (including the documents referred to herein), together with the Investment Agreement and the Liberty Exchange Agreement (as amended by the letter agreement dated as of the date hereof), constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, oral and written, between the parties with respect to the subject matter hereof.

SECTION 8.5 Assignment; Binding Effect; Benefit. Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by HSN without the prior written consent of, in the case of an assignment by Universal or Liberty, HSN, and, in the case of an assignment by HSN, each Group that holds LLC Shares at such time. This Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by

reason of this Agreement. No assignment permitted hereunder shall be effective until the assignee shall have agreed in writing to be bound by the terms of this Agreement.

SECTION 8.6 Amendment. Any provision of this Agreement may be amended if, and only if, such amendment is in writing and signed by the party or parties whose rights or obligations hereunder are affected by such amendment. Any amendment by HSN shall be authorized by a majority of the Board of Directors of HSN, excluding for this purpose any director who is a nominee of Universal or Liberty if such Person is a party to such amendment.

SECTION 8.7 Extension; Waiver. In connection with an Exchange, a holder exercising its Exchange, or HSN may, to the extent legally allowed, (i) extend the time specified herein for the performance of any of the obligations of the other Person, (ii) waive any inaccuracies in the representations and warranties of the other Person contained herein or in any document delivered pursuant hereto, (iii) waive compliance by the other Person with any of the agreements or covenants of such other Person contained herein or (iv) waive any condition to such waiving Person's obligation to consummate such Exchange to any of such waiving Person's other obligations under this Agreement. Any agreement on the part of HSN or such holder to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such Person. Any such extension or waiver by any Person shall be binding on such Person but not on any other Person entitled to the benefits of the provision of this Agreement affected unless such other Person also has agreed to such extension or waiver. No such waiver shall constitute a waiver of, or estoppel with respect to, any subsequent or other breach or failure to comply strictly with the provisions of this Agreement. The failure of any Person to insist on strict compliance with this Agreement or to assert any of its rights or remedies hereunder or with respect hereto shall not constitute a waiver of such rights or remedies in the future. Whenever this Agreement requires or permits consent or approval by any Person, such consent or approval shall be effective if given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8.7. To the extent that a waiver by HSN affects or is otherwise sought by Universal or Liberty, as the case may be, any director who is a nominee of such Person shall not participate in the approval by the Board of Directors of HSN of such waiver.

SECTION 8.8 Survival. The covenants and agreements in Articles 2, 3, and 7 and elsewhere in this Agreement shall survive with respect to each holder until all of the LLC Shares held by its Group have been exchanged for HSN Stock.

SECTION 8.9 Tax Interpretation. Whenever it is necessary for purposes of this Agreement to determine whether an Exchange is taxable or tax-free, such determination shall be made with respect to the Code. For purposes of this Agreement, a Person's "tax position" shall not include or take into account any offsets against any tax which are peculiar to such Person (such as tax credits, loss carry-overs, and current losses). References to taxes or taxable relating to an Exchange (including pursuant to Section 2.1(a)(iii)), or otherwise involving a Newco, shall refer to the taxes actually incurred by, or the taxability of such Exchange to, such entity and its direct and indirect shareholders assuming for these purposes that such Newco has the corporate characteristics relevant for tax purposes of Universal or Liberty, as the case may be.

SECTION 8.10 General Interpretation. When a reference is made in this Agreement to Sections, Articles or Schedules, such reference shall be to a Section, Article or Schedule (as the case may be) of this Agreement unless otherwise indicated. When a reference is made in this Agreement to a "party" or "parties", such reference shall be to a party or parties to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The use of any gender herein shall be deemed to be or include the other genders and the use of the singular herein shall be deemed to be or include the plural (and vice versa), wherever appropriate. The use of the words "hereof", "herein", "hereunder" and words of similar import shall refer to this entire Agreement, and not to any particular article, section, subsection, clause, paragraph or other subdivision of this Agreement, unless the context clearly indicates otherwise. Notwithstanding anything herein to the contrary, for purposes of this Agreement, (i) HSN shall not be deemed to be a subsidiary or an affiliate of Universal or Liberty, (ii) Matsushita Electric Industrial Co., Ltd. ("MEI") shall not be considered an affiliate of Universal or any subsidiary of Universal so long as MEI does not materially increase its influence over Universal following the date hereof, and (iii) the subsidiaries, directors, officers, employees and affiliates of HSN shall not be deemed to be subsidiaries, directors, officers, employees or affiliates of Universal or Liberty.

SECTION 8.11 Severability. If any provision of this Agreement or the application thereof to any person or circumstance is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, provided that, if any provision hereof or the application thereof shall be so held to be invalid, void or unenforceable by a court of competent jurisdiction, then such court may substitute therefor a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of the invalid, void or unenforceable provision. To the extent that any provision shall be judicially unenforceable in any one or more states, such provision shall not be affected with respect to any other state, each provision with respect to each state being construed as several and independent.

SECTION 8.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

SECTION 8.13 Applicable Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws rules thereof.

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

HSN, INC.

By: /s/ James G. Gallagher

Name: James G. Gallagher
Title: Vice President

UNIVERSAL STUDIOS, INC.

By: /s/ Brian C. Mulligan

Name: Brian C. Mulligan
Title: Senior Vice President

LIBERTY MEDIA CORPORATION

By: /s/ Robert R. Bennett

Name: Robert R. Bennett
Title: President and Chief Executive Officer

EXHIBIT 10.61

[EXECUTION COPY]

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AGREEMENT AND PLAN OF MERGER
BY AND AMONG
USA NETWORKS, INC.,
BRICK ACQUISITION CORP.
AND
TICKETMASTER GROUP, INC.
AS OF MARCH 20, 1998

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is dated as of March 20, 1998, by and among USA NETWORKS, INC., a Delaware corporation ("Parent"), BRICK ACQUISITION CORP., an Illinois corporation and a wholly owned subsidiary of Parent ("Sub"), and TICKETMASTER GROUP, INC., an Illinois corporation (the "Company").

RECITALS:

A. The Boards of Directors of Parent, Sub and the Company have each approved the terms and conditions of the business combination between Parent and the Company to be effected by the merger (the "Merger") of Sub with and into the Company, pursuant to the terms and subject to the conditions of this Agreement and the Business Corporation Act of the State of Illinois (the "Illinois Statute"), and each deems the Merger advisable and in the best interests of each corporation. A Special Committee of the Board of Directors of the Company (the "Special Committee") has determined that the Merger is fair to, and in the best interests of, the holders of shares of common stock, no par value, of the Company ("Company Common Stock"), other than Parent and its subsidiaries, and has recommended to the Board of Directors of the Company that it approve the terms and conditions of the Merger, including this Agreement. The Disinterested Directors (as defined in Section 5/7.85 of the Illinois Statute) of the Company have approved the terms and conditions of the Merger.

B. Each of Parent, Sub and the Company desires to make certain representations, warranties, covenants and agreements in connection with the Merger.

C. For federal income tax purposes, it is intended that the Merger and the transactions contemplated thereby qualify as a reorganization under the provisions of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the "Code").

D. It was a condition, which condition was satisfied, to the willingness of Parent and Sub to enter into this Agreement and to consummate the transactions contemplated hereby (the "Transactions"), including the acquisition of the stock of the Company in the Merger from the Company's shareholders, including the Chief Executive Officer, that the Chief Executive Officer of the Company entered into that certain agreement with Parent, dated March 9, 1998 (the "Cooperation Agreement"), pursuant to which, among other things, such individual agreed not to compete with, or to solicit customers of, the Company from and after the expiration of his current employment agreement with the Company and to cooperate with the Company and Parent to provide for an orderly transition to a new Chief Executive Officer of the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE 1

THE MERGER

SECTION 1.1 THE MERGER. Upon the terms and subject to the conditions of this Agreement and in accordance with the Illinois Statute, at the Effective Time, Parent shall cause Sub to be merged with and into the Company. Following the Merger, the Company shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Sub shall cease. Sub and the Company are collectively referred to as the "Constituent Corporations."

SECTION 1.2. EFFECTIVE TIME OF THE MERGER. Subject to the provisions of this Agreement, the Merger shall become effective (the "Effective Time") upon the filing of properly executed articles of merger (the "Illinois Articles of Merger") with, and the issuance of a certificate of merger (the "Illinois Certificate of Merger") by, the Secretary of State of the State of Illinois in accordance with the Illinois Statute. The Effective Time shall be the time of the Closing as set forth in Section 1.3.

SECTION 1.3. CLOSING. Unless this Agreement shall have been terminated pursuant to Section 7.1, the closing of the Merger (the "Closing") will take place at 10:00 a.m. on a date (the "Closing Date") to be mutually agreed upon by the parties, which date shall be no later than the third Business Day after satisfaction of the latest to occur of the conditions set forth in Sections 6.1 (other than Section 6.1(d)), 6.2(b) (other than the delivery of the officers' certificate referred to therein), 6.2(c), 6.3(b) (other than the delivery of the officers' certificate referred to therein), and 6.3(c), unless another date is agreed to in writing by the parties. The Closing shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, unless another place is agreed to in writing by the parties. As used in this Agreement, "Business Day" shall mean any day, other than a Saturday, Sunday or legal holiday on which banks are permitted to close in the City and State of New York, the State of Delaware or the State of Illinois.

SECTION 1.4. EFFECTS OF THE MERGER. At the Effective Time: (a) the separate existence of Sub shall cease and Sub shall be merged with and into the Company, with the result that the Company shall be the Surviving Corporation, and (b) the Merger shall have all of the effects provided by the Illinois Statute.

SECTION 1.5. CERTIFICATE OF INCORPORATION AND BYLAWS OF SURVIVING CORPORATION. At the Effective Time, (a) the certificate of incorporation of Sub shall be the certificate of incorporation of the Surviving Corporation until altered, amended or repealed as provided in the Illinois Statute; (b) the bylaws of Sub shall become the bylaws of the Surviving Corporation until altered, amended or repealed as provided in the Illinois Statute or in the certificate of incorporation or bylaws of the Surviving Corporation; (c) the directors of Sub shall become the initial directors of the Surviving Corporation, such directors to hold office from the Effective Time until their respective successors are duly elected or appointed as provided in the certificate of incorporation and bylaws of the Surviving Corporation; and (d) the officers of the Company

shall continue as the officers of the Surviving Corporation until such time as their respective successors are duly elected as provided in the bylaws of the Surviving Corporation.

ARTICLE 2

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

SECTION 2.1 EFFECT OF MERGER ON CAPITAL STOCK. At the Effective Time, subject and pursuant to the terms of this Agreement, by virtue of the Merger and without any action on the part of the Constituent Corporations or the holders of any shares of capital stock of the Constituent Corporations:

(a) Capital Stock of Sub. Each issued and outstanding share of the common stock, $.01 par value per share, of Sub ("Sub Common Stock") shall be converted into one validly issued, fully paid and nonassessable share of common stock, $.01 par value per share, of the Surviving Corporation ("Surviving Corporation Common Stock"). Each stock certificate of Sub evidencing ownership of any such shares shall continue to evidence ownership of such shares of Surviving Corporation Common Stock.

(b) Treatment of Certain Shares of Company Common Stock. Each share of Company Common Stock that is owned by the Company as treasury stock and each share of Company Common Stock that is owned by Parent, Sub or any other wholly owned subsidiary of Parent shall not be cancelled and retired and shall be treated as provided in Section 2.1(c).

(c) Exchange Ratio for Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Company Common Stock held by shareholders who properly demand dissenters' rights in accordance with Section 5/11.70 of the Illinois Statute), shall, subject to Section 2.1(d), be converted into the right to receive 1.126 of a fully paid and nonassessable share of common stock, $.01 par value per share, of Parent ("Parent Common Stock") (the "Exchange Ratio"). At the Effective Time, all such shares of Company Common Stock shall no longer be outstanding, and shall automatically be cancelled and retired and cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the shares of Parent Common Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 2.2, without interest. No fractional shares of Parent Common Stock shall be issued; and, in lieu thereof, a cash payment shall be made pursuant to Section 2.2(e).

(d) Adjustment of Exchange Ratio for Dilution and Other Matters. If, between the date of this Agreement and the Effective Time, the outstanding shares of Parent Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, split-up, stock dividend, stock

combination, exchange of shares, readjustment or otherwise, then the Exchange Ratio, as the case may be, shall be correspondingly adjusted. Without otherwise limiting the foregoing, the Exchange Ratio of 1.126 set forth in paragraph (c) above gives effect to the two-for-one stock split declared by the Company on February 20, 1998, with respect to the Parent Common Shares (as defined in Section 4.3).

SECTION 2.2. EXCHANGE OF CERTIFICATES.

(a) Exchange Agent. Prior to the Closing Date, Parent shall select a bank or trust company reasonably acceptable to the Company to act as exchange agent (the "Exchange Agent") in the Merger. Prior to the Effective Time, Parent shall deposit with the Exchange Agent, for the benefit of the holders of shares of Company Common Stock, for exchange in accordance with this Article 2, certificates representing the shares of Parent Common Stock (such shares of Parent Common Stock, together with any dividends or distributions with respect thereto, the "Exchange Fund") issuable pursuant to Section 2.1(c) at the Effective Time in exchange for outstanding shares of Company Common Stock, which shall include such shares of Parent Common Stock to be sold by the Exchange Agent pursuant to Section 2.2(e).

(b) Exchange Procedures. As soon as practicable after the Effective Time, Parent shall instruct the Exchange Agent to mail to each holder of record (other than the Company, Parent, Sub and any wholly owned subsidiary of the Company) of a certificate or certificates which immediately prior to the Effective Time represented issued and outstanding shares of Company Common Stock (collectively, the "Certificates") whose shares were converted into the right to receive Parent Common Stock pursuant to Section 2.1(c), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing Parent Common Stock and any cash in lieu of fractional shares of Parent Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with a duly executed letter of transmittal and such other documents as may be reasonably required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of Parent Common Stock which such holder has the right to receive pursuant to the provisions of this Article 2 and any cash in lieu of fractional shares of Parent Common Stock, and the Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of shares of Company Common Stock which is not registered on the transfer records of the Company, a certificate representing the proper number of shares of Parent Common Stock and any cash in lieu of fractional shares of Parent Common Stock may be issued and paid to a transferee if the Certificate representing such Company Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.2, each Certificate shall be deemed, on and after the Effective Time, to represent only the right to receive upon such surrender the certificate representing shares of Parent Common Stock and cash in lieu of any fractional shares of Parent Common Stock as contemplated by this Article 2 and the Illinois

Statute. The consideration to be issued in the Merger will be delivered by the Exchange Agent as promptly as practicable following surrender of a Certificate and any other required documents. No interest will be payable on such consideration regardless of any delay in making payments.

(c) Distributions with Respect to Unsurrendered Certificates. No dividends or other distributions declared or made after the Effective Time with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock represented thereby, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.2(e) until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect, if any, of applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Parent Common Stock issued in exchange therefor or such holder's transferee pursuant to Section 2.2(e), without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 2.2(e) and the amount of dividends or other distributions on Parent Common Stock with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions on Parent Common Stock with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole shares of Parent Common Stock.

(d) No Further Ownership Rights in Company Common Stock. All shares of Parent Common Stock issued upon the surrender for exchange of shares of Company Common Stock in accordance with the terms of this Article 2 (plus any cash paid pursuant to Section 2.2(c) or 2.2(e)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to such shares of Company Common Stock. From and after the Effective Time, the stock transfer books of the Company shall be closed with respect to the shares of Company Common Stock, and there shall be no further registration of transfers on the stock transfer books of the Company or the Surviving Corporation of the shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article 2.

(e) No Issuance of Fractional Shares.

(i) No certificates or scrip for fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a shareholder of Parent.

(ii) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (A) the number of full shares of Parent Common Stock delivered to the Exchange Agent by Parent pursuant to Section 2.2(a) over (B) the aggregate number of full shares of Parent Common Stock to be distributed to holders

of Company Common Stock pursuant to Section 2.2(b) (such excess, the "Excess Shares"). As soon after the Effective Time as practicable, the Exchange Agent, as agent for the holders of Company Common Stock, shall sell the Excess Shares at then prevailing prices in the over-the-counter market, all in the manner provided in clause (iii) of this Section 2.2(e).

(iii) The sale of the Excess Shares by the Exchange Agent shall be executed in the over-the-counter market through one or more member firms of the National Association of Securities Dealers, Inc. (the "NASD") and shall be executed in round lots to the extent practicable. Until the net proceeds of such sale or sales have been distributed to the holders of Company Common Stock, the Exchange Agent will hold such proceeds in trust for the holders of Company Common Stock (the "Common Shares Trust"). Parent shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent incurred in connection with such sale of the Excess Shares. The Exchange Agent shall determine the portion of the Common Shares Trust to which each holder of Company Common Stock shall be entitled, if any, by multiplying the amount of the aggregate net proceeds comprising the Common Shares Trust by a fraction, the numerator of which is the amount of the fractional share interest to which such holder of Company Common Stock is entitled and the denominator of which is the aggregate amount of fractional share interests to which all holders of Company Common Stock are entitled.

(iv) As soon as practicable after the determination of the amount of cash, if any, to be paid to the holders of Company Common Stock in lieu of any fractional share interests and subject to clause (v) of this Section 2.2(e), the Exchange Agent shall make available such amounts to such holders of Company Common Stock.

(v) Parent or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock such amounts as Parent or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock in respect of which such deduction and withholding was made by Parent or the Exchange Agent.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund and Common Shares Trust which remains undistributed to the shareholders of the Company for 12 months after the Effective Time shall be delivered to Parent, upon demand, and any former shareholders of the Company who have not theretofore complied with this Article 2 shall thereafter look only to Parent for payment of their claim for Parent Common Stock, any cash in lieu of fractional shares of Parent Common Stock and any dividends or distributions with respect to Parent Common Stock.

(g) No Liability. Neither the Exchange Agent, Parent, Sub nor the Company shall be liable to any holder of shares of Company Common Stock or Parent Common Stock, as the case may be, for shares (or dividends or distributions with respect thereto) from the Exchange Fund or cash from the Common Shares Trust delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) Lost, Stolen or Destroyed Certificates. In the event any Certificates evidencing shares of Company Common Stock shall have been lost, stolen or destroyed, the holder of such lost, stolen or destroyed Certificate(s) shall execute an affidavit of that fact upon request. The holder of any such lost, stolen or destroyed Certificate(s) shall also deliver a reasonable indemnity against any claim that may be made against Parent or the Exchange Agent with respect to the Certificate(s) alleged to have been lost, stolen or destroyed. The affidavit and any indemnity which may be required hereunder shall be delivered to the Exchange Agent, who shall be responsible for making payment for such lost, stolen or destroyed Certificate(s).

SECTION 2.3. STOCK OPTIONS. At the Effective Time, the Company's obligation with respect to each outstanding option (each, a "Company Option") to purchase shares of Company Common Stock issued pursuant to the Company's Stock Plan (the "Stock Plan") and (unless otherwise elected by the optionee pursuant to the terms of an individual agreement) pursuant to the Stock Option Agreement, dated as of December 15, 1993, between the Company and Fredric D. Rosen (the "Rosen Option"), as amended in the manner described in the following sentence, shall be assumed by Parent. The Company Options so assumed by Parent shall continue to have, and be subject to, the same terms and conditions as set forth in the Stock Plan and the Rosen Option and the agreements pursuant to which such Company Options were issued as in effect immediately prior to the Effective Time, which plan, agreements and Rosen Option shall be assumed by Parent, except that (in accordance with the applicable provisions of such plan and Rosen Option and subject to any other rights that a holder of Company Options may have) (a) each such Company Option shall be exercisable for that number of whole shares of Parent Common Stock equal to the product of that number of shares of Company Common Stock covered by such Company Option immediately prior to the Effective Time multiplied by the Exchange Ratio and rounded up to the nearest whole number of shares of Parent Common Stock, and (b) the exercise price per share of Parent Common Stock shall equal the exercise price per share of Company Common Stock in effect immediately prior to the Effective Time divided by the Exchange Ratio. The adjustment provided herein with respect to any Company Options which are "Incentive Stock Options" (as defined in Section 422 of the Code) shall be and is intended to be effected in a manner which is consistent with Section 424(a) of the Code. Parent shall reserve for issuance the number of shares of Parent Common Stock that will become issuable upon the exercise of such Company Options pursuant to this Section 2.3.

SECTION 2.4. TAKING OF NECESSARY ACTION; FURTHER ACTION. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement or to vest, perfect or confirm of record or otherwise establish in the Surviving Corporation full right, title and interest in, to or under any of the assets, property, rights, privileges, powers and franchises of the Company and Sub, the officers and directors of the

Surviving Corporation are fully authorized in the name and on behalf of each of the Constituent Corporations or otherwise to take all such lawful and necessary or desirable action.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub as follows:

ORGANIZATION AND QUALIFICATION; SUBSIDIARIES. Each of the Company and its "Significant Subsidiaries" (as such term is defined in Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC")) is a corporation or other entity duly incorporated or organized, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite corporate or other power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of the Company and its subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders ("Approvals") necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such Approvals would not, individually or in the aggregate, have a Material Adverse Effect (as defined below). Each of the Company and its subsidiaries is, as applicable, duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, either individually or in the aggregate, have a Material Adverse Effect. When used in this Article 3 or elsewhere in this Agreement in connection with the Company or any of its subsidiaries, the term "Material Adverse Effect" means any change, event or effect that is materially adverse to the business, financial condition or results of operations of the Company and its subsidiaries taken as a whole, excluding (i) any changes or effects resulting from any matter, which matter was expressly approved by the Board of Directors of the Company following the date hereof unless, with respect to such matter, both directors of the Company who are also executive officers of Parent either voted against or abstained from voting (such matter and related contemplated transactions, an "Approved Matter") and (ii) changes in general economic conditions in the economy as a whole. Other than wholly owned subsidiaries and except as disclosed in the Company SEC Reports or Section 3.1 of the Company Disclosure Letter, the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, limited liability company, joint venture or other business, association or entity. As used in this Agreement, "subsidiary" with respect to any person shall mean any entity which such person has the ability to control the voting power thereof, either through ownership of equity interests or otherwise, provided that under no circumstances shall the Company and its subsidiaries be deemed to be subsidiaries of Parent.

SECTION 3.2. CERTIFICATE OF INCORPORATION AND BYLAWS. The Company has previously furnished or made available to Parent a complete and correct copy of its Articles of Incorporation and Bylaws as amended to date. Such Articles of Incorporation and bylaws are in full force and effect. Neither the Company nor any of its Significant Subsidiaries is in violation of any of the provisions of its certificate of incorporation or bylaws or equivalent organizational documents.

SECTION 3.3. CAPITALIZATION. The authorized capital stock of the Company consists of 80,000,000 shares of Company Common Stock and 20,000,000 shares of Company Preferred Stock. At the close of business on March 9, 1998, (a) 26,176,265 shares of Company Common Stock were issued and outstanding, all of which are validly issued, fully paid and nonassessable, and not subject to preemptive rights, (b) of the amount referred to in clause (a) above, no shares of Company Common Stock were held in treasury by the Company or by wholly owned subsidiaries of the Company, (c) options to purchase 2,658,086 and 1,331,340 shares of Company Common Stock were outstanding under the Stock Plan and the Rosen Option, and (d) 237,346 shares of Company Common Stock were reserved for issuance to the former owners of the Company's Canadian subsidiary. As of the date hereof, no shares of Company Preferred Stock were issued or outstanding. No change in such capitalization has occurred between March 9, 1998 and the date hereof, except (i) the issuance of shares of Company Common Stock pursuant to the exercise of outstanding options and (ii) as contemplated by this Agreement. Except as set forth in this Section 3.3 or as disclosed in Section 3.3 of the disclosure letter delivered by the Company to Parent (the "Company Disclosure Letter"), as of the date of this Agreement, there are no options, warrants or other rights, agreements, or commitments, in each case to which the Company or any of its subsidiaries is a party, of any character relating to the issued or unissued capital stock of the Company or any of its subsidiaries or obligating the Company or any of its subsidiaries to issue or sell any shares of capital stock of, or other equity interests in, the Company or any of its subsidiaries. All shares of Company Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, shall be duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. Except as set forth in Section 3.3 of the Company Disclosure Letter, there are no obligations, contingent or otherwise, of the Company or any of its subsidiaries to repurchase, redeem or otherwise acquire any shares of Company Common Stock or the capital stock of any subsidiary or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any such subsidiary or any other entity other than guarantees of obligations of subsidiaries entered into in the ordinary course of business. All of the outstanding equity interests of each of the Company's subsidiaries are duly authorized, validly issued, and, where applicable, fully paid and nonassessable, and, except as set forth in Section 3.3 of the Company Disclosure Letter or (in the case of subsidiaries of the Company only) for such matters as would not, individually or in the aggregate, have a Material Adverse Effect, all such shares are owned by the Company or another subsidiary free and clear of all security interests, liens, claims, pledges, agreements, limitations in the Company's voting rights, charges or other encumbrances of any nature whatsoever.

SECTION 3.4. AUTHORITY RELATIVE TO THIS AGREEMENT; BOARD APPROVAL.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and, subject to obtaining the approval of the shareholders of the Company of this Agreement, to consummate the Transactions. The execution and delivery of this Agreement by the Company and the consummation by the Company of the Transactions have been duly and validly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Transactions so contemplated (other than, with respect to the Merger, the approval and adoption of this Agreement by the vote of shareholders of the Company owning at least a majority of the outstanding shares of Company Common Stock in accordance with the Illinois Statute and the Company's Articles of Incorporation and Bylaws, which vote is the only vote required to consummate the Transactions under the Company's Articles of Incorporation and the Illinois Statute). This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Sub, constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (ii) the availability of injunctive relief and other equitable remedies. The Company has taken all appropriate actions so that the restrictions on business combinations contained in Section 5/11.75 of the Illinois Statute will not apply to Parent or Sub and their respective affiliates and associates with respect to or as a result of this Agreement or the Transactions.

(b) The Board of Directors of the Company based on the recommendation of the Special Committee (which recommendation was a condition to the approval of the Company's Board of Directors set forth in clause (i) of this sentence) has, prior to this Agreement, (i) approved this Agreement and the Transactions (including for purposes of the Illinois Statute), (ii) determined that the Transactions are fair to and in the best interests of the shareholders of the Company and (iii) recommended that the shareholders of the Company approve this Agreement and the Transactions. This Agreement and the Transactions have been approved by the vote of at least two-thirds of the Disinterested Directors (as defined in Section 5/7.85 of the Illinois Statute), and no vote of Company shareholders pursuant to Section 5/7.85 of the Illinois Statute is required in connection with the Transactions.

SECTION 3.5. NO CONFLICT; REQUIRED FILINGS AND CONSENTS.

(a) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, (i) conflict with or violate the certificate of incorporation, bylaws or equivalent organizational documents of the Company or any of its subsidiaries; (ii) subject to obtaining the approval of the Company's shareholders of this Agreement in accordance with the Illinois Statute and the Company's Articles of Incorporation and Bylaws and compliance with the requirements set forth in Section 3.5(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or any of its subsidiaries or by which any of their

respective properties is bound or affected; or (iii) except as set forth in Section 3.5 of the Company Disclosure Letter, result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or alter the rights or obligations of any third party or the Company or its subsidiaries under, or give to others any rights of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any of the properties or assets of the Company or any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties are bound or affected, except, in the case of clauses (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other alterations or occurrences that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, and would not have, individually or in the aggregate, a Material Adverse Effect. Section 3.5 of the Company Disclosure Letter lists all material consents, waivers and approvals under any agreements, contracts, licenses or leases required to be obtained by the Company or its subsidiaries in connection with the consummation of the Transactions.

(b) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any court, administrative agency, commission, governmental or regulatory authority, domestic or foreign (a "Governmental Entity"), except (i) the filing of documents to satisfy the applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and state takeover laws, (ii) the filing with the SEC of a proxy statement and prospectus in definitive form relating to the Shareholders Meeting (the "Proxy Statement"), (iii) the filing of the Illinois Articles of Merger with, and the issuance of the Illinois Certificate of Merger by, the Secretary of State of the State of Illinois, (iv) filings under the rules and regulations of the NASD, or (v) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications (A) would not prevent or delay consummation of the Merger in any material respect or otherwise prevent or delay in any material respect the Company from performing its obligations under this Agreement or (B) would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 3.6. COMPLIANCE; PERMITS.

(a) Except as set forth in Section 3.6 or 3.9 of the Company Disclosure Letter, neither the Company nor any of its subsidiaries is in conflict with, or in default or violation (i) of, any law, rule, regulation, order, judgment or decree applicable to the Company or any of its subsidiaries or by which any of their respective properties is bound, or (ii) whether after the giving of notice or passage of time or both, of, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties is bound, except for any conflicts, defaults or violations which do not and would not have, individually or in the aggregate, a Material Adverse Effect.

(b) The Company and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals from Governmental Entities which are material to operation of the business of the Company and its subsidiaries taken as a whole (collectively, the "Company Permits"). The Company and its subsidiaries are in compliance with the terms of the Company Permits, except where the failure to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 3.7. SEC FILINGS; FINANCIAL STATEMENTS.

(a) The Company has made available to Parent a correct and complete copy of each report, schedule, registration statement (but only such registration statements that have become effective prior to the date hereof) and definitive proxy statement filed by the Company with the SEC on or since the date of its initial public offering and prior to the date of this Agreement (the "Company SEC Reports"), which are all the forms, reports and documents required to be filed by the Company with the SEC since such date. As of their respective dates, the Company SEC Reports and any forms, reports and other documents filed by the Company with the SEC after the date of this Agreement (i) complied or will comply in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable thereto, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) or will not at the time they are filed contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, provided, however, that no representation is made with respect to information included in the Company SEC Reports that was provided in writing by Parent or Sub. None of the Company's subsidiaries is required to file any reports or other documents with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Company SEC Reports complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, had been prepared in accordance with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q or the Exchange Act regulations promulgated by the SEC), and each fairly presented the consolidated financial position of the Company and its consolidated subsidiaries in all material respects as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated (subject, in the case of the unaudited interim financial statements, to normal audit adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(c) Neither the Company nor any of its subsidiaries has any liabilities (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which are, individually or in the aggregate, material to the business, results of operations or financial

condition of the Company and its subsidiaries taken as a whole, except liabilities (i) set forth in Section 3.7 of the Company Disclosure Letter or the Company SEC Reports filed with the SEC prior to the date of this Agreement or provided for in the Company's balance sheet (and related notes thereto) as of January 31, 1997 filed in the Company SEC Reports, or (ii) incurred since January 31, 1997 in the ordinary course of business, none of which are material to the business, results of operations or financial condition of the Company and its subsidiaries, taken as a whole or (iii) arising out of or incurred in connection with (x) this Agreement or the transactions contemplated hereby or (y) an Approved Matter.

SECTION 3.8. ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Section 3.8 of the Company Disclosure Letter, contemplated by this Agreement or disclosed in the Company SEC Reports, since January 31, 1997, (a) the Company and its subsidiaries have, in all material respects, conducted their businesses only in the ordinary course and in a manner consistent with past practice and have not taken any of the actions set forth in Section 5.2(b)(i)-(iv), (vii), (x), (xi), (xii) (but with respect to this clause, only since October 31, 1997) and (xiii), and (b) there has not been (i) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business), individually or in the aggregate, having or which could reasonably be expected to have a Material Adverse Effect, or (ii) any material change by the Company in its accounting methods, principles or practices except as required by concurrent changes in GAAP.

SECTION 3.9. ABSENCE OF LITIGATION. Except as disclosed in the Company SEC Reports or Section 3.9 of the Company Disclosure Letter, there are no claims, actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or reasonably could be expected to, have a Material Adverse Effect, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against the Company or any of its subsidiaries (a) having or which would, or reasonably could be expected to, have a Material Adverse Effect or (b) which seeks to restrain, enjoin or delay consummation of any of the Transactions.

SECTION 3.10. REGISTRATION STATEMENT; PROXY STATEMENT. None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in (a) the registration statement on Form S-4 to be filed with the SEC by Parent in connection with the issuance of the Parent Common Stock in or as a result of the Merger (the "S-4") will, at the time the S-4 is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; and (b) the Proxy Statement will, at the date the Proxy Statement is mailed to the shareholders of the Company, at the time of the shareholders meeting of the Company (the "Shareholders Meeting") in connection with the Transactions and as of the Effective Time, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, provided, however, that no

representation is made with respect to information included in the Proxy Statement that was provided in writing by Parent or Sub. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated by the SEC thereunder.

SECTION 3.11. BROKERS. Except as set forth in Section 3.11 of the Company Disclosure Schedule, no broker, finder or investment banker (other than Salomon Smith Barney (f/k/a Salomon Brothers Inc) (the "Company Banker")) is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the Transactions based upon arrangements made by or on behalf of the Company. The Company has heretofore furnished to Parent a complete copy of all agreements between the Company and the Company Banker pursuant to which such firm would be entitled to any payment relating to the Merger and the Transactions.

SECTION 3.12. OPINION OF FINANCIAL ADVISOR. The Special Committee and the Company's Board of Directors have received the written opinion, dated March 9, 1998, of the Company Banker that, as of March 9, 1998, the Exchange Ratio is fair to the holders of Company Common Stock (other than Parent or any subsidiary of Parent) from a financial point of view, a copy of which opinion will be delivered to Parent.

SECTION 3.13. EMPLOYEE BENEFIT PLANS.

(a) The Company has delivered or made available to Parent prior to the execution of this Agreement true and complete copies (or, in the case of bonus or other incentive plans, summaries thereof) of all material pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other material incentive plans, all other material written employee programs, arrangements or agreements, whether arrived at through collective bargaining or otherwise, all material medical, vision, dental or other health plans, all life insurance plans and all other material employee benefit plans or fringe benefit plans, including, without limitation, all "employee benefit plans" as that term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), currently adopted, maintained by, sponsored in whole or in part by, or contributed to by the Company or any entity required to be aggregated with the Company pursuant to Section 414 of the Code (each, a "Commonly Controlled Entity") for the benefit of current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries and under which current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate (collectively, the "Company Benefit Plans"). Any of the Company Benefit Plans which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, is referred to herein as an "ERISA Plan." No Company Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA (a "Multiemployer Plan").

(b) All Company Benefit Plans are in compliance with the applicable terms of ERISA and the Code and any other applicable laws, rules and regulations the breach or violation of which could result in a Material Adverse Effect.

(c) No ERISA Plan is subject to Title IV or Section 302 of ERISA, and no circumstances exist that could result in material liability to the Company under Title IV or Section 302 of ERISA.

(d) Except as set forth in Section 3.13 of the Company Disclosure Letter, as described in any Company SEC Reports or as provided under the Stock Plan or any related agreement and the Rosen Option, neither the execution and delivery of this Agreement nor the consummation of the Transactions (or any termination of employment in connection with the Transactions) will (i) result in any material payment becoming due to any current or former director or employee of the Company or any of its affiliates from the Company or any of its affiliates under any Company Benefit Plan or otherwise, (ii) materially increase any benefits otherwise payable under any Company Benefit Plan or (iii) result in any acceleration of the time of payment or vesting of any such benefits to any material extent.

SECTION 3.14. TAX MATTERS. Neither the Company nor any of its subsidiaries has taken or agreed to take any action (including in connection with the Transactions) that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub jointly and severally represent and warrant to the Company, as follows:

SECTION 4.1 ORGANIZATION AND QUALIFICATION; SUBSIDIARIES. Each of Parent and its Significant Subsidiaries is a corporation or other entity duly organized, validly existing and, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite corporate or other power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of Parent and its subsidiaries is in possession of all Approvals necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such Approvals would not, individually or in the aggregate, have a Material Adverse Effect (as defined below). Each of Parent and its subsidiaries is, as applicable, duly qualified or licensed as a foreign corporation or other entity to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, either individually or in the aggregate, have a Material Adverse Effect. When used in this Article 4 or elsewhere in connection with Parent or any of its subsidiaries, the term "Material Adverse Effect" means any change, event or effect that is materially adverse to the business, financial condition or results of operations of Parent and its subsidiaries (including USANi LLC, a Delaware limited liability company) taken as a whole, excluding changes in general economic conditions in the economy as a whole. Other than wholly owned subsidiaries and except as dis-

closed in the Parent SEC Reports (as defined in Section 4.7(a)) or Section 5.3 of the Parent Disclosure Letter, Parent does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, limited liability company, joint venture or other business, association or entity.

SECTION 4.2. CERTIFICATE OF INCORPORATION AND BYLAWS. Parent has previously furnished to the Company a complete and correct copy of its Certificate of Incorporation and Bylaws as amended to date. Such certificate of incorporation and bylaws are in full force and effect. Neither Parent nor any of its Significant Subsidiaries is in violation of any of the provisions of its certificate of incorporation or bylaws or equivalent organizational documents.

SECTION 4.3. CAPITALIZATION. In each case without giving effect to the 2-for-1 stock split declared by Parent on February 20, 1998, as of the date hereof, the authorized capital stock of Parent consists of (a) 800,000,000 shares of Parent Common Stock and 200,000,000 shares of Class B common stock, par value $.01 per share, of Parent ("Parent Class B Common Stock" and, together with the Parent Common Stock, the "Parent Common Shares") and (b) 15,000,000 shares of preferred stock, par value $.01 per share, of Parent ("Parent Preferred Stock"), none of which have been designated as to class or series. At the close of business on March 11, 1998, (i) 51,089,631 shares of Parent Common Stock were issued and outstanding and 16,006,808 shares of Parent Class B Common Stock were issued and outstanding, all of which Parent Common Stock and Parent Class B Common Stock are validly issued, fully paid and nonassessable and, except as disclosed in the Parent proxy statement dated January 12, 1998 (the "Parent Proxy Statement"), not subject to any preemptive rights, (ii) no shares of Parent Common Stock were held in treasury by Parent or by subsidiaries of Parent, (iii) shares of USANi LLC exchangeable into 54,327,175 Parent Common Shares were outstanding, and (iv) Home Shopping Network, Inc. shares exchangeable into 7,905,016 shares of Parent Common Stock and 399,136 shares of Parent Class B Common Stock were outstanding. At the close of business on March 2, 1998, options to purchase 17,499,297 shares of Parent Common Stock were outstanding under Parent's 1997 Stock and Annual Incentive Plan, 1995 Stock Incentive Plan, 1992 Stock Option and Restricted Stock Plan, Stock Option Plan for Outside Directors, other Company stock option plans described in documents incorporated by reference in the Parent SEC Reports, and under equity compensation arrangements. Except as set forth in Section 4.3 of the Parent Disclosure Letter, no change in such capitalization has occurred between March 2, 1998 and the date hereof, except for issuances of Parent Common Stock upon exercise, conversion or exchange of the outstanding securities referenced in this Section 4.3. As of the date hereof, no shares of Parent Preferred Stock were issued or outstanding. The authorized capital stock of Sub consists of 100,000,000 shares of Sub Common Stock. As of the date hereof, 1,000 shares of Sub Common Stock are issued and outstanding. All of the outstanding shares of Parent's and Sub's respective capital stock have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth in this Section 4.3, the Parent Proxy Statement or as disclosed in the disclosure letter delivered by Parent to the Company (the "Parent Disclosure Letter"), as of the date of this Agreement, there are no options, warrants or other rights, agreements, or commitments, in each case, to which Parent or any of its subsidiaries is a party, of any character relating to the issued or unissued capital stock of Parent or any of its subsidiaries or obligating Parent or

any of its subsidiaries to issue or sell any shares of capital stock of, or other equity interests in, Parent or any of its subsidiaries. All shares of Parent Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, shall, and the shares of Parent Common Stock to be issued pursuant to the Merger will be, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights, except as set forth in the Parent Proxy Statement. Except as set forth in the Parent Proxy Statement or Section 4.3 of the Parent Disclosure Letter, there are no obligations, contingent or otherwise, of Parent or any of its subsidiaries to repurchase, redeem or otherwise acquire any shares of Parent Common Stock or the capital stock of any subsidiary or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any such subsidiary or any other entity other than guarantees of obligations of subsidiaries entered into in the ordinary course of business. All of the outstanding equity interests (other than directors' qualifying shares) of each of Parent's subsidiaries are duly authorized, validly issued, and, where applicable, fully paid and nonassessable and, except as set forth in the Parent Proxy Statement or for such matters as would not, individually or in the aggregate, have a Material Adverse Effect, all such shares (other than directors' qualifying shares) are owned by Parent or another subsidiary. The shares of Surviving Corporation Common Stock to be issued in the Merger will, upon issuance, be validly issued, fully paid, nonassessable and free and clear of all security interests, liens, claims, pledges, agreements, limitations in the holder's voting rights, charges or other encumbrances of any nature whatsoever (in each case to which the Surviving Corporation is a party).

SECTION 4.4. AUTHORITY RELATIVE TO THIS AGREEMENT; BOARD APPROVAL.

(a) Each of Parent and Sub has all necessary corporate power and authority to execute and deliver this Agreement, and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and Sub and the consummation by Parent and Sub of the Transactions have been duly and validly authorized by all necessary corporate action on the part of Parent and Sub and no other corporate proceedings on the part of Parent or Sub are necessary to authorize this Agreement, or to consummate the Transactions (other than the approval of the NASD listing application with respect to the issuance of shares of Parent Common Stock in the Merger). This Agreement has been duly and validly executed and delivered by Parent and Sub and, assuming the due authorization, execution and delivery by the Company, constitutes the legal and binding obligations of Parent and Sub, enforceable against Parent and Sub in accordance with its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (ii) the availability of injunctive relief and other equitable remedies.

(b) The Board of Directors of Parent has (i) approved this Agreement and the Transactions and (ii) determined that the Transactions are fair to and in the best interests of the shareholders of Parent. No vote of Parent shareholders is required in connection with the Transactions.

SECTION 4.5. NO CONFLICT; REQUIRED FILINGS AND CONSENTS.

(a) The execution and delivery of this Agreement by Parent and Sub do not, and the performance of their respective obligations hereunder and the consummation of the Transactions by Parent and Sub will not, (i) conflict with or violate the certificate of incorporation, bylaws or equivalent organizational documents of Parent or any of its subsidiaries; (ii) subject to compliance with the requirements set forth in Section 4.5(b), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or any of its subsidiaries or by which their respective properties are bound or affected; or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or alter the rights or obligations of any third party or Parent or its subsidiaries under, or give to others any rights of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any of the properties or assets of Parent or any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or any of its subsidiaries is a party or by which Parent or any of its subsidiaries or any of their respective properties are bound or affected, except in the cases of clauses (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other alterations or occurrences that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Parent and Sub from performing their respective obligations under this Agreement in any material respect, and would not have, individually or in the aggregate, a Material Adverse Effect. Section 4.5(a) of the Parent Disclosure Letter lists all material consents, waivers and approvals under any agreements, contracts, licenses or leases required to be obtained by Parent or its subsidiaries in connection with the consummation of the Transactions.

(b) The execution and delivery of this Agreement by Parent and Sub do not, and the performance of their respective obligations hereunder and the consummation of the Transactions by Parent and Sub will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any Governmental Entity except (i) the filing of documents to satisfy the applicable requirements, if any, of the Exchange Act and state takeover laws, (ii) the filing with the SEC of the Proxy Statement and the declaration of effectiveness of the S-4 by the SEC, (iii) the filing of the Illinois Articles of Merger with, and the issuance of the Illinois Certificate of Merger by, the Secretary of State of the State of Illinois, (iv) filings under the rules and regulations of the NASD, (v) filings under state securities laws ("Blue Sky Laws"), and (vii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications (A) would not prevent or delay consummation of the Merger in any material respect or otherwise prevent or delay in any material respect Parent or Sub from performing their respective obligations under this Agreement or (B) would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 4.6. COMPLIANCE; PERMITS.

(a) Except as disclosed in Section 4.6 or Section 4.9 of the Parent Disclosure Letter, neither Parent nor any of its subsidiaries is in conflict with, or in default or violation (i) of, any law, rule, regulation, order, judgment or decree applicable to Parent or any of its

subsidiaries or by which any of their respective properties is bound, or (ii) whether after the giving of notice or passage of time or both, of, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or any of its subsidiaries is a party or by which Parent or any of its subsidiaries or any of their respective properties is bound, except for any such conflicts, defaults or violations which do not and would not have, individually or in the aggregate, a Material Adverse Effect.

(b) Parent and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals from Governmental Entities which are material to the operation of the business of Parent and its subsidiaries taken as a whole (collectively, the "Parent Permits"). Parent and its subsidiaries are in compliance with the terms of the Parent Permits, except where the failure to so comply would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 4.7. SEC FILINGS; FINANCIAL STATEMENTS.

(a) Parent has made available to the Company a correct and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Parent with the SEC on or after January 1, 1997 and prior to the date of this Agreement (the "Parent SEC Reports"), which are all the forms, reports and documents required to be filed by Parent with the SEC since January 1, 1997. As of their respective dates, the Parent SEC Reports and any forms, reports and other documents filed by Parent and Sub after the date of this Agreement (i) complied or will comply in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable thereto, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) or will not at the time they are filed contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, provided, however, that no representation is made with respect to information included in the Parent SEC Reports that was provided in writing by the Company. None of Parent's subsidiaries is required to file any reports or other documents with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Parent SEC Reports complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, had been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q or the Exchange Act regulations promulgated by the SEC) and each fairly presented the consolidated financial position of Parent and its consolidated subsidiaries in all material respects as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated (subject, in the case of the unaudited interim financial statements, to normal audit adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(c) Except as disclosed in Section 4.7 of the Parent Disclosure Letter, neither Parent nor any of its subsidiaries has any liabilities (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which are, individually or in the aggregate, material to the business, results of operations or financial condition of Parent and its subsidiaries taken as a whole, except liabilities (i) set forth in the Parent SEC Reports filed with the SEC prior to the date of this Agreement or provided for in Parent's balance sheet (and related notes thereto) as of December 31, 1996 filed in the Parent SEC Reports or (ii) incurred since December 31, 1996 in the ordinary course of business, none of which are material to the business, results of operations or financial condition of Parent and its subsidiaries, taken as a whole.

SECTION 4.8. ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as disclosed in the Parent SEC Reports or in Section 4.8 of the Parent Disclosure Letter or as contemplated by this Agreement, since December 31, 1996, (a) Parent and its subsidiaries have, in all material respects, conducted their businesses only in the ordinary course and in a manner consistent with past practice and have not taken any of the actions set forth in Section 5.3(b)(i)-(iv), and (b) there has not been (i) any transaction, commitment, dispute or other event or condition (financial or otherwise) of any character (whether or not in the ordinary course of business), individually or in the aggregate, having or which could reasonably be expected to have a Material Adverse Effect or (ii) any material change by Parent in its accounting methods, principles or practices except as required by concurrent changes in GAAP.

SECTION 4.9. ABSENCE OF LITIGATION. Except as disclosed in Section 4.9 of the Parent Disclosure Letter or the Parent SEC Reports, there are no claims, actions, suits, investigations or proceedings pending or, to the best knowledge of Parent, threatened against Parent or any of its subsidiaries before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or could reasonably be expected to, have a Material Adverse Effect, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Parent or any of its subsidiaries (a) having or which would, or could reasonably be expected to, have a Material Adverse Effect or (b) which seeks to restrain, enjoin or delay consummation of any of the Transactions.

SECTION 4.10. REGISTRATION STATEMENT; PROXY STATEMENT. None of the information supplied or to be supplied by Parent for inclusion or incorporation by reference in the S-4 will, at the time the S-4 is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, provided, however, that no representation is made with respect to information included in the S-4 that was provided in writing by the Company. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated by the SEC thereunder, and the S-4 will comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations promulgated by the SEC thereunder.

SECTION 4.11. BROKERS. No broker, finder or investment banker (other than Allen & Company Incorporated ("Parent Banker")) is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Sub.

SECTION 4.12. OPINION OF FINANCIAL ADVISOR. In connection with its March 13, 1998 approval of the Transactions, Parent's Board of Directors has received the oral opinion of Parent Banker that, as of March 13, 1998, the Exchange Ratio for each share of Company Common Stock (other than shares owned by Parent and its subsidiaries) is fair to Parent from a financial point of view, which opinion will be confirmed in writing, a copy of which will be delivered to the Company.

SECTION 4.13. INTERIM OPERATIONS OF SUB. Sub is a direct wholly owned subsidiary of Parent and was formed solely for the purpose of engaging in the Transactions, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

SECTION 4.14. EMPLOYEE BENEFIT PLANS.

(a) Parent will deliver or make available to the Company as soon as practicable after the execution of this Agreement true and complete copies (or, in the case of bonus or other incentive plans, summaries thereof) of all material pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other material incentive plans, all other material written employee programs, arrangements or agreements, whether arrived at through collective bargaining or otherwise, all material medical, vision, dental or other health plans, all life insurance plans and all other material employee benefit plans or fringe benefit plans, including, without limitation, all "employee benefit plans" as that term is defined in Section 3(3) of ERISA, currently adopted, maintained by, sponsored in whole or in part by, or contributed to by Parent or any Commonly Controlled Entity of Parent for the benefit of current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries and under which current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate (collectively, the "Parent Benefit Plans"). Any of the Parent Benefit Plans which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, is referred to herein as a "Parent ERISA Plan." Except as set forth in Section 4.14 of the Parent Disclosure Letter, no Parent Benefit Plan is or has been a Multiemployer Plan within the meaning of Section 3(37) of ERISA.

(b) All Parent Benefit Plans are in compliance with the applicable terms of ERISA and the Code and any other applicable laws, rules and regulations the breach or violation of which could result in a Material Adverse Effect.

(c) No parent ERISA Plan is subject to Title IV or Section 302 of ERISA and no circumstances exist that could result in material liability to Parent under Title IV or Section 302 of ERISA.

(d) Neither the execution and delivery of this Agreement nor the consummation of the Transactions (or any termination of employment in connection with the Transactions) will (i) result in any material payment becoming due to any current or former director or employee of Parent or any of its affiliates from Parent or any of its affiliates under any Parent Benefit Plan or otherwise, (ii) materially increase any benefits otherwise payable under any Parent Benefit Plan, or (iii) result in any acceleration of the time of payment or vesting of any such benefits to any material extent.

SECTION 4.15. TAX MATTERS. Neither Parent nor any of its affiliates has taken or agreed to take any action (including in connection with the Transactions) that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

ARTICLE 5

CONDUCT AND TRANSACTIONS PRIOR TO EFFECTIVE TIME; ADDITIONAL AGREEMENTS

SECTION 5.1 INFORMATION AND ACCESS. From the date of this Agreement and continuing until the Effective Time, the Company and Parent each agrees as to itself and its subsidiaries that it shall afford and, with respect to clause (b) below, shall cause its independent auditors to afford, (a) to the officers, independent auditors, counsel and other representatives of the other reasonable access to its and its subsidiaries' properties, books, records (including tax returns filed and those in preparation) and executives and personnel in order that the other may have a full opportunity to make such investigation as it reasonably desires to make of the other, and, in the case of access to the Company's executives and personnel, to plan and provide for the Merger and for the future direction of the Company, and (b) to the independent auditors of the other, reasonable access to the audit work papers and other records of its independent auditors. No investigation pursuant to this Section 5.1 shall affect or otherwise obviate or diminish any representations and warranties of any party or conditions to the obligations of any party. Promptly following the date hereof, the Company will deliver to Parent a complete copy of its current operating budget. Except as required by law or stock exchange or NASD regulation, any information furnished pursuant to this Section 5.1 shall be treated confidentially by such party, its officers, independent accountants and other representatives and advisors (except for such information as has otherwise been made public (other than by reason of a violation of this Section 5.1)), subject, in the case of information furnished to Parent, to any limitations in the letter agreement, dated as of February 9, 1998, between Parent and the Company (the "Confidentiality Agreement").

SECTION 5.2. CONDUCT OF BUSINESS OF THE COMPANY. Except as contemplated by this Agreement (including Section 5.2 of the Company Disclosure Letter) or with respect to Approved Matters, and excluding transactions between the Company and its wholly owned subsidiaries or between such subsidiaries, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to

Section 7.1, (a) the Company and its subsidiaries shall conduct their respective businesses in the ordinary and usual course consistent with past practice (including, without limitation, with respect to the terms of any new arena or venue contracts or renewals of existing arena or venue contracts (such contracts, "Ordinary Venue Contracts"), or financial expenditures), and (b) neither the Company nor any of its subsidiaries shall without the prior written consent of Parent:

(i) declare, set aside or pay any dividends on or make any other distribution in respect of any of its capital stock, except dividends or distributions declared and paid by a subsidiary of the Company only to the Company or another subsidiary of the Company;

(ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of, or in substitution for shares of its capital stock or repurchase, redeem or otherwise acquire any shares of its capital stock;

(iii) issue, deliver, pledge, encumber or sell, or authorize or propose the issuance, delivery, pledge, encumbrance or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or rights, warrants or options to acquire, any such shares of capital stock or other convertible securities (other than the issuance of such capital stock to the Company or a wholly owned subsidiary of the Company, or upon the exercise or conversion of outstanding options or warrants in accordance with the Stock Plan or the Rosen Option in effect on the date of this Agreement or other convertible or exchangeable securities outstanding on the date hereof, in each case in accordance with its present terms), authorize or propose any change in its equity capitalization, or amend any of the financial or other economic terms of such securities or the financial or other economic terms of any agreement relating to such securities;

(iv) amend its Articles of Incorporation or Bylaws in any manner;

(v) take any action that would or could reasonably be expected to result in any of its representations and warranties set forth in this Agreement being untrue or in any of the conditions to the Merger set forth in Article not being satisfied;

(vi) merge or consolidate with any other person, or acquire any assets or capital stock of any other person, other than acquisitions of assets in the ordinary course of business, such as for inventory or relating to the ordinary operations of the Company;

(vii) incur any indebtedness or guarantee any indebtedness of another person or increase the indebtedness outstanding under any current agreement relating to indebtedness, other than trade payables, or as disclosed on Section 5.2 of the Company Disclosure Letter, in each case in the ordinary course of business;

(viii) make or authorize any capital expenditures of the Company and its subsidiaries taken as a whole, other than capital expenditures permitted pursuant to Section 5.2 of Company Disclosure Letter;

(ix) except as may be required by changes in applicable law or GAAP, change any method, practice or principle of accounting;

(x) enter into any new employment agreements, or increase the compensation of any employee or officer of the Company or any of its subsidiaries (including entering into any bonus, severance or consulting agreement or other employee benefits arrangement or agreement pursuant to which such person has the right to any form of compensation from the Company or any of its subsidiaries), other than (A) with the prior consent of Parent, which consent will not be unreasonably withheld, or (B) as required by law or by written agreements in effect on the date hereof with such person, or otherwise amend in any material respect any existing agreements with any such person or use its discretion to materially amend any Company Benefit Plan or accelerate the vesting or any payment under any Company Benefit Plan;

(xi) enter into any transaction with any officer or director of the Company or its subsidiaries, other than as provided for in the terms of any agreement in effect on or prior to the date hereof and described in the Company Disclosure Letter;

(xii) enter into, amend in any material respect or waive any material rights under or terminate any material agreement to which the Company or any of its subsidiaries is a party, it being agreed that any Ordinary Venue Contract with less than $2,000,000 in financial commitments or guarantees by the Company or its subsidiaries over five years shall not be deemed material with respect to the entering into of a new or amending or extending an existing agreement;

(xiii) settle or otherwise compromise any material litigation, arbitration or other judicial or administrative dispute or proceeding relating to the Company or any of its subsidiaries; or

(xiv) authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

With respect to any matter requiring the consent of Parent under this Section 5.2, the Company shall provide Parent with a summary of the deal terms, and Parent shall have five business days to discuss the matter with representatives of the Company and to indicate whether it consents to such matter. If Parent does not respond by the close of business on the fifth business day after it receives the notice hereunder, then such matter shall be deemed to have been consented to, and the Company may proceed on the basis of the terms described to Parent in the notice. If Parent advises the Company that it does not consent to such matter in such time period, the Company shall not take such action.

SECTION 5.3. CONDUCT OF BUSINESS OF PARENT. Except as contemplated by this Agreement (including the Parent Disclosure Letter), and the Parent Proxy Statement or the Investment Agreement, as amended and restated as of December 18, 1997, among Parent, Universal Studios, Inc. ("Universal"), Home Shopping Network, Inc., and Liberty Media Corporation ("Liberty") (the "Investment Agreement") and excluding transactions between Parent and its wholly owned subsidiaries or between such subsidiaries, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to Section 7.1, (a) Parent and its subsidiaries shall conduct their respective businesses in the ordinary and usual course consistent with past practice, and (b) neither Parent nor any of its subsidiaries shall without the prior written consent of the Company:

(i) declare, set aside or pay any dividends on or make any other distribution in respect of any of its capital stock, except the 2-for-1 stock split declared by Parent on February 20, 1998, or dividends or distributions declared and paid by a subsidiary of Parent only to Parent or another subsidiary of Parent;

(ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, except for the 2-for-1 stock split declared by Parent on February 20, 1998 or repurchase, redeem or otherwise acquire any shares of its capital stock;

(iii) except for the 2-for-1 stock split declared by Parent on February 20, 1998, issue, deliver, pledge, encumber or sell, or authorize or propose the issuance, delivery, pledge, encumbrance or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or rights, warrants or options to acquire, any such shares of capital stock or other convertible securities (other than (A) the issuance of such capital stock to Parent or another wholly owned subsidiary of Parent, or upon the exercise or conversion of options or other convertible or exchangeable securities outstanding on the date of this Agreement or which Parent is obligated to issue pursuant to the Investment Agreement and related agreements with Universal and Liberty, or (B) the granting of options or stock to employees in the ordinary course of business and the issuance of Parent Common Stock upon exercise thereof) or authorize or propose any change in its equity capitalization;

(iv) amend its Certificate of Incorporation in any manner or amend its Bylaws in any material respect;

(v) take any action that would or could reasonably be expected to result in any of its representations and warranties set forth in this Agreement being untrue or in any of the conditions to the Merger set forth in Article 6 not being satisfied; or

(vi) authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

SECTION 5.4. PREPARATION OF S-4 AND PROXY STATEMENT; OTHER FILINGS. As promptly as practicable after the date of this Agreement, Parent and the Company shall prepare and file with the SEC a preliminary Proxy Statement in form and substance reasonably satisfactory to each of Parent and the Company and Parent shall prepare and file with the SEC the S-4, in which the Proxy Statement (or portion thereof) will be included as part of a prospectus. Each of Parent and the Company shall use its reasonable best efforts to respond to any comments of the SEC, to have the S-4 declared effective under the Securities Act as promptly as practicable after such filing and to cause the Proxy Statement approved by the SEC to be mailed to the Company's shareholders at the earliest practicable time. As promptly as practicable after the date of this Agreement, Parent and the Company shall prepare and file any other filings required under the Exchange Act, the Securities Act or any other federal or Blue Sky Laws relating to the Merger and the Transactions, including, without limitation or under state takeover laws (the "Other Filings"). The Company and Parent will notify the other party promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff or any other government officials for amendments or supplements to the S-4, the Proxy Statement or any Other Filing or for additional information, and will supply the other with copies of all correspondence between it or any of its representatives, on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the S-4, the Proxy Statement, the Merger or any Other Filing. The Proxy Statement, the S-4 and the Other Filings shall comply in all material respects with all applicable requirements of law. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Proxy Statement, the S-4 or any Other Filing, Parent or the Company, as the case may be, shall promptly inform the other party of such occurrence and cooperate in filing with the SEC or its staff or any other government officials, and/or mailing to shareholders of the Company, such amendment or supplement. The Proxy Statement shall include, subject to applicable fiduciary duties (based on advice of outside counsel to the Special Committee), the recommendations of the Board of Directors of the Company in favor of approval of this Agreement and the Transactions; provided, that the Board of Directors of the Company will not recommend approval of this Agreement and the Transactions without the recommendation of the Special Committee. The Company and Parent each shall promptly provide the other (or its counsel) copies of all filings made by it with any Governmental Entity in connection with this Agreement and the Transactions. Parent shall take all necessary actions to cause the shares of Parent Common Stock issuable in connection with the Stock Plan and the Rosen Option (to the extent not exercised at or prior to the Effective Time) to be registered under the Securities Act. Prior to the Effective Time, the Company shall take appropriate action so that Parent's assumption of the Stock Plan as of the Effective Time shall be effective.

SECTION 5.5. LETTER OF INDEPENDENT AUDITORS. The Company and Parent shall use all reasonable efforts to cause to be delivered to the other "comfort" letters of Ernst & Young LLP, the Company's independent auditors, and KPMG Peat Marwick LLP, the Company's previous independent auditors, and of Ernst & Young LLP, Parent's independent auditors, in each case dated and delivered the date on which the S-4 shall become effective and as of the Effective Time, and addressed to the Boards of Directors of the Company and Parent, in form and substance reasonably satisfactory to the other and customary in scope and substance for

letters delivered by independent auditors in connection with registration statements similar to the S-4.

SECTION 5.6. SHAREHOLDERS MEETING. The Company shall call its Shareholders Meeting to be held as promptly as practicable for the purpose of voting upon this Agreement. The Company shall use its reasonable best efforts to hold the Shareholders Meeting on the date as soon as practicable after the date on which the S-4 becomes effective. At the Shareholders Meeting, Parent agrees to vote, or cause to be voted, all shares of Company Common Stock beneficially owned by it in favor of the Transactions and approval of this Agreement.

SECTION 5.7. AGREEMENTS TO TAKE REASONABLE ACTION.

(a) The parties shall take, and shall cause their respective subsidiaries to take, all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on them with respect to the Merger and shall take all reasonable actions necessary to cooperate promptly with and furnish information to the other parties in connection with any such requirements imposed upon them or any of their subsidiaries in connection with the Merger. Each party shall take, and shall cause its subsidiaries to take, all reasonable actions necessary (i) to obtain (and will take all reasonable actions necessary to promptly cooperate with the other parties in obtaining) any clearance, consent, authorization, order or approval of, or any exemption by, any Governmental Entity, or other third party, required to be obtained or made by it (or by the other parties or any of their respective subsidiaries) in connection with the Transactions or the taking of any action contemplated by this Agreement; (ii) to lift, rescind or mitigate the effect of any injunction or restraining order or other order adversely affecting its ability to consummate the Transactions; (iii) to fulfill all conditions applicable to the parties pursuant to this Agreement; and (iv) to prevent, with respect to a threatened or pending temporary, preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order, the entry, enactment or promulgation thereof, as the case may be; provided, however, that with respect to clauses (i) through (iv) above, the parties will take only such curative measures (such as licensing and divestiture) as the parties determine to be reasonable.

(b) Subject to the terms and conditions of this Agreement, each of the parties shall use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective as promptly as practicable the Transactions, subject to the appropriate approval of the shareholders of the Company. Upon the request of Parent, the Company will, and will use its reasonable efforts to cause its officers to, cooperate with a designated search committee of officers and/or directors of Parent appointed by Parent to identify an appropriate successor Chief Executive Officer for the Company in connection with the Merger. In the event that Parent believes that the Company is not in compliance with the foregoing, Parent shall provide written notice to the non-employee directors of the Company so that the Company may so comply by taking such action as such directors deem appropriate in their good faith judgment.

SECTION 5.8. CONSENTS. Parent, Sub and the Company shall each use all reasonable efforts to obtain the consent and approval of, or effect the notification of or filing with, each person or authority whose consent or approval is required in order to permit the consummation of the Merger and the Transactions and to enable the Surviving Corporation to conduct and operate the business of the Company and its subsidiaries substantially as presently conducted and as contemplated to be conducted.

SECTION 5.9. NASDAQ QUOTATION. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock issuable to the shareholders of the Company in the Merger to be eligible for quotation on the NASD National Market (or other national market or exchange on which Parent Common Stock is then traded or quoted) prior to the Effective Time.

SECTION 5.10. AFFILIATES. At least ten Business Days prior to the date of the Shareholders Meeting, the Company shall deliver to Parent a list of names and addresses of those persons who were, at the record date for the Company Shareholders Meeting, "affiliates" of the Company within the meaning of Rule 145 under the Securities Act. The Company shall use its reasonable efforts to deliver or cause to be delivered to Parent, prior to the Effective Time, from each of the affiliates of the Company identified in the foregoing list, agreements substantially in the form attached to this Agreement as Exhibit A.

SECTION 5.11. INDEMNIFICATION AND INSURANCE. Parent shall cause the Surviving Corporation to maintain in effect, for a period of six years after the Effective Time, the current provisions regarding indemnification of officers and directors (including with respect to advancement of expenses) contained in the Articles of Incorporation and Bylaws of the Company. Upon the Effective Time, Parent shall assume all of the obligations of the Company under the Company's existing indemnification agreements with each of the existing and former directors and officers of the Company, as such agreements relate to the indemnification of such persons for expenses and liabilities arising from facts or events which occurred on or before the Effective Time or relating to the Merger or Transactions. In addition, Parent agrees to provide to the current directors and officers of the Company the maximum indemnification protection (including with respect to advancement of expenses) permitted under the Illinois Statute. Parent agrees to cause the Company to have in effect, as of the Effective Time and covering the six-year period following the Effective Time, for the benefit of the Company's current and former directors and officers, insurance in the same amount and on substantially the same terms as the Company's current directors' and officers' policies with respect to acts or omissions occurring on or prior to the Effective Time.

SECTION 5.12. NOTIFICATION OF CERTAIN MATTERS. Each of the Company, Parent and Sub shall give prompt notice to the other such parties of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be likely to cause (a) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time, or (b) any material failure of the Company, Parent, or Sub as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Notwithstanding the foregoing, the delivery of any notice

pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 5.13. EMPLOYEE AGREEMENTS. From and after the Effective Time, Parent shall cause the Surviving Corporation to fulfill all written employment, severance, termination, consulting and retirement agreements, as in effect on the date hereof, to which the Company or any of its subsidiaries is a party, pursuant to the terms thereof and applicable law.

SECTION 5.14. REORGANIZATION. From and after the date hereof, each of Parent and the Company and their respective subsidiaries shall not, and shall use reasonable efforts to cause their affiliates not to, take any action, or fail to take any action, that would jeopardize qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code or enter into any contract, agreement, commitment or arrangement that would have such effect.

ARTICLE 6

CONDITIONS PRECEDENT

SECTION EXCHANGE 6.1. CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligations of each party to effect the Merger are subject to the satisfaction prior to the Closing Date of the following conditions:

(a) Shareholder Approval. This Agreement shall have been approved and adopted by the requisite vote of the shareholders of the Company, in accordance with all applicable provisions of the Illinois Statute.

(b) Effectiveness of the S-4. The S-4 shall have been declared effective by the SEC under the Securities Act and shall not be the subject of any stop order or proceeding by the SEC seeking a stop order.

(c) Governmental Entity Approvals. All other material authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any Governmental Entity necessary for the Merger and the consummation of the Transactions shall have been filed, expired or been obtained, other than those that, individually or in the aggregate, the failure to be filed, expired or obtained would not, in the reasonable opinion of Parent, have a Material Adverse Effect on the Company or Parent.

(d) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger or the other Transactions shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, seeking any of the foregoing be pending or threatened; and there shall not be any action taken, or any statute, rule, regulation or order (whether

temporary, preliminary or permanent) enacted, entered or enforced which makes the consummation of the Merger or the other Transactions illegal or prevents or prohibits the Merger or the other Transactions.

(e) NASDAQ Quotation. The shares of Parent Common Stock issuable to the holders of the Company Common Stock pursuant to the Merger shall have been authorized for quotation on the NASD National Market (or other national market or exchange on which Parent Common Stock is then traded or quoted), upon official notice of issuance.

SECTION 6.2. CONDITIONS OF OBLIGATIONS OF PARENT AND SUB. The obligations of Parent and Sub to effect the Merger are subject to the satisfaction of the following additional conditions, unless waived in writing by Parent:

(a) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct or, in the case of representations and warranties not containing any materiality qualifier, including, without limitation, "Material Adverse Effect," shall be true and correct in all material respects (i) as of the date hereof and (ii) as of the Closing Date, as though made on and as of the Closing Date (provided, that in the cases of clauses (i) and (ii), any such representation and warranty made as of a specific date shall be true and correct as of such specific date), and Parent shall have received certificates to such effect signed by the Chief Executive Officer or the Chief Financial Officer of the Company with respect to Company matters.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all of its respective obligations and covenants, taken as a whole, required to be performed by it under this Agreement prior to or as of the Closing Date, and Parent shall have received a certificate to such effect signed by the Chief Executive Officer or the Chief Financial Officer of the Company.

(c) Consents. Parent and Sub shall have received duly executed copies of all material third-party consents and approvals contemplated by this Agreement or the Company Disclosure Letter to be obtained by the Company in form and substance reasonably satisfactory to Parent and Sub, except those consents the failure to so receive would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

(d) Tax Opinion. Parent and Sub shall have received the opinion, dated the Closing Date, of Wachtell, Lipton, Rosen & Katz, special counsel to Parent, based upon customary representations, to the effect that (i) the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of the Company, Sub and Parent will be a party to that reorganization within the meaning of Section 368(b) of the Code, and (ii) no taxable gain or loss will be recognized, for federal income tax purposes, by shareholders of the Company who exchange Company Common Stock for shares of Parent Common Stock pursuant to the Merger (except with respect to cash received in lieu of fractional shares).

SECTION 6.3. CONDITIONS OF OBLIGATIONS OF THE COMPANY. The obligation of the Company to effect the Merger is subject to the satisfaction of the following conditions, unless waived in writing by the Company:

(a) Representations and Warranties. The representations and warranties of Parent and Sub set forth in this Agreement shall be true and correct or, in the case of representations and warranties not containing any materiality qualifier, including, without limitation, "Material Adverse Effect," shall be true and correct in all material respects (i) as of the date hereof and (ii) as of the Closing Date, as though made on and as of the Closing Date (provided, that in the cases of clauses (i) and (ii), any such representation and warranty made as of a specific date shall be true and correct as of such specific date), and the Company shall have received certificates to such effect signed by a senior executive officer of Parent and of Sub to such effect with respect to Parent matters and Sub matters, respectively.

(b) Performance of Obligations of Parent and Sub. Each of Parent and Sub shall have performed in all material respects all of their respective obligations and covenants, taken as a whole, required to be performed by such party under this Agreement prior to or as of the Closing Date, and the Company shall have received certificates to such effect signed by a senior executive officer of Parent and of Sub with respect to Parent and Sub matters, respectively.

(c) Consents. The Company shall have received duly executed copies of all material third-party consents and approvals contemplated by this Agreement and the Parent Disclosure Letter to be obtained by Parent in form and substance reasonably satisfactory to the Company, except those consents the failure to so receive, would not, individually or in the aggregate, have a Material Adverse Effect on Parent.

(d) Tax Opinion. The Company shall have received the opinion, dated the Closing Date, of Shearman & Sterling, special counsel to the Company, based upon customary representations, to the effect that (i) the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that each of the Company, Sub and Parent will be a party to that reorganization within the meaning of Section 368(b) of the Code, and (ii) no taxable gain or loss will be recognized, for federal income tax purposes, by shareholders of the Company who exchange Company Common Stock for shares of Parent Common Stock pursuant to the Merger (except with respect to cash received in lieu of fractional shares).

(e) Officer of Parent. Mr. Barry Diller shall continue to be the Chief Executive Officer of Parent.

ARTICLE 7

TERMINATION

SECTION 7.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time of the Merger, whether before or after approval of the Merger by the shareholders of the Company:

(a) by mutual written consent duly authorized by the Boards of Directors of Parent and the Company based on the recommendation of the Special Committee;

(b) by either Parent or the Company if the Merger shall not have been consummated by December 31, 1998 (provided, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of the Merger to occur on or before such date and such action or failure to act constitutes a breach of this Agreement);

(c) by either Parent or the Company, if (i) a court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger, which order, decree or ruling is final and nonappealable or (ii) a governmental, regulatory or administrative agency or commission shall seek to enjoin the Merger and the terminating party reasonably believes that the time period required to resolve such governmental action and the related uncertainty is reasonably likely to have a Material Adverse Effect on either Parent or the Company;

(d) by either Parent or the Company, if the required approvals of the shareholders of the Company contemplated by this Agreement shall not have been obtained by reason of the failure to obtain the required vote upon a vote taken at a Shareholders Meeting or at any adjournment thereof (provided, that the right to terminate this Agreement under this Section 7.1(d) shall not be available to any party where the failure to obtain shareholder approval of such party shall have been caused by the action or failure to act of such party in breach of this Agreement);

(e) by Parent, if the Board of Directors of the Company acting on the recommendation of the Special Committee shall have withdrawn or modified its recommendation concerning the Merger in accordance with Section 5.4 hereof;

(f) by the Company, upon a breach of any representation, warranty, covenant or agreement on the part of Parent set forth in this Agreement, or if any representation or warranty of Parent shall have become untrue, in either case such that the conditions set forth in Section 6.3(a) or Section 6.3(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, provided, that if such inaccuracy in Parent's representations and warranties or breach by Parent is curable by Parent through the exercise of its reasonable efforts and for so long

as Parent continues to exercise such reasonable efforts, the Company may not terminate this Agreement under this Section 7.1(f); or

(g) by Parent, upon a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement, or if any representation or warranty of the Company shall have become untrue, in either case such that the conditions set forth in Section 6.2(a) or Section 6.2(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, provided, that if such inaccuracy in the Company's representations and warranties or breach by the Company is curable by the Company through the exercise of its reasonable efforts and for so long as the Company continues to exercise such reasonable efforts, Parent may not terminate this Agreement under this Section 7.1(g).

SECTION 7.2. EFFECT OF TERMINATION. In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall be of no further force or effect, except (a) as set forth in the last sentence of Section 5.1, this Section 7.2, Section 7.3, and Article 8, each of which shall survive the termination of this Agreement, and (b) nothing herein shall relieve any party from liability for any breach of this Agreement.

SECTION 7.3. FEES AND EXPENSES. All fees and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such expenses, whether or not the Merger is consummated.

ARTICLE 8

GENERAL PROVISIONS

SECTION 8.1 AMENDMENT. This Agreement (including the Exhibits and disclosure letters hereto) may be amended prior to the Effective Time by Parent, Sub and the Company, by action taken by the Board of Directors of Parent and the Board of Directors of the Company (provided, that no amendment shall be approved by the Board of Directors of the Company unless such amendment shall have been recommended by the Special Committee and, if required by law, approved by the disinterested directors of the Company), at any time before or after approval of the Merger by the shareholders of the Company but, after any such approval, no amendment shall be made which by law requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

SECTION 8.2. EXTENSION; WAIVER. At any time prior to the Effective Time (whether before or after approval of the shareholders of the Company), Parent and the Company may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement and (c) waive compliance with any of the agreements or conditions contained in this Agreement. Any extension or waiver on behalf of the Company shall be taken only upon the recommendation of the Special

Committee (and, if required by law, by the disinterested directors of the Company). Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

SECTION 8.3. NONSURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. All representations, warranties and agreements in this Agreement or in any instrument or certificate delivered pursuant to this Agreement shall be deemed to be conditions to the Merger and shall not survive the Merger, except for the agreements contained in Sections 2.2 (exchange of Certificates), 2.3 (Company Options), 2.4 (further assurances), 5.11 (indemnification), 5.13 (employee agreements) and 5.14 (reorganization), each of which shall survive the Merger.

SECTION 8.4. ENTIRE AGREEMENT. This Agreement (including the Exhibits and disclosure letters hereto) and the Confidentiality Agreement contain the entire agreement among all of the parties with respect to the subject matter hereof and supersede all prior arrangements and understandings, both written and oral, with respect thereto, but shall not supersede any agreements among any group of the parties hereto entered into on or after the date hereof. In this regard, the breach of the Cooperation Agreement in and of itself shall not be deemed to be a breach of this Agreement.

SECTION 8.5. SEVERABILITY. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 8.6. NOTICES. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed to be sufficient if contained in a written instrument and shall be deemed given if delivered personally, telecopied, sent by nationally recognized, overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Sub, to:

USA Networks, Inc.
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Telecopier: (212) 582-9291;

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019-5150
Attention: Pamela S. Seymon, Esq.
Telecopier: (212) 403-2000

(b) if to the Company, to:

Ticketmaster Group, Inc.
8800 Sunset Boulevard
West Hollywood, CA 90069
Attention: Ned S. Goldstein, General Counsel
Telecopier: 310-360-6512;

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: Faith Grossnickle, Esq.
Telecopier: (212) 848-7179;

and to:

Neal, Gerber & Eisenberg
2 North LaSalle Street
Chicago, IL 60602
Attention: Charles E. Gerber, Esq.
Telecopier: (312) 269-1747

All such notices and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of a telecopy, when the party receiving such telecopy shall have confirmed receipt of the communication, (c) in the case of delivery by nationally recognized overnight courier, on the Business Day following dispatch and (d) in the case of mailing, on the third Business Day following such mailing.

SECTION 8.7. HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 8.8. COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become

effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

SECTION 8.9. BENEFITS; ASSIGNMENT. This Agreement is not intended to confer upon any person other than the parties any rights or remedies hereunder and shall not be assigned by operation of law or otherwise; provided, however, that the officers and directors of the Company are intended beneficiaries of the covenants and agreements contained in Section 5.11, the Company employees having the agreements described in Section 5.13 and the holders of Company Options described in Section 2.3, provided, that such assignment shall not alter the treatment of the Merger under the Code for Company shareholders, and the Company shall execute any amendment to this Agreement necessary to provide the benefits of this Agreement to any such assignee.

SECTION 8.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein, without giving effect to laws that might otherwise govern under applicable principles of conflicts of law, provided that any matter relating to the fiduciary matters affecting the Company and its board of directors or to the mechanics and legal consequences of the Merger shall be governed by Illinois law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective officers thereinto duly authorized, as of the date first written above.

USA NETWORKS, INC.

By:

Name: Thomas J. Kuhn
Title: Senior Vice President
and General Counsel

BRICK ACQUISITION CORP.

By:

Name: Thomas J. Kuhn
Title: President

TICKETMASTER GROUP, INC.

By:

Name:
Title:

[SIGNATURE PAGE TO AGREEMENT AND PLAN OF MERGER]

EXHIBIT A
FORM OF COMPANY AFFILIATE LETTER

USA Networks, Inc.
152 West 57th Street
New York, NY 10019

Gentlemen:

I have been advised that as of the date of this letter I may be deemed to be an "affiliate" of Ticketmaster Group, Inc., an Illinois corporation (the "Company"), as the term "affiliate" is defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"). Pursuant to the terms of the Agreement and Plan of Merger dated as of March 20, 1998 (the "Agreement"), by and among USA Networks, Inc., a Delaware corporation ("Parent"), Brick Acquisition Corp., an Illinois corporation ("Sub"), and the Company, Sub will be merged with and into the Company (the "Merger").

As a result of the Merger, I may receive shares of common stock, par value $.01 per share, of Parent ("Parent Securities"). I would receive such shares in exchange for shares (or options for shares) owned by me of common stock, no par value per share, of the Company.

I represent, warrant and covenant to Parent that in the event I receive any Parent Securities as a result of the Merger:

1. I shall not make any sale, transfer, assignment or other disposition of the Parent Securities in violation of the Act or the Rules and Regulations.

2. I have carefully read this letter and the Agreement and discussed the requirements of such documents and other applicable limitations upon my ability to sell, transfer, assign or otherwise dispose of Parent Securities, to the extent I felt necessary, with my counsel or counsel for the Company.

3. I have been advised that the issuance of Parent Securities to me pursuant to the Merger has been registered with the Commission under the Act on a Registration Statement on Form S-4. However, I have also been advised that, because at the time the Merger is submitted for a vote of the shareholders of the Company, (a) I may be deemed to be an affiliate of the Company and (b) the distribution by me of the Parent Securities has not been registered under the Act, I may not sell, transfer, assign or otherwise dispose of Parent Securities issued to me in the Merger unless (i) such sale, transfer, assignment or other disposition is made in conformity with the volume and other limitations of Rule 145 promulgated by the Commission under the Act, (ii) such sale, transfer, assignment or other disposition has been registered under the Act or (iii) in the opinion of counsel reasonably acceptable to Parent, such sale, transfer, assignment or other disposition is otherwise exempt from registration under the Act.

4. I understand that Parent is under no obligation to register the sale, transfer, assignment or other disposition of Parent Securities by me or on my behalf under the Act or to take any other action necessary in order to make compliance with an exemption from such registration available solely as a result of the Merger.

5. I also understand that there will be placed on the certificates for the Parent Securities issued to me or any substitutions therefor, a legend stating in substance:

> THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, APPLIED. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT DATED [ ] BETWEEN THE REGISTERED HOLDER HEREOF AND USA NETWORKS, INC., A COPY OF WHICH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICES OF USA NETWORKS, INC.

6. I also understand that unless a sale or transfer is made in conformity with the provisions of Rule 145, or pursuant to a registration statement, Parent reserves the right to put the following legend on certificates issued to any transferee:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SHARES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, APPLIED. THE SHARES HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED.

It is understood and agreed that the legends set forth in paragraphs 5 and 6 above shall be removed by delivery of substitute certificates without such legend if the undersigned shall have delivered to Parent a copy of a letter from the staff of the Commission, or an opinion of counsel reasonably satisfactory to Parent in form and substance reasonably satisfactory to Parent, to the effect that such legend is not required for purposes of the Act.

Execution of this letter should not be considered an admission on my part that I am an "affiliate" of the Company as described in the first paragraph of this letter, or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

Name:

Accepted this____ day of
_____, 1998, by

USA NETWORKS, INC.

By

Name:
Title:

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP

We consent to the incorporation by reference in the Registration Statement on Form S-8 of USA Networks, Inc., formerly known as HSN, Inc., pertaining to the HSN, Inc. 1997 Stock and Annual Incentive Plan and the HSN, Inc. Retirement Savings Plan of our report dated March 13, 1998, with respect to the consolidated financial statements and schedule of USA Networks, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1997, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

New York, New York
March 25, 1998

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in a Registration Statement of USA Networks, Inc. (formerly HSN, Inc. and Silver King Communications, Inc.) on Form S-8, pertaining to HSN, Inc. 1997 Stock and Annual Incentive Plan, and in a Registration Statement on Form S-8, pertaining to HSN, Inc. Retirement Savings Plan, of our report dated July 2, 1996 appearing in this Annual Report on Form 10-K of USA Networks, Inc. for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

Tampa, Florida
March 30, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE COMPANY ON FORM 10K FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K.

1,000

YEAR
DEC-31-1997
JUN-01-1997
DEC-31-1997
116,036
0
96,867
0
151,100
420,682
300,914
120,793
2,670,796
359,741
448,346
0
0
874
1,446,480
2,670,796
1,261,749
1,261,749
645,299
645,299
521,931
0
31,579
56,501
41,051
13,061
0
0
0
13,061
.12
.12

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE COMPANY ON FORM 10K FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K.

1,000

YEAR
DEC-31-1996
JAN-01-1996
DEC-31-1996
42,606
0
56,832
0
100,527
248,598
195,934
73,959
2,116,232
273,042
271,430
0
0
720
1,158,029
2,116,232
75,172
75,172
20,974
20,974
50,586
0
11,841
(4,947)
1,872
(6,539)
0
0
0
(6,537)
(.30)
(.30)

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENTS ON FORM 10K FOR THE FOUR MONTHS ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K.

1,000

4-MOS
DEC-31-1995
SEP-01-1995
DEC-31-1995
0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
15,980
15,980
193
193
16,467
0
3,463
(3,255)
(373)
(2,882)
0
0
0
(2,882)
(.15)
(.15)

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENTS FORM 10K FOR THE YEAR ENDED AUGUST 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K.

1,000

YEAR	
	AUG-31-1995
	JUL-01-1994
	AUG-31-1995
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	47,918
	47,918
	614
	614
	39,068
	0
	10,963
	1,253
	1,138
	115
	0
	0
	0
	115
	.01
	.01