
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2005

Or

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

For the transition period from _____ to _____

Commission File No. 0-20570

IAC/INTERACTIVE CORP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2712887
(I.R.S. Employer
Identification No.)

152 West 57th Street, New York, New York 10019
(Address of Registrant's principal executive offices)

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

As of October 28, 2005, the following shares of the Registrant's common stock were outstanding:

Common Stock, including 146,002 shares of restricted stock	293,780,991
Class B Common Stock	25,599,998
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Total outstanding Common Stock	319,380,989
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The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of October 28, 2005 was \$6,348,547,027. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

PART I FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(In thousands, except per share amounts)			
Service revenue	\$ 693,833	\$ 415,317	\$ 1,831,097	\$ 1,279,796
Product sales	789,464	541,976	2,215,732	1,673,296
Net revenue	1,483,297	957,293	4,046,829	2,953,092
Cost of sales—service revenue	321,657	222,562	887,571	681,386
Cost of sales—product sales	482,493	322,649	1,352,310	1,024,155
Gross profit	679,147	412,082	1,806,948	1,247,551
Selling and marketing expense	264,378	138,891	679,681	414,755
General and administrative expense	168,234	119,912	488,493	356,018
Other operating expense	35,134	22,839	87,585	63,260
Amortization of cable distribution fees	17,403	18,046	51,183	53,079
Amortization of non-cash distribution and marketing expense	—	—	—	1,301
Amortization of non-cash compensation expense	84,775	13,495	113,778	47,761
Amortization of intangibles	50,176	46,605	133,933	142,636
Depreciation expense	37,730	35,514	108,141	104,651
Operating income	21,317	16,780	144,154	64,090
Other income (expense):				
Interest income	20,062	45,847	115,075	134,437
Interest expense	(11,108)	(20,456)	(51,718)	(59,083)
Gain on sale of VUE	—	—	523,487	—
Equity in income of VUE	—	607	21,960	11,293
Equity in income of unconsolidated affiliates and other	14,263	(1,354)	33,753	13,475
Total other income, net	23,217	24,644	642,557	100,122
Earnings from continuing operations before income taxes and minority interest	44,534	41,424	786,711	164,212
Income tax expense	(7,635)	(6,215)	(311,652)	(53,609)
Minority interest in income of consolidated subsidiaries	(527)	(672)	(1,951)	(1,685)
Earnings from continuing operations	36,372	34,537	473,108	108,918
Gain on sale of EUVÍA, net of tax	—	—	79,648	—
Income from discontinued operations, net of tax	33,117	58,204	210,327	98,546
Earnings before preferred dividends	69,489	92,741	763,083	207,464
Preferred dividends	(1,412)	(3,263)	(7,938)	(9,789)
Net earnings available to common shareholders	\$ 68,077	\$ 89,478	\$ 755,145	\$ 197,675
Earnings per share from continuing operations:				
Basic earnings per share	\$ 0.11	\$ 0.09	\$ 1.40	\$ 0.28
Diluted earnings per share	\$ 0.10	\$ 0.09	\$ 1.33	\$ 0.27
Net earnings per share available to common shareholders:				
Basic earnings per share	\$ 0.21	\$ 0.26	\$ 2.27	\$ 0.57
Diluted earnings per share	\$ 0.19	\$ 0.24	\$ 2.14	\$ 0.53

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

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2005	December 31, 2004
	(unaudited)	(audited)
	(\$ in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 909,398	\$ 999,698
Restricted cash and cash equivalents	117,425	41,377
Marketable securities	2,103,160	2,409,745
Accounts and notes receivable, net of allowance of \$26,467 and \$19,150, respectively	497,822	353,579
Loans available for sale, net	416,683	206,256
Inventories, net	428,599	240,917
Deferred income taxes	123,261	107,220
Other current assets	182,713	100,148
Assets held for sale	1,401	339,880
Current assets of discontinued operations	4,602	316,947
	4,785,064	5,115,767
Total Property, Plant and Equipment, net	536,876	427,257
OTHER ASSETS:		
Goodwill	7,356,999	5,361,825
Intangible assets, net	1,610,938	1,054,302
Long-term investments	86,522	1,469,020
Preferred interest exchangeable for common stock	—	1,428,530
Cable distribution fees, net	42,767	77,484
Notes receivable and advances, net of current portion	639	615
Deferred charges and other	283,067	94,597
Non-current assets of discontinued operations	7,473	7,369,468
	14,710,345	22,398,865
TOTAL ASSETS	\$ 14,710,345	\$ 22,398,865

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

(unaudited)

(audited)

(\$ in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT LIABILITIES:**

Current maturities of long-term obligations and short-term borrowings	\$	817,325	\$	562,953
Accounts payable, trade		288,619		259,510
Accounts payable, client accounts		290,645		176,921
Accrued distribution fees		28,939		36,903
Deferred revenue		123,146		99,258
Deferred income taxes		287		—
Income tax payable		628,035		56,672
Other accrued liabilities		514,503		389,365
Liabilities held for sale		—		295,773
Current liabilities of discontinued operations		18,072		1,015,083
Total current liabilities		2,709,571		2,892,438

Long-term obligations, net of current maturities		962,975		796,715
Other long-term liabilities		204,539		101,332
Non-current liabilities of discontinued operations		8,319		423,521
Deferred income taxes		1,346,371		2,130,386
Common stock exchangeable for preferred interest		—		1,428,530
Minority interest		5,237		20,639

SHAREHOLDERS' EQUITY:

Preferred stock \$.01 par value; authorized 100,000,000 shares; 846 and 13,118,182 shares issued and outstanding		—		131
Common stock \$.001 par value; authorized 1,600,000,000 shares; issued 394,146,237 shares and outstanding 301,711,634 shares, including 146,041 shares of restricted stock		394		—
Class B convertible common stock \$.001 par value; authorized 400,000,000 shares; issued 32,314,998 shares and outstanding 25,599,998 shares		32		—
Common stock \$.01 par value; authorized 1,600,000,000 shares; issued 348,491,650 shares and outstanding 316,509,775 shares, including 154,326 shares of restricted stock		—		3,485
Class B convertible common stock \$.01 par value; authorized 400,000,000 shares; issued and outstanding 32,314,998 shares		—		323
Additional paid-in capital		14,312,440		14,062,605
Retained earnings		15,009		2,428,760
Accumulated other comprehensive income		33,211		81,051
Treasury stock 99,149,603 and 31,981,875 shares, respectively		(4,882,755)		(1,966,053)
Note receivable from key executive for common stock issuance		(4,998)		(4,998)
Total shareholders' equity		9,473,333		14,605,304

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	14,710,345	\$	22,398,865
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

Total	Preferred Stock \$.01 Par Value		Common Stock \$.001 Par Value		Class B Convertible Common Stock \$.001 Par Value		Common Stock \$.01 Par Value		Class B Convertible Common Stock \$.01 Par Value		Addit. Paid-in Capital	Retained Earnings	Accum Other Comp. Income	Treasury Stock	Note Receivable From Key Executive for Common Stock Issuance	
	\$	Shares	\$	Shares	\$	Shares	\$	Shares	\$	Shares						
(In thousands)																
Balance as of December 31, 2004	\$ 14,605,304	\$ 131	13,118	\$ —	—	\$ —	—	\$ 3,485	348,492	\$ 323	32,315	\$ 14,062,605	\$ 2,428,760	\$ 81,051	\$ (1,966,053)	\$ (4,998)
Comprehensive income:																
Net earnings for the nine months ended September 30, 2005	763,083	—	—	—	—	—	—	—	—	—	—	—	763,083	—	—	—
Increase in unrealized losses in available for sale securities	(22,758)	—	—	—	—	—	—	—	—	—	—	—	—	(22,758)	—	—
Foreign currency translation	(24,112)	—	—	—	—	—	—	—	—	—	—	—	—	(24,112)	—	—
Net loss on derivative contracts	(970)	—	—	—	—	—	—	—	—	—	—	—	—	(970)	—	—
Comprehensive income	715,243															
Issuance of common stock upon exercise of stock options, vesting of restricted stock units and other	99,735	—	—	2	2,341	—	—	54	5,458	—	—	99,679	—	—	—	—
Income tax benefit related to the exercise of stock options, vesting of restricted stock units and other, net	5,247	—	—	—	—	—	—	—	—	—	—	5,247	—	—	—	—
Dividends on preferred stock	(7,938)	—	—	—	—	—	—	—	—	—	—	—	(7,938)	—	—	—
Amortization of non-cash compensation	169,805	—	—	—	—	—	—	—	—	—	—	169,805	—	—	—	—
Sale of VUE interests	33,627	—	—	—	—	—	—	—	—	—	—	1,428,530	—	—	(1,394,903)	—
Issuance of securities in connection with the Ask Jeeves acquisition	1,736,788	—	—	—	—	—	—	379	37,856	—	—	1,736,409	—	—	—	—
Recapitalization of common stock(a)	—	—	—	392	391,806	32	32,315	(3,918)	(391,806)	(323)	(32,315)	3,817	—	—	—	—
Redemption of preferred stock	(655,727)	(131)	(13,117)	—	—	—	—	—	—	—	—	(655,596)	—	—	—	—
Spin-Off of Expedia to shareholders	(5,812,352)	—	—	—	—	—	—	—	—	—	—	(2,643,456)	(3,168,896)	—	—	—
Recognition of derivatives related to convertible notes and certain warrants, net	105,400	—	—	—	—	—	—	—	—	—	—	105,400	—	—	—	—
Purchase of treasury stock	(1,521,799)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,521,799)	—
Balance as of September 30, 2005	\$ 9,473,333	\$ —	1	\$ 394	394,147	\$ 32	32,315	\$ —	—	\$ —	—	\$ 14,312,440	\$ 15,009	\$ 33,211	\$ (4,882,755)	\$ (4,998)

Accumulated other comprehensive income, net of tax, is comprised of unrealized (losses) gains on available for sale securities of \$(5,209) and \$17,549 at September 30, 2005 and December 31, 2004, respectively, foreign currency translation adjustments of \$40,800 and \$64,912 at September 30, 2005 and December 31, 2004, respectively, and net losses from derivative contracts of \$(2,380) and \$(1,410) at September 30, 2005 and December 31, 2004, respectively.

- (a) The recapitalization of common stock entitled the holder to exchange (i) each share of IAC \$0.01 par value common stock into one share of IAC \$0.001 par value common stock and 1/100 of a share of IAC Series 1 Mandatory Exchangeable Preferred Stock that automatically exchanged into one share of Expedia \$0.001 par value common stock immediately following the Spin-Off and (ii) each share of IAC \$0.01 par value Class B common stock into one share of IAC \$0.001 par value Class B common stock and 1/100 of a share of IAC Series 2 Mandatory Exchangeable Preferred Stock that automatically exchanged into one share of Expedia \$0.001 par value Class B common stock immediately following the Spin-Off. The approximately 31 million shares of IAC Series 1 Mandatory Exchangeable Preferred Stock and 2.6 million shares of IAC Series 2 Mandatory Exchangeable Preferred Stock that were issued in respect of IAC common stock and IAC Class B common stock held as treasury stock were redeemed prior to their exchange into Expedia shares. IAC had no ownership interest in Expedia after the Spin-Off.

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

IAC/INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2005	2004
	(In thousands)	
Cash flows from operating activities:		
Earnings from continuing operations	\$ 473,108	\$ 108,918
Adjustments to reconcile earnings from continuing operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	242,074	247,287
Amortization of cable distribution fees	51,183	53,079
Amortization of non-cash distribution and marketing expense	—	1,301
Amortization of non-cash compensation expense	113,778	47,761
Deferred income taxes	(1,054,605)	64,975
Gain on sale of VUE	(523,487)	—
Equity in income of unconsolidated affiliates, including VUE	(39,580)	(24,024)
Non-cash interest income	(29,511)	(30,854)
Minority interest in income of consolidated subsidiaries	1,951	1,685
Increase in cable distribution fees	(20,067)	(17,770)
Changes in current assets and liabilities:		
Accounts and notes receivable	(6,450)	11,372
Loans available for sale	(210,376)	—
Inventories	(92,944)	(63,228)
Prepays and other assets	(12,031)	(2,516)
Accounts payable and accrued liabilities	548,778	(112,843)
Deferred revenue	32,308	24,310
Funds collected by Ticketmaster on behalf of clients, net	78,666	38,639
Other, net	(4,963)	(2,661)
Net cash (used in) provided by operating activities	(452,168)	345,431
Cash flows provided by (used in) investing activities:		
Acquisitions, net of cash acquired	(682,809)	(172,371)
Capital expenditures	(175,660)	(120,448)
(Increase) decrease in long-term investments and notes receivable	(28,707)	26,570
Purchase of marketable securities	(1,943,180)	(2,726,133)
Proceeds from sale of marketable securities	2,324,303	2,185,047
Proceeds from sale of VUE	1,882,291	—
Proceeds from sale of Euvía	183,016	—
Other, net	31,334	1,175
Net cash provided by (used in) investing activities	1,590,588	(806,160)
Cash flows used in financing activities:		
Borrowings	80,000	—
Increase in warehouse loans payable	205,644	—
Principal payments on long-term obligations	(38,344)	(1,060)
Purchase of treasury stock	(1,420,402)	(429,507)
Proceeds from issuance of common stock, including stock options	80,734	94,057
Redemption of preferred stock	(655,727)	—
Preferred dividends	(7,938)	(9,789)
Other, net	(45,902)	658
Net cash used in financing activities	(1,801,935)	(345,641)
Net cash provided by discontinued operations	599,771	1,021,718
Effect of exchange rate changes on cash and cash equivalents	(26,556)	9,980
Net (decrease) increase in cash and cash equivalents	(90,300)	225,328
Cash and cash equivalents at beginning of period	999,698	759,617
Cash and cash equivalents at end of period	\$ 909,398	\$ 984,945

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

IAC/InterActiveCorp operates leading and diversified businesses in sectors being transformed by the internet, online and offline...our mission is to harness the power of interactivity to make daily life easier and more productive for people all over the world. IAC/InterActiveCorp is referred to herein as either IAC or the Company.

IAC consists of the following sectors:

- Retailing, which includes U.S., including Cornerstone Brands, Inc. (since April 2005), and International;
- Services, which includes Ticketing, Lending, Real Estate, Teleservices and Home Services (since September 2004);
- Media & Advertising, which includes Ask Jeeves, Inc. (since July 2005); and
- Membership & Subscriptions, which includes Vacations, Personals and Discounts.

On December 21, 2004, IAC announced its plans to separate its travel businesses into an independent public company in order to better achieve certain strategic objectives of its various businesses. In these consolidated financial statements, we refer to this transaction as the "Spin-Off" and to the new company that holds IAC's former travel and travel-related businesses as "Expedia". IAC completed the Spin-Off prior to the commencement of trading on August 9, 2005. Immediately prior to the Spin-Off, IAC effected a one-for-two reverse stock split. Since the completion of the Spin-Off:

- Expedia consists of the travel and travel-related businesses and investments that IAC operated (other than Interval and TV Travel Shop, which were not spun-off by IAC with Expedia); and
- IAC continues to operate and/or manage its remaining businesses and investments, which primarily consist of its Retailing, Services, Media & Advertising and Membership & Subscriptions sectors. TV Travel Shop ceased operations in the second quarter of 2005.

In addition, in March 2005, IAC entered into an agreement to sell its 48.6% ownership in EUVÍA. The sale closed on June 2, 2005.

Accordingly, the results of operations and statements of position of Expedia, EUVÍA and TV Travel Shop have been classified as discontinued operations for all periods presented. Further, all IAC common stock share information and related per share prices have been adjusted to reflect IAC's one-for-two reverse stock split.

Recent Developments

On April 1, 2005, IAC completed its acquisition of Cornerstone Brands, Inc. ("Cornerstone Brands"), a portfolio of leading print catalogs and online retailing sites that sell home products and leisure and casual apparel, for approximately \$715 million, principally in cash.

In addition, on June 7, 2005, IAC completed a transaction with NBC Universal in which IAC sold its common and preferred interests in Vivendi Universal Entertainment LLLP ("VUE"), a joint venture formed in May 2002 between the Company and Vivendi Universal, S.A., for approximately \$3.4 billion in aggregate consideration.

Further, on July 19, 2005, IAC completed the acquisition of Ask Jeeves, Inc. ("Ask Jeeves"), a leading provider of world-class information retrieval technologies, brands and services that are available to consumers across a range of platforms, including destination websites, downloadable search-based applications and portals. Under the terms of the agreement, IAC issued 1.2668 shares of IAC common stock for each share of Ask Jeeves common stock in a tax-free transaction valued as of the date of the agreement at approximately \$1.7 billion, net of cash acquired. On May 5, 2005, IAC completed the buy back of 26.4 million shares of IAC common stock through its previously authorized share repurchase programs. These shares represent approximately sixty percent of the number of fully diluted shares IAC issued for the Ask Jeeves acquisition, thus effectively offsetting a substantial portion of the dilution from the transaction.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements and notes thereto of the Company are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2004.

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

Accounting Estimates

Management of the Company is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions impact the reported amounts of assets and liabilities and disclosure 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 these estimates.

Significant estimates underlying the accompanying consolidated financial statements include the inventory carrying adjustment, sales return and other revenue allowances, allowance for doubtful accounts, recoverability of intangibles, including goodwill and other long-lived assets, deferred income taxes, including related valuation allowances, various other operating allowances, reserves and accruals and assumptions related to the determination of stock-based compensation.

In conjunction with the Spin-Off and the upcoming adoption of the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," the Company conducted an assessment of certain assumptions used in determining the expense related to stock-based compensation which was completed in the third quarter of 2005. The cumulative effect of the change in the Company's estimate related to the number of stock-based awards that are expected to vest resulted in a reduction in non-cash compensation expense of \$5.5 million which is included in continuing operations and \$35.3 million related to Expedia which is

included in discontinued operations. The after-tax effect of this change in estimate on earnings and earnings per share from continuing operations, income from discontinued operations and net income is \$3.5 million or \$0.01 per share, \$22.0 million or \$0.06 per share and \$25.5 million or \$0.07 per share, respectively.

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure" ("SFAS No. 148"), which amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123. The Company adopted the expense recognition provision of SFAS No. 123 and is providing expense for stock-based compensation for grants made on or after January 1, 2003 on a prospective basis as provided by SFAS No. 148, and provided pro forma information in the notes to financial statements to provide the results as if all equity awards issued in prior years were being expensed. For restricted stock units issued, the value of the instrument is measured at the grant date as the fair value of IAC's common stock and amortized ratably as non-cash compensation over the vesting term. For stock options issued since 2003, including unvested options assumed in acquisitions, the value of the options is measured at the grant date (or acquisition date, if applicable) at fair value and amortized over the remaining vesting term.

In connection with the Spin-Off, all outstanding share based-compensation instruments of the Company were modified. Accordingly, on August 9, 2005, the Company recorded a modification charge of \$67.0 million related to the treatment of vested stock options in connection with the Spin-Off. In addition, the Company recorded \$1.7 million of expense related to the modification of unvested options. Beginning August 9, 2005, as a result of the modification, the Company is recognizing expense for all stock-based compensation instruments in the consolidated statement of operations, including options granted prior to January 1, 2003 that were previously accounted for under APB Opinion No. 25 "Accounting for Stock Issue to Employees".

The following table illustrates the effect on net earnings available to common shareholders and net earnings per share if the fair value-based method had been applied to all outstanding and unvested awards in each period:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(In thousands, except per share amounts)			
Net earnings available to common shareholders, as reported	\$ 68,077	\$ 89,478	\$ 755,145	\$ 197,675
Add: Stock-based employee compensation expense included in reported net earnings, net of related tax effects	37,510	35,371	104,727	111,380
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(17,338)	(40,151)	(86,794)	(125,720)
Pro forma net earnings available to common shareholders	\$ 88,249	\$ 84,698	\$ 773,078	\$ 183,335
Net earnings per share available to common shareholders:				
Basic as reported	\$ 0.21	\$ 0.26	\$ 2.27	\$ 0.57
Basic pro forma	\$ 0.27	\$ 0.24	\$ 2.33	\$ 0.53
Diluted as reported	\$ 0.19	\$ 0.24	\$ 2.14	\$ 0.53
Diluted pro forma	\$ 0.25	\$ 0.23	\$ 2.19	\$ 0.49

Pro forma 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 grant date using a Black-Scholes option pricing model with the following weighted-average assumptions for 2005 and 2004: risk-free interest rates of 3.92% and 3.25%, respectively, a dividend yield of zero and volatility factors of 49.05% and 47.35%, respectively, based on the expected market price of IAC common stock based on historical trends; and a weighted-average expected life of the options of five years. In addition, the deduction line item in the table above included in the determination of pro forma expense for the three and nine months ended September 30, 2005, includes a favorable adjustment of \$20.6 million due to the cumulative effect of the change in the Company's estimate related to the number of stock-based awards that are expected to vest.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on a straight-line basis.

On December 16, 2004, the FASB issued FASB Statement No. 123 (R), "Share-Based Payment," which is a revision of SFAS No. 123. Statement 123(R) supersedes APB No. 25 and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in Statement 123(R) is similar to the approach described in SFAS No. 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations

based on their fair values. Pro forma disclosure is no longer an alternative. The Company is required to apply Statement 123(R) no later than the first quarter of 2006.

Currently, the Company uses the Black-Scholes formula to estimate the value of stock options granted to employees and expects to continue to use this acceptable option valuation model upon the required adoption of Statement 123(R) on January 1, 2006. Due to the modification related to the Spin-Off, the Company is recognizing expense for all stock-based compensation instruments in the statement of operations after the Spin-Off. However, had the Company adopted Statement 123(R) in periods prior to the Spin-Off, the impact of that standard would have approximated the impact of SFAS No. 123 as described above in the disclosure of pro forma net earnings and pro forma net earnings per share to the Company's consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The Company is currently assessing the impact of this pronouncement on its consolidated statement of operations and statement of cash flows.

Reclassifications

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the 2005 presentation related to Expedia, EUVÍA and TV Travel Shop. Expedia, EUVÍA and TV Travel Shop are accounted for as discontinued operations and accordingly, are excluded from assets and liabilities of continuing operations as of September 30, 2005 and from the results of continuing operations for the three and nine months ended September 30, 2005. The December 31, 2004 balance sheet and the statements of operations for the three and nine months ended September 30, 2004 have been reclassified to conform to the current period presentation for Expedia, EUVÍA and TV Travel Shop.

See the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2004 for a summary of all other significant matters relating to accounting policies.

NOTE 3—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Non-Cash Transactions for the Nine Months Ended September 30, 2005

For the nine months ended September 30, 2005, the Company incurred non-cash compensation expense of \$113.8 million.

On July 19, 2005, IAC completed the acquisition of Ask Jeeves. IAC issued an aggregate of 37.9 million shares of IAC common stock valued at \$1.7 billion.

Prior to the commencement of trading on August 9, 2005, IAC completed the Spin-Off. The net assets comprising the Expedia businesses, which were spun-off by IAC, amounted to \$5.8 billion and are included in the consolidated statement of shareholders' equity as a reduction to additional paid-in capital and retained earnings.

In connection with IAC's sale of its common and preferred interests in VUE, IAC received 28.3 million IAC shares into treasury, valued at \$1.4 billion, as part of the consideration.

For the nine months ended September 30, 2005, the Company recognized \$18.3 million of paid-in-kind interest income on the VUE Series A Preferred interest received in connection with the formation of VUE.

For the nine months ended September 30, 2005, the Company recognized pre-tax income of \$39.6 million from equity income of unconsolidated affiliates, including income of \$22.0 million from its common interest in VUE.

For the nine months ended September 30, 2005, the Company recognized non-cash revenues of \$16.9 million as a result of deferred revenue recorded in connection with its various acquisitions.

Supplemental Disclosure of Non-Cash Transactions for the Nine Months Ended September 30, 2004

For the nine months ended September 30, 2004, the Company incurred non-cash compensation expense of \$47.8 million and non-cash distribution and marketing expense of \$1.3 million. Amortization of non-cash distribution and marketing expense consists mainly of expense recognized by Ticketmaster and Match.com related to barter arrangements, which expired in March 2004, for distribution secured from third parties.

For the nine months ended September 30, 2004, the Company recognized \$30.0 million of paid-in-kind interest income on the VUE Series A Preferred interest received in connection with the formation of VUE.

For the nine months ended September 30, 2004, the Company recognized pre-tax income of \$24.0 million from equity income of unconsolidated affiliates, including income of \$11.3 million from its common interest in VUE.

For the nine months ended September 30, 2004, the Company recognized non-cash revenues of \$11.9 million as a result of deferred revenue recorded in connection with its various acquisitions.

Discontinued Operations

Supplemental Disclosure of Non-Cash Transactions for the Nine Months Ended September 30, 2005

For the period ended August 8, 2005, Expedia incurred non-cash distribution and marketing expense of \$5.8 million and non-cash compensation expense of \$58.0 million. Amortization of non-cash distribution and marketing expense consists mainly of non-cash advertising secured from Universal Television as part of the VUE transaction.

For the period ended August 8, 2005, Expedia recognized pre-tax income of \$0.6 million on equity earnings in unconsolidated affiliates.

Supplemental Disclosure of Non-Cash Transactions for the Nine Months Ended September 30, 2004

For the nine-months ended September 30, 2004, Expedia incurred non-cash distribution and marketing expense of \$13.0 million and non-cash compensation expense of \$134.4 million.

For the nine months ended September 30, 2004, Expedia recognized pre-tax losses of \$0.1 million on equity losses in unconsolidated affiliates.

For the nine months ended September 30, 2004, Expedia recognized non-cash revenues of \$0.1 million as a result of deferred revenue recorded in connection with its various acquisitions.

NOTE 4—OPERATING SEGMENTS

The overall concept that IAC employs in determining its operating segments is to present the financial information in a manner consistent with how the chief operating decision maker and executive management view the businesses, how the businesses are organized as to segment management, and the focus of the businesses with regards to the types of products or services offered or the target market. Expedia, EUVÍA, TV Travel Shop, Styleclick, ECS and Avaltus, a PRC subsidiary, are presented as discontinued operations and, accordingly, are excluded from the schedules below.

During the second quarter of 2005, and in contemplation of the Spin-Off, the chief operating decision maker and executive management realigned how they view the businesses and how the businesses are organized. Accordingly, beginning in the second quarter of 2005, IAC introduced sector reporting that corresponds to the areas of interactivity in which the Company operates and redefined its operating segments to present the results consistent with how the chief operating decision maker and executive management currently view the businesses. Further, during the third quarter of 2005, the chief operating decision maker and executive management realigned how they view the Financial Services and Real Estate operating segment, which is included in IAC's Services sector. Accordingly, beginning in the third quarter of 2005, IAC redefined its Financial Services and Real Estate operating segment to present the results of Lending and Real Estate each as a separate operating segment in its Services sector. The new segment presentation is as follows: the Retailing sector includes the U.S. and International Retailing operating segments; the Services sector includes the Ticketing, Lending, Real Estate, Teleservices and Home Services operating segments; Media & Advertising is its own sector and operating segment; and the Membership & Subscriptions sector includes the Vacations, Personals and

Discounts operating segments. In addition, IAC reports the performance of its Emerging Businesses and corporate expenses.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(In thousands)				
Revenue:				
Retailing:				
U.S.	\$ 664,290	\$ 437,060	\$ 1,829,358	\$ 1,343,026
International	85,234	72,002	280,652	244,583
Total Retailing	749,524	509,062	2,110,010	1,587,609
Services:				
Ticketing	227,517	181,979	696,654	579,343
Lending	142,783	39,870	352,234	114,087
Real Estate	16,299	8,067	43,003	18,199
Teleservices	87,440	74,531	241,549	218,879
Home Services	12,205	1,877	30,504	1,877
Total Services	486,244	306,324	1,363,944	932,385
Media & Advertising	83,471	7,890	103,967	20,610
Membership & Subscriptions:				
Vacations	66,074	63,602	208,905	196,740
Personals	65,990	49,741	181,339	147,049
Discounts	30,797	25,570	88,463	85,890
Intra-sector elimination	(46)	—	(775)	(618)
Total Membership & Subscriptions	162,815	138,913	477,932	429,061
Emerging Businesses	9,565	1,691	19,571	1,938
Intersegment elimination(a)	(8,322)	(6,587)	(28,595)	(18,511)
Total	\$ 1,483,297	\$ 957,293	\$ 4,046,829	\$ 2,953,092
Operating Income (Loss):				
Retailing:				
U.S.	\$ 41,072	\$ 29,892	\$ 127,841	\$ 86,589
International	(3,079)	(3,261)	(1,195)	(2,255)
Total Retailing	37,993	26,631	126,646	84,334
Services:				
Ticketing	42,799	25,210	138,148	106,356
Lending	25,270	2,585	46,622	3,324
Real Estate	(5,442)	(2,797)	(23,908)	(8,243)
Teleservices	4,380	5,899	10,999	13,265
Home Services	2,596	218	7,766	218
Total Services	69,603	31,115	179,627	114,920
Media & Advertising	(855)	(12,143)	2	(44,965)
Membership & Subscriptions:				
Vacations	20,245	16,185	66,565	51,157
Personals	15,769	2,757	29,691	13,409
Discounts	(8,641)	(12,129)	(36,576)	(36,612)
Total Membership & Subscriptions	27,373	6,813	59,680	27,954
Emerging Businesses	(2,436)	(181)	(8,545)	(2,238)
Corporate and other	(110,361)	(35,455)	(213,256)	(115,915)
Total	\$ 21,317	\$ 16,780	\$ 144,154	\$ 64,090

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(In thousands)				
Operating Income Before Amortization:(b)				
Retailing:				
U.S.	\$ 56,702	\$ 43,125	\$ 172,205	\$ 126,289
International	(2,752)	(2,933)	(215)	(1,271)
Total Retailing	53,950	40,192	171,990	125,018
Services:				
Ticketing	49,886	32,450	159,586	125,977
Lending	30,578	7,688	66,749	18,646
Real Estate	(2,396)	(1,186)	(13,833)	(3,405)
Teleservices	4,380	5,899	10,999	13,265
Home Services	3,501	218	9,144	218
Total Services	85,949	45,069	232,645	154,701
Media & Advertising	9,286	(2,362)	10,249	(11,371)
Membership & Subscriptions:				
Vacations	26,550	22,490	85,480	70,072
Personals	16,645	4,490	32,495	20,360
Discounts	(7,085)	(10,261)	(31,749)	(30,482)
Total Membership & Subscriptions	36,110	16,719	86,226	59,950
Emerging Businesses	(2,424)	21	(8,305)	(1,754)
Corporate and other	(26,603)	(22,759)	(100,940)	(70,756)
Total	\$ 156,268	\$ 76,880	\$ 391,865	\$ 255,788

- (a) Intersegment eliminations relate to services provided between IAC segments, and primarily include call center services provided by the Teleservices segment to other IAC segments of \$6.8 million and \$5.5 million for the three months ended September 30, 2005 and 2004, and \$24.7 million and \$15.7 million for the nine months ended September 30, 2005 and 2004, respectively.
- (b) Operating Income Before Amortization is defined as operating income excluding: (1) amortization of non-cash distribution, marketing and compensation expense, (2) amortization of intangibles and goodwill impairment, if applicable, (3) pro forma adjustments for significant acquisitions, if applicable, and (4) one-time items, if applicable. The Company believes this measure is useful to investors because it represents the consolidated operating results from IAC's segments, taking into account depreciation, which it believes is an ongoing cost of doing business, but excluding the effects of any other non-cash expenses. Operating Income Before Amortization has certain limitations in that it does not take into account the impact to IAC's statement of operations of certain expenses, including non-cash compensation, non-cash payments to partners, and acquisition-related accounting. IAC endeavors to compensate for the limitations of the non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence, GAAP financial statements and descriptions of the reconciling items and adjustments, including quantifying such items, to derive the non-GAAP measure.

The following table is a reconciliation of consolidated segment Operating Income Before Amortization to consolidated operating income and net earnings available to common shareholders.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(In thousands)			
Operating Income Before Amortization	\$ 156,268	\$ 76,880	\$ 391,865	\$ 255,788
Amortization of non-cash distribution and marketing expense	—	—	—	(1,301)
Amortization of non-cash compensation expense	(84,775)	(13,495)	(113,778)	(47,761)
Amortization of intangibles	(50,176)	(46,605)	(133,933)	(142,636)
Operating income	21,317	16,780	144,154	64,090
Interest income	20,062	45,847	115,075	134,437
Interest expense	(11,108)	(20,456)	(51,718)	(59,083)
Gain on sale of VUE	—	—	523,487	—
Equity in the income of VUE	—	607	21,960	11,293
Equity in income (losses) of unconsolidated affiliates and other(a)	14,263	(1,354)	33,753	13,475
Income tax expense	(7,635)	(6,215)	(311,652)	(53,609)
Minority interest in income of consolidated subsidiaries	(527)	(672)	(1,951)	(1,685)
Gain on sale of EUVÍA, net of tax	—	—	79,648	—
Income from discontinued operations, net of tax	33,117	58,204	210,327	98,546
Preferred dividends	(1,412)	(3,263)	(7,938)	(9,789)
Net earnings available to common shareholders	\$ 68,077	\$ 89,478	\$ 755,145	\$ 197,675

- (a) Other income (expense) for the three and nine months ended September 30, 2005 includes a \$9.4 million gain reflecting changes to the fair value of the derivatives that were created in the Expedia Spin-Off. The derivatives arise due to IAC's obligation to deliver both IAC and Expedia shares upon the conversion of the Ask Jeeves notes and the exercise of certain IAC warrants. In addition, other income (expense) for the nine months ended September 30, 2005 includes a \$16.7 million gain on the sale of the Company's minority interest share in the Italian home shopping operations, partially offset by \$15.0 million of realized losses on marketable securities.

The Company maintains operations in the United States, Germany, the United Kingdom, Canada and other international territories. Geographic information about the United States and international territories is presented below.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(In thousands)			
Revenue				
United States	\$ 1,290,060	\$ 809,533	\$ 3,470,003	\$ 2,495,288
All other countries	193,237	147,760	576,826	457,804
	<u>\$ 1,483,297</u>	<u>\$ 957,293</u>	<u>\$ 4,046,829</u>	<u>\$ 2,953,092</u>

	September 30, 2005	December 31, 2004
	(In thousands)	
Long-lived assets		
United States	\$ 543,910	\$ 465,734
All other countries	35,733	39,007
	<u>\$ 579,643</u>	<u>\$ 504,741</u>

NOTE 5—PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2005	December 31, 2004
Computer and broadcast equipment	\$ 766,300	\$ 649,845
Buildings and leasehold improvements	185,751	145,645
Furniture and other equipment	161,832	135,268
Land	20,623	21,160
Projects in progress	103,559	64,321
	<u>1,238,065</u>	<u>1,016,239</u>
Less: accumulated depreciation and amortization	(701,189)	(588,982)
Total property, plant and equipment, net	<u>\$ 536,876</u>	<u>\$ 427,257</u>

NOTE 6—GOODWILL AND OTHER INTANGIBLE ASSETS

The balance of goodwill and intangible assets is as follows (in thousands):

	September 30, 2005	December 31, 2004
	(In thousands)	
Goodwill	\$ 7,356,999	\$ 5,361,825
Intangible assets with indefinite lives	1,042,459	574,473
Intangible assets with definite lives	568,479	479,829
	<u>\$ 8,967,937</u>	<u>\$ 6,416,127</u>

Intangible assets with indefinite lives relate principally to trade names and trademarks acquired in various acquisitions. At September 30, 2005, intangible assets with definite lives relate principally to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Distribution agreements	\$ 244,900	\$ (164,532)	\$ 80,368	5.0
Purchase agreements	305,474	(168,550)	136,924	8.0
Customer lists	197,084	(36,547)	160,537	7.6
Technology	212,282	(79,316)	132,966	4.4
Merchandise agreements	44,957	(25,105)	19,852	4.7
Other	77,823	(39,991)	37,832	2.9
Total	\$ 1,082,520	\$ (514,041)	\$ 568,479	

At December 31, 2004, intangible assets with definite lives relate principally to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Distribution agreements	\$ 511,031	\$ (405,945)	\$ 105,086	5.1
Purchase agreements	291,941	(133,499)	158,442	11.6
Customer lists	147,824	(22,320)	125,504	9.2
Technology	89,482	(53,490)	35,992	3.9
Merchandise agreements	41,957	(18,719)	23,238	5.8
Other	56,920	(25,353)	31,567	3.4
Total	\$ 1,139,155	\$ (659,326)	\$ 479,829	

Amortization of intangible assets with definite lives is computed on a straight-line basis and based on December 31, 2004 balances for the next five years and thereafter is estimated to be as follows (in thousands):

Years Ending December 31,	
2005	\$ 151,023
2006	103,123
2007	67,629
2008	48,694
2009	34,054
2010 and thereafter	75,306
	\$ 479,829

The following table presents the balance of goodwill by segment including the changes in carrying amount of goodwill for the nine months ended September 30, 2005 (in thousands):

	Balance as of January 1, 2005	Additions	(Deductions)	Foreign Exchange Translation	Balance as of September 30, 2005
Retailing:					
U.S.	\$ 2,436,892	\$ 461,629	\$ (5,916)	\$ —	\$ 2,892,605
International	108,779	1,311	—	—	110,090
Total Retailing	2,545,671	462,940	(5,916)	—	3,002,695
Services:					
Ticketing	1,036,019	17,410	(1,309)	(2,323)	1,049,797
Lending	510,593	1,612	(10,481)	—	501,724
Real Estate	81,872	1,724	(429)	—	83,167
Teleservices	128,655	691	—	—	129,346
Home Services	112,973	6,354	(14,939)	—	104,388
Total Services	1,870,112	27,791	(27,158)	(2,323)	1,868,422
Media & Advertising	—	1,538,854	—	—	1,538,854
Membership & Subscriptions:					
Vacations	467,564	—	(60)	—	467,504
Personals	221,728	249	(51)	(259)	221,667
Discounts	256,750	1,451	(344)	—	257,857
Total Membership & Subscriptions	946,042	1,700	(455)	(259)	947,028
Total	\$ 5,361,825	\$ 2,031,285	\$ (33,529)	\$ (2,582)	\$ 7,356,999

Additions principally relate to new acquisitions, primarily Ask Jeeves and Cornerstone Brands. Deductions principally relate to adjustments to the carrying value of goodwill based upon the finalization of the valuation of intangible assets and their related deferred tax impacts and the income tax benefit realized pursuant to the exercise of stock options assumed in business acquisitions that were vested at the transaction date and are treated as a reduction in purchase price when the deductions are realized.

Ask Jeeves Acquisition

On July 19, 2005, IAC completed the acquisition of Ask Jeeves, a leading provider of world-class information retrieval technologies, brands and services that are available to consumers across a range of platforms, including destination websites, downloadable search-based applications and portals. Under the terms of the agreement, IAC issued 1.2668 shares of IAC common stock for each share of Ask Jeeves common stock in a tax-free transaction valued as of the date of the agreement at approximately \$1.7 billion, net of cash acquired. Ask Jeeves joined IAC's Media & Advertising sector. IAC obtained a preliminary independent valuation of identifiable intangible assets acquired. This valuation identifies \$352.5 million of intangible assets other than goodwill. The trade name was identified as an indefinite-lived intangible and \$195.9 million was allocated to this asset. Intangibles with definite lives included existing technology (\$116.4 million), distribution agreements (\$12.7 million), customer lists (\$17.0 million), advertising relationships (\$4.2 million) and other (\$6.3 million) and are being amortized over a weighted average period of 4.4 years. The purchase price paid for Ask Jeeves was based on

historical as well as expected performance metrics. The Company viewed Ask Jeeves' revenue, operating income, Operating Income Before Amortization, net income and cash flow as its most important valuation metrics. The Company agreed to consideration that resulted in a significant amount of goodwill for a number of reasons including: (1) Ask Jeeves' market position and brand; (2) Ask Jeeves' business model which complements the business models of the Company's other businesses; (3) growth opportunities in the markets in which Ask Jeeves operates; and (4) Ask Jeeves' distinctly unique, proprietary and exclusive service lines which enable the Company to grow. As a result, the predominant portion of the consideration was based on the expected financial performance of Ask Jeeves, and not the asset value on the books of Ask Jeeves at the time of acquisition.

Cornerstone Brands Acquisition

On April 1, 2005, the Company completed its acquisition of Cornerstone Brands, a portfolio of leading print catalogs and online retailing sites that sell home products and leisure and casual apparel, for approximately \$715 million, principally in cash. Cornerstone Brands joined IAC's U.S. Retailing operating segment. IAC obtained a preliminary independent valuation of identifiable intangible assets acquired. This valuation identifies \$309.1 million of intangible assets other than goodwill. The trade name was identified as an indefinite-lived intangible and \$269.4 million was allocated to this asset. Intangibles with definite lives included customer lists (\$31.4 million), existing technology (\$4.1 million), vendor and supply agreements (\$3.0 million) and intellectual property (\$1.2 million) and are being amortized over a weighted average period of 4.8 years. The purchase price paid for Cornerstone Brands was based on historical as well as expected performance metrics. The Company viewed Cornerstone Brands' revenue, operating income, Operating Income Before Amortization, net income and cash flow as its most important valuation metrics. The Company agreed to a purchase price that resulted in a significant amount of goodwill for a number of reasons including: (1) Cornerstone Brand's market leading position and brands; (2) Cornerstone Brand's business model which complements the business models of the Company's other businesses; (3) growth opportunities in the markets in which Cornerstone Brands operates; and (4) Cornerstone Brand's distinctly unique, proprietary and exclusive product lines which will enable the Company to grow. As a result, the predominant portion of the purchase price was based on the expected financial performance of Cornerstone Brands, and not the asset value on the books of Cornerstone Brands at the time of the acquisition.

NOTE 7—RESTRUCTURING CHARGES

As of September 30, 2005 and December 31, 2004, the accrual balance related to restructuring charges was \$1.7 million and \$1.8 million, respectively. The 2005 balance relates primarily to ongoing obligations for facility leases and employee termination agreements, and are expected to be paid out according to the terms of these arrangements.

During the nine months ended September 30, 2005, restructuring related expense, which is included in general and administrative expense in the accompanying statements of operations, was \$0.4 million. Included in this amount are additional severance costs incurred in connection with the shut down of certain HSN facilities as HSN migrates certain operations to its new fulfillment center in Tennessee. In addition, during the nine months ended September 30, 2005, the Company made payments of \$1.4 million related principally to lease obligations for abandoned facilities and employee termination costs. Also included in general and administrative expense in the accompanying statements of operations is restructure related income related to the settlement of an uncollectible receivable that

had been previously written off related to the restructuring of HSN's UK offices which did not impact the restructure accrual. In addition, the restructure accrual at September 30, 2005 increased by \$0.9 million related to liabilities assumed in the Ask Jeeves acquisition.

NOTE 8—EQUITY INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Through June 7, 2005, IAC beneficially owned 5.44% of the partnership common equity of VUE, plus certain preferred interests of VUE. This common interest was accounted for using the equity method. On June 7, 2005, the Company sold its common and preferred interests in VUE to NBC Universal (see Note 12 for further discussion of the sale of the VUE interests). Prior to the sale, the statement of operations data was historically recorded on a one-quarter lag due to the timing of receiving information from the partnership. During the fourth quarter of 2004, VUE recorded a charge related to asset impairments. Due to the one-quarter lag noted above, that charge was recorded by IAC in the first quarter of 2005. Equity in the income of VUE recognized in the nine months ended September 30, 2005 represents IAC's share in VUE's 2004 fourth quarter results as well as IAC's share of VUE's results from January 1, 2005 through June 7, 2005.

Due to the significance of the results of VUE in relation to IAC's results in 2005, summary financial information for VUE is presented below.

Summarized balances of the partnership are as follows (in thousands):

	As of March 31, 2005 and for the period October 1, 2004 to June 7, 2005
Current assets	\$ 3,755,581
Non-current assets	13,904,821
Current liabilities	2,541,519
Non-current liabilities	3,714,663
Net sales	5,633,353
Gross profit	1,707,191
Net income	441,855

Summarized aggregated financial information for the Company's remaining equity investments, including Jupiter Shop Channel (Japan), TVSN (China) and TM Mexico, as of and for the nine months ended September 30, 2005 is as follows (in thousands):

	As of and for the nine months ended September 30, 2005
Current assets	\$ 180,975
Non-current assets	67,112
Current liabilities	120,082
Non-current liabilities	28,037
Net sales	504,668
Gross profit	204,868
Net income	49,046

In April 2005, Ticketmaster acquired the remaining interest in its Australian joint venture. Accordingly, the Company began to consolidate the results of the Australian joint venture effective April 2005.

In connection with the Spin-off, the Company's investment in eLong was contributed to Expedia.

NOTE 9—EARNINGS PER SHARE

The following table sets forth the computation of Basic and Diluted GAAP earnings per share. All share information has been adjusted to reflect IAC's one-for-two reverse stock split in August 2005.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
(In thousands, except per share data)				
Earnings from continuing operations:				
Numerator:				
Earnings from continuing operations	\$ 36,372	\$ 34,537	\$ 473,108	\$ 108,918
Preferred stock dividends(a)(b)	(1,412)	(3,263)	(7,938)	(9,789)
Net earnings from continuing operations available to common shareholders	34,960	31,274	465,170	99,129
Interest expense on convertible notes(c)	412	—	412	—
Net earnings from continuing operations available to common shareholders after assumed conversions	\$ 35,372	\$ 31,274	\$ 465,582	\$ 99,129
Denominator:				
Basic shares outstanding	326,421	346,702	332,426	348,239
Dilutive securities including stock options, warrants and restricted stock and share units	24,834	20,191	23,859	24,518
Denominator for diluted earnings per share—weighted average shares(d)	351,255	366,893	356,285	372,757
Net earnings available to common shareholders:				
Numerator:				
Earnings before preferred dividends	\$ 69,489	\$ 92,741	\$ 763,083	\$ 207,464
Preferred stock dividends(a)(b)	(1,412)	(3,263)	(7,938)	(9,789)
Net earnings available to common shareholders	68,077	89,478	755,145	197,675
Interest expense on convertible notes(c)	412	—	412	—
Net earnings available to common shareholders after assumed conversions	\$ 68,489	\$ 89,478	\$ 755,557	\$ 197,675
Denominator:				
Basic shares outstanding	326,421	346,702	332,426	348,239
Dilutive securities including stock options, warrants and restricted stock and share units	24,834	20,191	23,859	24,518
Denominator for diluted earnings per share—weighted average shares(d)	351,255	366,893	356,285	372,757
Earnings per share:				
Basic earnings per share from continuing operations	\$ 0.11	\$ 0.09	\$ 1.40	\$ 0.28
Discontinued operations, net of tax	0.10	0.17	0.87	0.28
Basic earnings per share from net earnings	\$ 0.21	\$ 0.26	\$ 2.27	\$ 0.57
Diluted earnings per share from continuing operations	\$ 0.10	\$ 0.09	\$ 1.33	\$ 0.27
Discontinued operations, net of tax	0.09	0.15	0.81	0.26
Diluted earnings per share from net earnings	\$ 0.19	\$ 0.24	\$ 2.14	\$ 0.53

(a) On August 8, 2005 and prior to the Spin-Off, approximately 13.1 million shares of the Company's preferred stock were redeemed for approximately \$656 million.

(b) For the nine months ended September 30, 2005, approximately 3.2 million shares of the Company's preferred stock were included in the calculation of diluted earnings because their inclusion was dilutive. Accordingly, under the "if-converted" method, the preferred dividends were excluded from the numerator in calculating diluted earnings per share.

(c) For the three and nine months ended September 30, 2005, approximately 3.5 million and 1.2 million shares, respectively, of the convertible notes assumed in the Ask Jeeves acquisition were included in the calculation of diluted earnings per share because their inclusion was dilutive. Accordingly, under the "if-converted" method the interest expense on the convertible notes were excluded from the numerator in calculating diluted earnings per share.

(d) Weighted average common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options and warrants and the vesting of restricted stock units. For the three months ended September 30, 2005 and 2004 and the nine months ended September 30, 2004, approximately 9.7 million shares issuable upon conversion of the Company's preferred stock were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

NOTE 10—GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

In December 2002, IAC issued \$750 million of 7% Senior Notes (the "2002 Senior Notes"). The notes, by their terms, are fully and unconditionally guaranteed by USANi LLC. USANi LLC is wholly owned by IAC. USANi LLC's guarantee will terminate on November 15, 2005 when the 6³/₄% Senior Notes due 2005 cease to be outstanding.

The following tables present condensed consolidating financial information as of September 30, 2005 and for the three and nine months ended September 30, 2005 and 2004 for: (1) IAC on a stand-alone basis, (2) the guarantor, USANi LLC, on a stand-alone basis, (3) the combined non-guarantor subsidiaries of IAC (including the subsidiaries of USANi LLC) and (4) IAC on a consolidated basis.

As of and for the three and nine months ended September 30, 2005:

	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
	(In thousands)				
Balance Sheet as of September 30, 2005:					
Current assets	\$ 792,872	\$ 2,473,761	\$ 1,513,829	\$ —	\$ 4,780,462
Current assets of discontinued operations	—	—	4,602	—	4,602
Property and equipment, net	—	26,269	510,607	—	536,876
Goodwill and other intangible assets, net	—	—	8,967,937	—	8,967,937
Investment in subsidiaries	11,451,359	1,140,021	10,359,118	(22,950,498)	—
Other assets	141,974	5,895	265,126	—	412,995
Non-current assets of discontinued operations	—	—	7,473	—	7,473
Total assets	\$ 12,386,205	\$ 3,645,946	\$ 21,628,692	\$ (22,950,498)	\$ 14,710,345
Current liabilities	\$ 24,583	\$ 1,360,581	\$ 1,306,335	\$ —	\$ 2,691,499
Current liabilities of discontinued operations	—	—	18,072	—	18,072
Long-term debt, less current portion	744,946	—	218,029	—	962,975
Other liabilities and minority interest	700,704	8,520	846,923	—	1,556,147
Intercompany liabilities	1,442,639	(1,519,690)	77,051	—	—
Non-current liabilities of discontinued operations	—	—	8,319	—	8,319
Interdivisional equity	—	—	19,834,695	(19,834,695)	—
Shareholders' equity	9,473,333	3,796,535	(680,732)	(3,115,803)	9,473,333
Total liabilities and shareholders' equity	\$ 12,386,205	\$ 3,645,946	\$ 21,628,692	\$ (22,950,498)	\$ 14,710,345
Statement of operations for the three months ended September 30, 2005:					
Revenue	\$ —	\$ —	\$ 1,483,297	\$ —	\$ 1,483,297
Operating expenses	—	(24,521)	(1,437,459)	—	(1,461,980)
Interest income (expense), net	(64,087)	76,744	(3,703)	—	8,954
Other income, net	99,574	(6,915)	27,075	(105,471)	14,263
Income tax expense	—	—	(7,635)	—	(7,635)
Minority interest	885	—	(1,412)	—	(527)
Earnings from continuing operations	36,372	45,308	60,163	(105,471)	36,372
Discontinued operations, net of tax	33,117	—	32,946	(32,946)	33,117
Net earnings	69,489	45,308	93,109	(138,417)	69,489
Preferred dividends	(1,412)	—	—	—	(1,412)
Net earnings available to common shareholders	\$ 68,077	\$ 45,308	\$ 93,109	\$ (138,417)	\$ 68,077
Statement of operations for the nine months ended September 30, 2005:					

Revenue	\$	—	\$	—	\$	4,046,829	\$	—	\$	4,046,829
Operating expenses		—		(191,004)		(3,711,671)		—		(3,902,675)
Interest income (expense), net		(226,519)		240,065		49,811		—		63,357
Other income, net		699,786		695,367		93,065		(909,018)		579,200
Income tax expense		—		(6,256)		(305,396)		—		(311,652)
Minority interest		(159)		—		(1,792)		—		(1,951)
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Earnings from continuing operations		473,108		738,172		170,846		(909,018)		473,108
Discontinued operations, net of tax		289,975		3,326		286,478		(289,804)		289,975
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Net earnings		763,083		741,498		457,324		(1,198,822)		763,083
Preferred dividends		(7,938)		—		—		—		(7,938)
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Net earnings available to common shareholders	\$	755,145	\$	741,498	\$	457,324	\$	(1,198,822)	\$	755,145
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>

Statement of cash flows for the nine months ended September 30 2005:

Cash flows (used in) provided by operating activities	\$	(829,863)	\$	13,668	\$	364,027	\$	—	\$	(452,168)
Cash flows (used in) provided by investing activities		(36,915)		1,524,434		103,069		—		1,590,588
Cash flows provided by (used in) financing activities		870,008		(1,812,612)		(859,331)		—		(1,801,935)
Net cash provided by discontinued operations		—		—		599,771		—		599,771
Effect of exchange rate changes on cash and cash equivalents		(3,230)		—		(23,326)		—		(26,556)
Cash and cash equivalents at beginning of period		—		681,215		318,483		—		999,698
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Cash and cash equivalents at end of period	\$	—	\$	406,705	\$	502,693	\$	—	\$	909,398
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>

	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
	(In thousands)				
Statement of operations for the three months ended September 30, 2004:					
Revenue	\$ —	\$ —	\$ 957,293	\$ —	\$ 957,293
Operating expenses	—	(74,678)	(865,835)	—	(940,513)
Interest income (expense), net	42,978	(33,743)	16,156	—	25,391
Other income (expense), net	(8,205)	12,502	2,786	(7,830)	(747)
Income tax expense	—	(1,514)	(4,701)	—	(6,215)
Minority interest	(236)	—	(436)	—	(672)
Earnings (loss) from continuing operations	34,537	(97,433)	105,263	(7,830)	34,537
Discontinued operations, net of tax	58,204	—	58,204	(58,204)	58,204
Net earnings (loss)	92,741	(97,433)	163,467	(66,034)	92,741
Preferred dividends	(3,263)	—	—	—	(3,263)
Net earnings (loss) available to common shareholders	\$ 89,478	\$ (97,433)	\$ 163,467	\$ (66,034)	\$ 89,478
Statement of operations for the nine months ended September 30, 2004:					
Revenue	\$ —	\$ —	\$ 2,953,092	\$ —	\$ 2,953,092
Operating expenses	—	(237,279)	(2,651,723)	—	(2,889,002)
Interest income (expense), net	104,024	(75,356)	46,686	—	75,354
Other income (expense), net	36,482	67,863	3,952	(83,529)	24,768
Income tax (expense) benefit	(31,352)	74,193	(96,450)	—	(53,609)
Minority interest	(236)	—	(1,449)	—	(1,685)
Earnings (loss) from continuing operations	108,918	(170,579)	254,108	(83,529)	108,918
Discontinued operations, net of tax	98,546	—	98,546	(98,546)	98,546
Net earnings (loss)	207,464	(170,579)	352,654	(182,075)	207,464
Preferred dividends	(9,789)	—	—	—	(9,789)
Net earnings (loss) available to common shareholders	\$ 197,675	\$ (170,579)	\$ 352,654	\$ (182,075)	\$ 197,675
Statement of cash flows for the nine months ended September 30, 2004:					
Cash flows provided by (used in) operating activities	\$ 72,140	\$ (172,141)	\$ 445,432	\$ —	\$ 345,431
Cash flows (used in) provided by investing activities	(174,479)	(756,476)	124,795	—	(806,160)
Cash flows provided by (used in) financing activities	102,339	1,041,803	(1,489,783)	—	(345,641)
Net cash provided by discontinued operations	—	—	1,021,718	—	1,021,718
Effect of exchange rate changes on cash and cash equivalents	—	4,998	4,982	—	9,980
Cash and cash equivalents at beginning of period	—	523,634	235,983	—	759,617
Cash and cash equivalents at end of period	\$ —	\$ 641,818	\$ 343,127	\$ —	\$ 984,945

On July 19, 2005, IAC completed the acquisition of Ask Jeeves. As part of the transaction, IAC irrevocably and unconditionally guaranteed Ask Jeeves' outstanding zero coupon subordinated convertible notes due 2008 in the principal amount of \$115.0 million. Ask Jeeves is wholly owned by IAC.

The following tables present condensed consolidating financial information as of September 30, 2005 and for the three and nine months ended September 30, 2005 and 2004 for: (1) the guarantor, IAC, on a stand-alone basis, (2) Ask Jeeves, on a stand-alone basis, (3) the combined non-guarantor subsidiaries of IAC and (4) IAC on a consolidated basis.

As of and for the three and nine months ended September 30, 2005:

	IAC	Ask Jeeves	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
	(In thousands)				
Balance Sheet as of September 30, 2005:					
Current assets	\$ 792,872	\$ 128,937	\$ 3,858,653	\$ —	\$ 4,780,462
Current assets of discontinued operations	—	—	4,602	—	4,602
Property and equipment, net	—	46,699	490,177	—	536,876
Goodwill and other intangible assets, net	—	1,804,134	7,163,803	—	8,967,937
Investment in subsidiaries	11,451,359	1,204,400	10,294,739	(22,950,498)	—
Other assets	141,974	140,045	130,976	—	412,995
Non-current assets of discontinued operations	—	—	7,473	—	7,473
Total assets	\$ 12,386,205	\$ 3,324,215	\$ 21,950,423	\$ (22,950,498)	\$ 14,710,345
Current liabilities	\$ 24,583	\$ 61,665	\$ 2,605,251	\$ —	\$ 2,691,499
Current liabilities of discontinued operations	—	—	18,072	—	18,072
Long-term debt, less current portion	744,946	100,393	117,636	—	962,975
Other liabilities and minority interest	700,704	236,268	619,175	—	1,556,147
Intercompany liabilities	1,442,639	(42,694)	(1,399,945)	—	—
Non-current liabilities of discontinued operations	—	—	8,319	—	8,319
Interdivisional equity	—	2,952,224	16,882,471	(19,834,695)	—
Shareholders' equity	9,473,333	16,359	3,099,444	(3,115,803)	9,473,333
Total liabilities and shareholders' equity	\$ 12,386,205	\$ 3,324,215	\$ 21,950,423	\$ (22,950,498)	\$ 14,710,345
Statement of operations for the three months ended September 30, 2005:					
Revenue	\$ —	\$ 70,849	\$ 1,412,448	\$ —	\$ 1,483,297
Operating expenses	—	(73,778)	(1,388,202)	—	(1,461,980)
Interest income (expense), net	(64,087)	(282)	73,323	—	8,954
Other income, net	99,574	20,240	(80)	(105,471)	14,263
Income tax expense	—	(479)	(7,156)	—	(7,635)
Minority interest	885	—	(1,412)	—	(527)
Earnings from continuing operations	36,372	16,550	88,921	(105,471)	36,372
Discontinued operations, net of tax	33,117	—	32,946	(32,946)	33,117
Net earnings	69,489	16,550	121,867	(138,417)	69,489
Preferred dividends	(1,412)	—	—	—	(1,412)
Net earnings available to common shareholders	\$ 68,077	\$ 16,550	\$ 121,867	\$ (138,417)	\$ 68,077

Statement of operations for the nine months ended September 30, 2005:

Revenue	\$	—	\$	70,849	\$	3,975,980	\$	—	\$	4,046,829
Operating expenses		—		(73,778)		(3,828,897)		—		(3,902,675)
Interest income (expense), net		(226,519)		(282)		290,158		—		63,357
Other income, net		699,786		20,240		768,192		(909,018)		579,200
Income tax expense		—		(479)		(311,173)		—		(311,652)
Minority interest		(159)		—		(1,792)		—		(1,951)
		<u>473,108</u>		<u>16,550</u>		<u>892,468</u>		<u>(909,018)</u>		<u>473,108</u>
Earnings from continuing operations		473,108		16,550		892,468		(909,018)		473,108
Discontinued operations, net of tax		289,975		—		289,804		(289,804)		289,975
		<u>763,083</u>		<u>16,550</u>		<u>1,182,272</u>		<u>(1,198,822)</u>		<u>763,083</u>
Net earnings		763,083		16,550		1,182,272		(1,198,822)		763,083
Preferred dividends		(7,938)		—		—		—		(7,938)
		<u>755,145</u>		<u>16,550</u>		<u>1,182,272</u>		<u>(1,198,822)</u>		<u>755,145</u>
Net earnings available to common shareholders	\$	755,145	\$	16,550	\$	1,182,272	\$	(1,198,822)	\$	755,145

Statement of cash flows for the nine months ended September 30 2005:

Cash flows (used in) provided by operating activities	\$	(829,863)	\$	18,207	\$	359,488	\$	—	\$	(452,168)
Cash flows (used in) provided by investing activities		(36,915)		101,983		1,525,520		—		1,590,588
Cash flows provided by (used in) financing activities		870,008		(42,804)		(2,629,139)		—		(1,801,935)
Net cash provided by discontinued operations		—		—		599,771		—		599,771
Effect of exchange rate changes on cash and cash equivalents		(3,230)		(271)		(23,055)		—		(26,556)
Cash and cash equivalents at beginning of period		<u>—</u>		<u>—</u>		<u>999,698</u>		<u>—</u>		<u>999,698</u>
		<u>—</u>		<u>77,115</u>		<u>832,283</u>		<u>—</u>		<u>909,398</u>
Cash and cash equivalents at end of period	\$	—	\$	77,115	\$	832,283	\$	—	\$	909,398

	IAC	Ask Jeeves	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
	(In thousands)				
Statement of operations for the three months ended September 30, 2004:					
Revenue	\$ —	\$ —	\$ 957,293	\$ —	\$ 957,293
Operating expenses	—	—	(940,513)	—	(940,513)
Interest income (expense), net	42,978	—	(17,587)	—	25,391
Other income (expense), net	(8,205)	—	15,288	(7,830)	(747)
Income tax expense	—	—	(6,215)	—	(6,215)
Minority interest	(236)	—	(436)	—	(672)
Earnings from continuing operations	34,537	—	7,830	(7,830)	34,537
Discontinued operations, net of tax	58,204	—	58,204	(58,204)	58,204
Net earnings	92,741	—	66,034	(66,034)	92,741
Preferred dividends	(3,263)	—	—	—	(3,263)
Net earnings available to common shareholders	\$ 89,478	\$ —	\$ 66,034	\$ (66,034)	\$ 89,478
Statement of operations for the nine months ended September 30, 2004:					
Revenue	\$ —	\$ —	\$ 2,953,092	\$ —	\$ 2,953,092
Operating expenses	—	—	(2,889,002)	—	(2,889,002)
Interest income (expense), net	104,024	—	(28,670)	—	75,354
Other income (expense), net	36,482	—	71,815	(83,529)	24,768
Income tax expense	(31,352)	—	(22,257)	—	(53,609)
Minority interest	(236)	—	(1,449)	—	(1,685)
Earnings from continuing operations	108,918	—	83,529	(83,529)	108,918
Discontinued operations, net of tax	98,546	—	98,546	(98,546)	98,546
Net earnings	207,464	—	182,075	(182,075)	207,464
Preferred dividends	(9,789)	—	—	—	(9,789)
Net earnings available to common shareholders	\$ 197,675	\$ —	\$ 182,075	\$ (182,075)	\$ 197,675
Statement of cash flows for the nine months ended September 30, 2004:					
Cash flows provided by operating activities	\$ 72,140	\$ —	\$ 273,291	\$ —	\$ 345,431
Cash flows used in investing activities	(174,479)	—	(631,681)	—	(806,160)
Cash flows provided by (used in) financing activities	102,339	—	(447,980)	—	(345,641)
Net cash provided by discontinued operations	—	—	1,021,718	—	1,021,718
Effect of exchange rate changes on cash and cash equivalents	—	—	9,980	—	9,980
Cash and cash equivalents at beginning of period	—	—	759,617	—	759,617
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 984,945	\$ —	\$ 984,945

NOTE 11—DERIVATIVE INSTRUMENTS

In 2004 and 2003, the Company entered into various interest rate swap agreements with notional amounts of \$250 million and \$150 million, respectively, related to a portion of the 2002 Senior Notes. The interest rate swaps allow IAC to receive fixed rate amounts in exchange for making floating rate payments based on LIBOR, which effectively changes the Company's interest rate exposure on a portion of the debt. As of September 30, 2005, of the \$750 million total notional amount of the 2002 Senior Notes, the interest rate is fixed on \$400 million with the balance of \$350 million remaining at a floating rate of interest based on the spread over 6-month LIBOR. To further manage risk, the Company sold swap agreements for nominal gains during 2005 and 2004, which are being amortized over the remaining life of the 2002 Senior Notes. The changes in fair value of the interest rate swaps at September 30, 2005 and 2004 resulted in an unrealized loss of \$5.3 million and an unrealized gain of \$0.1 million, respectively. The fair value of the contracts is recorded in the accompanying balance sheet in other non-current assets with a corresponding offset to the carrying value of the related debt. The gain or loss on the derivative in the period of change and the loss or gain of the hedged item attributed to the hedged risk are recognized in the accompanying statements of operations and are offsetting.

LendingTree Loans, in connection with its mortgage banking operations, is exposed to additional interest rate risk. The fair value of loans held for sale is subject to change primarily due to changes in market interest rates. LendingTree Loans hedges the changes in fair value of the loans held for sale primarily by using mortgage forward delivery contracts. These hedging relationships are documented as fair value hedges. The fair value of loans held for sale is determined using current secondary market prices for loans with similar coupons, maturities and credit quality. For loans held for sale that are hedged with forward delivery contracts, the carrying value of the loans held for sale and the derivatives is adjusted for the change in fair value during the time the hedge was deemed to be highly effective. The effective portion of the derivative and the loss or gain of the hedged item attributed to the hedged risk are recognized in the accompanying statement of operations as a component of revenue and are offsetting. If it is determined that the hedging relationship is not highly effective, hedge accounting is discontinued. When hedge accounting is discontinued, the affected loans held for sale are no longer adjusted for changes in fair value, however, the changes in fair value of derivative instruments are recognized in current earnings as a component of revenue. For the three and nine months ended September 30, 2005, the Company recognized a less than \$0.1 million loss and \$1.2 million loss, respectively, related to hedge ineffectiveness and \$1.3 million and \$0.7 million in gains, respectively, related to changes in the fair value of derivative instruments when hedge accounting was discontinued. The fair value of the hedge instruments is recorded in other current assets in the accompanying balance sheet.

LendingTree Loans enters into commitments with consumers to originate loans at a locked in interest rate (interest rate lock commitments—"IRLCs"). IAC reports IRLCs as derivative instruments in accordance with SEC Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments" ("SAB 105"), and SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and determines the fair value of IRLCs using current secondary market prices for underlying loans with similar coupons, maturity and credit quality, subject to the anticipated loan funding probability, or fallout factor. Similar to loans held for sale, the fair value of IRLCs is subject to change primarily due to changes in interest rates and fallout factors. Under LendingTree Loans' risk management policy, LendingTree Loans hedges the changes in fair value of IRLCs primarily by entering into forward delivery contracts which can reduce the volatility of earnings. Both the IRLCs

and the related hedging instrument do not qualify for hedge accounting and are recorded at fair value with changes in fair value being recorded in current earnings as a component of revenue in the accompanying statement of operations. The change in the fair value of these derivative instruments for the three and nine months ended September 30, 2005 resulted in a gain of \$2.8 million and \$0.9 million, respectively, which has been recognized in the accompanying statement of operations. The fair value of the IRLCs is recorded in other current liabilities in the accompanying balance sheet.

On April 29, 2003, one of the Company's foreign subsidiaries entered into a five-year foreign exchange forward contract with a notional amount of \$38.6 million, which was used to hedge against the change in value of a liability denominated in a currency other than the subsidiary's functional currency. This derivative contract has been designated as a cash flow hedge for accounting purposes and foreign exchange re-measurement gains and losses related to the contract and liability are recognized each period in the statements of operations and are offsetting. In addition, the remaining effective portion of the derivative's gain or loss is recorded in other comprehensive income (loss) until the liability is extinguished. The change in fair value of this foreign exchange forward contract at September 30, 2005 and 2004 resulted in an unrealized loss of \$6.2 million and \$6.1 million, respectively.

As a result of the Ask Jeeves acquisition, upon conversion of the Ask Jeeves' subordinated convertible notes, holders would receive shares of IAC common stock. Following the Spin-Off, IAC became obligated to deliver shares of both IAC and Expedia common stock upon conversion of the Ask Jeeves subordinated convertible notes. This obligation represents a derivative liability in IAC's accompanying balance sheet because it is not denominated solely in shares of IAC common stock. This derivative liability was valued at \$90.3 million at September 30, 2005. Under the separation agreement relating to the Spin-Off, Expedia contractually assumed the obligation to deliver shares of Expedia common stock to IAC upon conversion by the holders of the Ask Jeeves subordinated convertible notes. This represents a derivative asset in IAC's accompanying balance sheet valued at \$88.2 million at September 30, 2005. Both of these derivatives will be maintained at fair value each reporting period with any changes in fair value reflected in the statement of operations. The net change in the fair value of these derivatives for the three and nine months ended September 30, 2005 resulted in a gain of \$8.9 million, which has been recognized in other income (expense) in the accompanying statement of operations. The derivative asset related to the Ask Jeeves subordinated convertible notes is recorded in other non-current assets and the derivative liability related to the Ask Jeeves subordinated convertible notes is recorded in other long-term liabilities in the accompanying balance sheet.

In connection with prior transactions, including among others, the acquisition of Ticketmaster, Hotels.com, and Hotwire.com, IAC assumed a number of warrants that were adjusted to become exercisable for shares of IAC common stock. Following the Spin-Off, IAC remained the contractually obligated party with respect to these warrants and each warrant represents the right to receive upon exercise by the holders thereof that number of shares of IAC common stock and Expedia common stock that the warrant holder would have received had the holder exercised the warrant immediately prior to the Spin-Off. Under the separation agreement, Expedia contractually assumed the obligation to deliver shares of Expedia common stock to IAC upon exercise of these warrants. This obligation of IAC to deliver shares of both IAC and Expedia common stock upon exercise of these warrants created a liability in the form of a derivative in IAC's accompanying balance sheet that will be maintained at fair value each reporting period with any changes in fair value reflected in the consolidated statement of operations. The derivative liability was valued at \$4.3 million at September 30, 2005. The contractual

obligation of Expedia to deliver shares of Expedia common stock to IAC upon exercise by the warrant holders also created a derivative asset in IAC's accompanying balance sheet valued at \$1.4 million at September 30, 2005. The net change in the fair value of these derivatives for the three and nine months ended September 30, 2005 resulted in a gain of \$0.5 million which has been recognized in other income (expense) in the accompanying statement of operations. The derivative asset related to the warrants is recorded in other non-current assets and the derivative liability related to the warrants is recorded in other long-term liabilities in the accompanying balance sheet.

NOTE 12—SALE OF VUE INTERESTS

On June 7, 2005, IAC completed a transaction with General Electric and Vivendi Universal in which IAC sold its common and preferred interests in VUE for approximately \$3.4 billion in aggregate consideration consisting of approximately \$1.9 billion in cash, 28.3 million IAC common shares formerly held by NBC Universal and \$115 million of television advertising time that NBC Universal will provide through its media outlets over a three-year period. Based upon the closing price of IAC common stock on June 7, 2005 of \$49.28 (as adjusted for the August 2005 reverse stock split), the 28.3 million IAC common shares have a market value of approximately \$1.4 billion. The transaction resulted in an after-tax gain of \$322.1 million. The after-tax gain was determined as follows (in thousands):

Proceeds received:	
Cash	\$ 1,882,291
Value of 28.3 million IAC common shares	1,394,903
Television advertising time	115,000
	<u>3,392,194</u>
Total proceeds received	3,392,194
Book value of VUE interests:	
Common interest	804,733
Preferred A interest	632,444
Preferred B interest	1,428,530
	<u>2,865,707</u>
Total book value of VUE interests	2,865,707
Subtotal	526,487
Less: Transaction costs	(3,000)
	<u>523,487</u>
Pre-tax gain	523,487
Income tax expense	(201,384)
	<u>322,103</u>
After-tax gain on sale of VUE interests	\$ 322,103

NOTE 13—DISCONTINUED OPERATIONS

In March 2005, IAC, through its subsidiary HSN International, entered into an agreement to sell its 48.6% ownership in EUVÍA for approximately \$204 million. The sale closed on June 2, 2005 and resulted in a pre-tax gain of \$129.3 million and an after-tax gain of \$79.6 million. EUVÍA operates two television channels, 9Live, an interactive game and quiz show-oriented television channel, and Sonnanklar, a travel-oriented television channel. In addition, during the second quarter of 2005, TV Travel Shop ceased the sale of third-party travel products through its broadcast programming. Further,

on August 9, 2005, IAC completed the spin-off of its travel business, including Expedia.com, Hotels.com, Hotwire and TripAdvisor, into an independent public company, Expedia, Inc. Accordingly, the results of operations and statements of position of these businesses are presented as discontinued operations for all periods presented. The 2005 results include a tax benefit of approximately \$62.8 million related to the write-off of the Company's investment in TV Travel Shop. The net revenue and net earnings, net of the effect of any minority interest for the aforementioned discontinued operations for the applicable periods, were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net revenue	\$ 260,951	\$ 547,850	\$ 1,365,060	\$ 1,524,564
Income before income taxes and minority interest	\$ 78,632	\$ 98,124	\$ 276,936	\$ 205,953
Income tax expense	(46,148)	(34,147)	(61,236)	(98,379)
Minority interest in income of consolidated subsidiaries	633	(5,773)	(5,373)	(9,028)
Net earnings	\$ 33,117	\$ 58,204	\$ 210,327	\$ 98,546

The net assets transferred to Expedia as of August 9, 2005 and as reported as discontinued operations as of December 31, 2004 were as follows (in thousands):

	August 9, 2005	December 31, 2004
Current assets	\$ 544,511	\$ 308,391
Goodwill	\$ 5,889,127	\$ 5,849,139
Intangible assets, net	1,227,380	1,279,361
Other non-current assets	126,453	232,219
Total non-current assets	\$ 7,242,960	\$ 7,360,719
Current liabilities	\$ 1,496,530	\$ 982,178
Deferred income taxes	\$ 368,656	\$ 349,293
Other long-term liabilities	109,933	68,683
Total non-current liabilities	\$ 478,589	\$ 417,976

GENERAL

Management Overview

IAC/ InterActiveCorp operates leading and diversified businesses in sectors being transformed by the internet, online and offline...our mission is to harness the power of interactivity to make daily life easier and more productive for people all over the world. All references to "IAC," the "Company," "we," "our," or "us" in this report are to IAC/InterActiveCorp.

IAC consists of the following sectors:

- Retailing, which includes U.S., including Cornerstone Brands, Inc. (since April 2005), and International;
- Services, which includes Ticketing, Lending, Real Estate, Teleservices and Home Services (since September 2004);
- Media & Advertising, which includes Ask Jeeves, Inc. (since July 2005); and
- Membership & Subscriptions, which includes Vacations, Personals and Discounts.

On December 21, 2004, IAC announced its plans to separate its travel businesses into an independent public company in order to better achieve certain strategic objectives of its various businesses. We refer to this transaction as the "Spin-Off" and to the new company that holds IAC's former travel and travel-related businesses as "Expedia". IAC completed the Spin-Off prior to the commencement of trading on August 9, 2005. Immediately prior to the Spin-Off, IAC effected a one-for-two reverse stock split. Since the completion of the Spin-Off:

- Expedia consists of the travel and travel-related businesses and investments that IAC operated (other than Interval and TV Travel Shop, which were not spun-off by IAC with Expedia); and
- IAC continues to operate and/or manage its remaining businesses and investments, which primarily consist of its Retailing, Services, Media & Advertising and Membership & Subscriptions sectors. TV Travel Shop ceased operations in the second quarter of 2005.

In addition, in March 2005, the Company entered into an agreement to sell its 48.6% ownership in EUVÍA. The sale closed on June 2, 2005.

Accordingly, the results of operations and statements of position of Expedia, EUVÍA and TV Travel Shop have been presented as discontinued operations for all periods presented. Further, all IAC common stock share information and related per share prices have been adjusted to reflect IAC's one-for-two reverse stock split.

On April 1, 2005, IAC completed its acquisition of Cornerstone Brands, Inc. ("Cornerstone Brands"), a portfolio of leading print catalogs and online retailing sites that sell home products and leisure and casual apparel, for approximately \$715 million, principally in cash.

In addition, on June 7, 2005, IAC completed a transaction with NBC Universal in which IAC sold its common and preferred interests in Vivendi Universal Entertainment, LLLP ("VUE"), a joint venture formed in May 2002 between the Company and Vivendi Universal, S.A., for approximately \$3.4 billion in aggregate consideration.

Further, on July 19, 2005 IAC, completed the acquisition of Ask Jeeves, Inc. ("Ask Jeeves"), a leading provider of world-class information retrieval technologies, brands and services that are available to consumers across a range of platforms, including destination websites, downloadable search-based applications and portals. Under the terms of the agreement, IAC issued 1.2668 shares of IAC common

stock for each share of Ask Jeeves common stock in a tax-free transaction valued as of the date of the agreement at approximately \$1.7 billion, net of cash acquired. On May 5, 2005, IAC completed the buy back of 26.4 million shares of IAC common stock through its previously authorized share repurchase programs. These shares represent approximately sixty percent of the number of fully diluted shares IAC issued for the Ask Jeeves acquisition, thus effectively offsetting a substantial portion of the dilution from the transaction.

Results of operations for the three and nine months ended September 30, 2005 compared to the three and nine months ended September 30, 2004

Set forth below are the contributions made by our various sectors, our emerging businesses and corporate expenses to consolidated revenues, operating income and Operating Income Before Amortization (as defined in IAC's Principles of Financial Reporting) for the three and nine months ended September 30, 2005 and 2004 (rounding differences may occur):

	Three months ended September 30,				Nine months ended September 30,			
	2005	Percentage of total	2004	Percentage of total	2005	Percentage of total	2004	Percentage of total
(Dollars in millions)								
Revenue:								
Retailing	\$ 749.5	51%	\$ 509.1	53%	\$ 2,110.0	52%	\$ 1,587.6	54%
Services	486.2	33%	306.3	32%	1,363.9	34%	932.4	32%
Media & Advertising	83.5	6%	7.9	1%	104.0	3%	20.6	1%
Membership & Subscriptions	162.8	11%	138.9	15%	477.9	12%	429.1	15%
Emerging Businesses	9.6	1%	1.7	0%	19.6	0%	1.9	0%
Intersegment elimination	(8.3)	(1)%	(6.6)	(1)%	(28.6)	(1)%	(18.5)	(1)%
Total	\$ 1,483.3	100%	\$ 957.3	100%	\$ 4,046.8	100%	\$ 2,953.1	100%

	Three months ended September 30,				Nine months ended September 30,			
	2005	Percentage of total	2004	Percentage of total	2005	Percentage of total	2004	Percentage of total
(Dollars in millions)								
Operating Income (Loss):								
Retailing	\$ 38.0	178%	\$ 26.6	159%	\$ 126.6	88%	\$ 84.3	132%
Services	69.6	327%	31.1	185%	179.6	125%	114.9	179%
Media & Advertising	(0.9)	(4)%	(12.1)	(72)%	0.0	0%	(45.0)	(70)%
Membership & Subscriptions	27.4	128%	6.8	41%	59.7	41%	28.0	44%
Emerging Businesses	(2.4)	(11)%	(0.2)	(1)%	(8.5)	(6)%	(2.2)	(3)%
Corporate and other	(110.4)	(518)%	(35.5)	(211)%	(213.3)	(148)%	(115.9)	(181)%
Total	\$ 21.3	100%	\$ 16.8	100%	\$ 144.2	100%	\$ 64.1	100%

Three months ended September 30,

Nine months ended September 30,

	Three months ended September 30,				Nine months ended September 30,			
	2005	Percentage of total	2004	Percentage of total	2005	Percentage of total	2004	Percentage of total
(Dollars in millions)								
Operating Income Before Amortization:								
Retailing	\$ 54.0	35%	\$ 40.2	52%	\$ 172.0	44%	\$ 125.0	49%
Services	86.0	55%	45.1	59%	232.6	59%	154.7	60%
Media & Advertising	9.3	6%	(2.4)	(3)%	10.2	3%	(11.4)	(4)%
Membership & Subscriptions	36.1	23%	16.7	22%	86.2	22%	60.0	23%
Emerging Businesses	(2.4)	(2)%	—	0%	(8.3)	(2)%	(1.8)	(1)%
Corporate and other	(26.6)	(17)%	(22.8)	(30)%	(100.9)	(26)%	(70.8)	(28)%
Total	\$ 156.3	100%	\$ 76.9	100%	\$ 391.9	100%	\$ 255.8	100%

IAC Consolidated Results

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue increased \$526.0 million, or 55%, as a result of revenue increases of \$240.5 million, or 47%, from the Retailing sector, \$179.9 million, or 59%, from the Services sector, \$75.6 million, or 958%, from the Media & Advertising sector and \$23.9 million, or 17%, from the Membership & Subscriptions sector. The revenue growth from the Retailing sector was driven primarily by the acquisition of Cornerstone Brands on April 1, 2005 as well as improved top-line results at HSN. The increase in the Services sector was driven by significant growth at Lending, fueled by direct loan originations and growth in the Lending exchange, as well as strong domestic concert and sporting event ticket sales and international expansion at our Ticketing segment. The revenue growth from the Media & Advertising sector was driven primarily by the acquisition of Ask Jeeves on July 19, 2005, while Membership & Subscription results were led by strong results at Personals, which increased worldwide subscribers by 19%.

Gross profit increased \$267.1 million, or 65%, reflecting improved results at the Services sector, which were primarily driven by the Lending and Ticketing results, and the Retailing sector, which was primarily driven by the acquisition of Cornerstone Brands. The increase in gross profit also reflects improved results in the Media & Advertising sector due primarily to the acquisition of Ask Jeeves and to a lesser extent, improved results in the Membership & Subscriptions driven by the growth in Personals.

Selling and marketing expenses increased \$125.5 million, or 90%, primarily reflecting the impact of the Cornerstone Brands acquisition in the Retailing sector, increases at Lending and the impact of the Ask Jeeves acquisition in the Media & Advertising sector. The Lending segment experienced increased selling and marketing expense in order to build its brands through on-line and direct consumer advertising mediums. In addition, Personals' increased selling and marketing expenses primarily due to higher customer acquisition costs relating primarily to the company's offline marketing campaign which began in the first quarter of 2005 and continued through the third quarter. As a percentage of revenue, selling and marketing expense increased to 18% for 2005 from 15% in 2004 on a consolidated IAC basis.

General and administrative expense increased \$48.3 million, or 40%, due primarily to the inclusion of the results of LendingTree Loans, Cornerstone Brands and Ask Jeeves in the 2005 results as well as the acquisition of ServiceMagic in September 2004. In addition, several operating segments incurred higher employee costs in 2005 due in part to increased head count and IAC incurred approximately \$2.1 million of transaction expenses in connection with the Spin-Off in the third quarter of 2005.

Depreciation expense increased \$2.2 million, or 6%, due primarily to capital expenditures of \$58.3 million during 2005 and various acquisitions, partially offset by certain fixed assets becoming fully depreciated during the period.

Operating Income Before Amortization increased \$79.4 million, or 103%, due primarily to the strong growth from each of the principal sectors.

Operating income increased \$4.5 million, or 27%, reflecting the increase in Operating Income Before Amortization noted above, which was almost entirely offset by the significant increase in non-cash compensation of \$71.3 million. The increase in non-cash compensation was principally due to a \$67.0 million charge related to the treatment of vested stock options in connection with the Spin-Off and, to a lesser degree, non-cash compensation expense related to unvested stock options and restricted stock assumed in the Ask Jeeves and Cornerstone Brands acquisitions. These increases were partially offset by a reduction in non-cash compensation expense of \$5.5 million due to the cumulative effect of a change in the Company's estimate related to the number of stock based awards that are expected to vest.

Interest income decreased \$25.8 million in 2005 compared with 2004 primarily as a result of decreased interest income earned on the VUE preferred securities as these interests were sold on June 7, 2005. Interest expense decreased \$9.3 million in 2005 compared with 2004 primarily as a result of lower amortization of investment premiums, partially offset by interest expense on the Ask Jeeves convertible notes and interest expense on the warehouse lines of credit at LendingTree Loans.

The Company sold its interests in VUE in June 2005 and therefore had no equity income from its investment in VUE for the three months ended September 30, 2005. The Company realized \$0.6 million of equity income from its investment in VUE for the three months ended September 30, 2004.

Equity in income of unconsolidated affiliates and other increased by \$15.6 million due primarily to a \$9.4 million gain related to the change in fair value during the period ended September 30, 2005 of the derivatives that were created in the Spin-Off. The derivatives arise due to IAC's obligation to deliver both IAC and Expedia shares upon the conversion of the Ask Jeeves convertible notes and the exercise of certain IAC warrants. These derivatives are marked to market each quarter with the change in fair value recorded as "Other income (loss)" in the accompanying statement of operations. Additionally, there was a \$3.5 million increase in the equity income of unconsolidated affiliates of HSN International, including Jupiter Shop Channel.

The effective tax rate from continuing operations was 17% in 2005 and 15% in 2004. The 2005 effective tax rate was lower than the statutory rate of 35% due principally to the recognition of a capital loss, a non-taxable gain associated with derivatives, interest received on IRS refunds, and net adjustments related to the reconciliation of provision accruals to tax returns. These favorable items were partially offset by state taxes and non-deductible non-cash compensation. In 2004, the effective tax rate for continuing operations was lower than the statutory rate due to tax-exempt interest and foreign tax credits, partially offset by state taxes and foreign losses for which no benefit was recognized.

Minority interest in income of consolidated subsidiaries principally represents minority ownership of certain of Ticketmaster's international operations.

In March 2005, the Company entered into an agreement to sell its 48.6% ownership interest in EUVÍA. The sale closed on June 2, 2005. During the second quarter of 2005, TV Travel Shop ceased the sale of third-party travel products through its broadcast programming. Further, on August 9, 2005, IAC completed the Spin-Off to its shareholders. Accordingly, the results of operations and statements of position of these businesses are presented as discontinued operations for all periods presented. Income from these discontinued operations in the third quarter of 2005 and 2004 was \$33.1 million and \$58.2 million, respectively, net of tax. The 2005 amounts are principally due to the results of Expedia

through August 8, 2005, as the Spin-Off was effected before the commencement of trading on August 9, 2005. The 2004 amounts reflect the results of Expedia for the full quarter as well as EUVIA and TVTS. Expedia's results for the third quarter of 2005 include a \$35.3 million, or \$22.0 million after-tax, favorable adjustment to non-cash compensation expense related to the cumulative effect of a change in the Company's estimate related to the number of stock-based awards that are expected to vest.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue increased \$1.1 billion, or 37%, as a result of revenue increases of \$522.4 million, or 33%, from the Retailing sector, \$431.6 million, or 46%, from the Services sector, \$83.4 million, or 404%, from the Media & Advertising sector and \$48.9 million, or 11% from Membership & Subscriptions. The revenue growth from the Retailing and Media & Advertising sectors were driven primarily by the acquisition of Cornerstone Brands and the acquisition of Ask Jeeves, respectively. The increase in the Services sector was driven by significant growth at LendingTree, fueled in part by loan originations, as well as strong domestic ticket sales and international expansion at our Ticketing segment. The growth in Membership & Subscriptions was led by Personals.

Gross profit increased \$559.4 million, or 45%, reflecting improved operating results at each of the principal sectors. The increase in gross profit at each of the sectors was driven primarily by the same factors noted above in the three month discussion.

Selling and marketing expense increased \$264.9 million, or 64%. As a percentage of revenue, selling and marketing expense increased to 17% for 2005 from 14% in 2004. The increase in selling and marketing expense primarily reflects the impact of the Cornerstone Brands acquisition in the Retailing sector, increases at Lending as noted above in the three month discussion, and the acquisition of Ask Jeeves in the Media & Advertising sector. In addition, Personals experienced higher selling and marketing expenses related to higher customer acquisition costs relating primarily to the company's offline marketing campaign as noted above in the three month discussion.

General and administrative expense increased \$132.5 million, or 37%, due primarily to the acquisitions noted above as well as the acquisition of ServiceMagic in September 2004. General and administrative expenses also reflect increased employee costs at several operating segments. In addition, IAC incurred approximately \$16.1 million of transaction expenses in connection with the Spin-Off in 2005.

Depreciation expense increased \$3.5 million, or 3%, due primarily to capital expenditures of \$175.7 million during 2005 and various acquisitions, partially offset by certain fixed assets becoming fully depreciated during the period.

Operating Income Before Amortization increased \$136.1 million, or 53%, due primarily to the improved operating results at each of the principal sectors.

Operating income increased \$80.1 million, or 125%, reflecting the increase in Operating Income Before Amortization noted above, as well as decreased amortization of intangibles of \$8.7 million, or 6%, and decreased non-cash distribution and marketing expense of \$1.3 million. Partially offsetting these decreases was an increase in non-cash compensation expense of \$66.0 million, or 138%, due primarily to the charge related to the treatment of vested stock options in connection with the Spin-Off as noted above in the three month discussion.

Interest income decreased \$19.4 million in 2005 compared with 2004 as a result of a decrease in interest income earned on the VUE preferred securities, as these interests were sold on June 7, 2005, partially offset by higher interest rates earned during 2005. Interest expense decreased \$7.4 million in 2005 compared to 2004 due primarily to the factors noted above in the three month discussion, partially offset by the impact of higher interest rates on interest rate swap arrangements.

The Company realized a gain in 2005 of \$523.5 million from the sale of its common and preferred interests in VUE to NBC Universal on June 7, 2005. In addition, the Company realized equity income from its investment in VUE in 2005 of \$22.0 million compared with \$11.3 million in 2004. Equity income in 2005 represents IAC's share in VUE's fourth quarter 2004 and first quarter 2005 results, which IAC had previously consistently recorded on a one-quarter lag, and IAC's share in VUE's results from April 1, 2005 through the date of sale.

Equity in income of unconsolidated affiliates and other increased by \$20.3 million due primarily to a \$16.7 million gain on the sale of our minority interest share in the Italian home shopping operations, a \$9.4 million increase related to the change in fair value of the derivatives that were created in the Spin-Off as noted above, an increase in foreign currency exchange gains of \$7.1 million, and a \$4.6 million increase in the equity income of unconsolidated affiliates of HSN International. Partially offsetting these increases were increased realized losses on the sale of marketable securities of \$18.4 million.

The effective tax rate from continuing operations was 40% and 33% in 2005 and 2004, respectively. The 2005 rate is higher than the federal statutory rate of 35% due principally to state taxes, non-deductible transaction expenses related to the Spin-Off, and the amortization of non-deductible non-cash compensation. The 2004 rate was lower than the federal statutory rate of 35% due principally to foreign tax credits and tax-exempt interest, partially offset by non-deductible amortization of intangibles and state taxes.

Minority interest in income of consolidated subsidiaries principally represents minority ownership of certain of Ticketmaster's international operations.

Income from discontinued operations in 2005 was \$210.3 million, principally due to the income of Expedia through August 8, 2005 and the results of EUVÍA through June 2, 2005, as well as a tax benefit of \$62.8 million related to the write-off of the investment in TV Travel Shop. Additionally, the Company recognized a gain on sale of EUVÍA of \$79.6 million, net of tax. Income from discontinued operations in 2004 was \$98.5 million, principally due to the income of Expedia and EUVÍA, partially offset by losses at TVTS.

In addition to the discussion of consolidated results, the following is a discussion of the results of each sector.

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Growth	2005	2004	Growth
(Dollars in millions)						
Revenue:						
Retailing:						
U.S.	\$ 664.3	\$ 437.1	52%	\$ 1,829.4	\$ 1,343.0	36%
International	85.2	72.0	18%	280.7	244.6	15%
Total Retailing	749.5	509.1	47%	2,110.0	1,587.6	33%
Services:						
Ticketing	227.5	182.0	25%	696.7	579.3	20%
Lending	142.8	39.9	258%	352.2	114.1	209%
Real Estate	16.3	8.1	102%	43.0	18.2	136%
Teleservices	87.4	74.5	17%	241.6	218.9	10%
Home Services	12.2	1.9	550%	30.5	1.9	1,525%
Total Services	486.2	306.3	59%	1,363.9	932.4	46%
Media & Advertising	83.5	7.9	958%	104.0	20.6	404%
Membership & Subscriptions:						
Vacations	66.1	63.6	4%	208.9	196.7	6%
Personals	66.0	49.7	33%	181.3	147.1	23%
Discounts	30.8	25.6	20%	88.5	85.9	3%
Intra-sector elimination	—	—	N/A	(0.8)	(0.6)	(26)%
Total Membership & Subscriptions	162.8	138.9	17%	477.9	429.1	11%
Emerging Businesses	9.6	1.7	466%	19.6	1.9	910%
Intersegment elimination	(8.3)	(6.6)	(26)%	(28.6)	(18.5)	(54)%
Total	\$ 1,483.3	\$ 957.3	55%	\$ 4,046.8	\$ 2,953.1	37%

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Growth	2005	2004	Growth
(Dollars in millions)						
Operating Income (Loss):						
Retailing:						
U.S.	\$ 41.1	\$ 29.9	37%	\$ 127.8	\$ 86.6	48%
International	(3.1)	(3.3)	6%	(1.2)	(2.3)	47%
Total Retailing	38.0	26.6	43%	126.6	84.3	50%
Services:						
Ticketing	42.8	25.2	70%	138.1	106.4	30%
Lending	25.3	2.6	878%	46.6	3.3	1,303%
Real Estate	(5.4)	(2.8)	(95)%	(23.9)	(8.2)	(190)%
Teleservices	4.4	5.9	(26)%	11.0	13.3	(17)%
Home Services	2.6	0.2	1,091%	7.8	0.2	3,456%
Total Services	69.6	31.1	124%	179.6	114.9	56%
Media & Advertising	(0.9)	(12.1)	93%	0.0	(45.0)	100%
Membership & Subscriptions:						
Vacations	20.2	16.2	25%	66.6	51.2	30%
Personals	15.8	2.8	472%	29.7	13.4	121%
Discounts	(8.6)	(12.1)	29%	(36.6)	(36.6)	0%
Total Membership & Subscriptions	27.4	6.8	302%	59.7	28.0	113%
Emerging Businesses	(2.4)	(0.2)	(1,244)%	(8.5)	(2.2)	(282)%
Corporate and other	(110.4)	(35.5)	(211)%	(213.3)	(115.9)	(84)%
Total	\$ 21.3	\$ 16.8	27%	\$ 144.2	\$ 64.1	125%

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Growth	2005	2004	Growth
(Dollars in millions)						
Operating Income Before Amortization:						
Retailing:						
U.S.	\$ 56.7	\$ 43.1	31%	\$ 172.2	\$ 126.3	36%
International	(2.8)	(2.9)	6%	(0.2)	(1.3)	83%
Total Retailing	54.0	40.2	34%	172.0	125.0	38%
Services:						
Ticketing	49.9	32.4	54%	159.6	126.0	27%
Lending	30.6	7.7	298%	66.7	18.6	258%
Real Estate	(2.4)	(1.2)	(102)%	(13.8)	(3.4)	(306)%
Teleservices	4.4	5.9	(26)%	11.0	13.3	(17)%
Home Services	3.5	0.2	1,508%	9.1	0.2	4,099%
Total Services	86.0	45.1	91%	232.6	154.7	50%
Media & Advertising	9.3	(2.4)	NM	10.2	(11.4)	NM
Membership & Subscriptions:						
Vacations	26.6	22.5	18%	85.5	70.1	22%
Personals	16.6	4.5	271%	32.5	20.4	60%
Discounts	(7.1)	(10.3)	31%	(31.7)	(30.5)	(4)%
Total Membership & Subscriptions	36.1	16.7	116%	86.2	60.0	44%
Emerging Businesses	(2.4)	—	NM	(8.3)	(1.8)	(374)%
Corporate and other	(26.6)	(22.8)	(17)%	(100.9)	(70.8)	(43)%
Total	\$ 156.3	\$ 76.9	103%	\$ 391.9	\$ 255.8	53%
Operating Income Before Amortization as a percentage of revenue						
	11%	8%		10%	9%	

Retailing

Revenue, Operating Income Before Amortization and operating income for the Retailing sector increased in the three and nine months ended September 30, 2005 driven primarily by the inclusion of Cornerstone Brands, which was acquired on April 1, 2005. U.S. Retailing also includes HSN, which modestly improved its year-over-year revenue growth in the third quarter as compared to the second quarter of 2005. While still in the early stages, bringing Cornerstone Brands merchandise to the HSN audience is underway with a number of products now being tested on HSN and HSN.com in anticipation of increased cross-selling in 2006.

U.S.

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

U.S. revenue grew 52% to \$664.3 million and benefited from a 35% increase in units shipped, principally reflecting Cornerstone Brands as well as strong online sales growth at HSN.com. In addition, revenue benefited from a 14% increase in average price point, partially offset by a 6% increase in return rates. Excluding the results of Cornerstone Brands, HSN's revenue growth was 9% in the third quarter of 2005 compared with 2004.

Operating Income Before Amortization grew 31% to \$56.7 million, due primarily to the higher revenues noted above, partially offset by a decrease in gross profit margins of 60 basis points. Although U.S. Retailing benefited from higher gross margins at Cornerstone Brands, as the company's catalog

business typically enjoy higher gross margins than its other retailing operations, gross margins at HSN declined primarily due to increased clearance sales and markdowns as well as increased shipping and handling promotions and higher freight costs. Operating Income Before Amortization was also impacted by higher operating expenses at Cornerstone Brands as catalogs have relatively higher operating expenses. The 2004 results were also negatively impacted by a \$3.5 million impairment charge related to the closure of the warehouse facility in Salem, VA as well as the Florida hurricanes, which resulted in programming disruptions and increased costs, due to mandatory evacuations, partially offset by a reversal of a reserve of \$2.5 million as a result of the final resolution of a legal dispute.

Operating income grew 37% to \$41.1 million due primarily to the increase in Operating Income Before Amortization described above, partially offset by a \$2.1 million increase in amortization of intangibles primarily resulting from the acquisition of Cornerstone Brands and a \$0.3 million increase in amortization of non-cash compensation expense.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 36% to \$1.8 billion largely as a result of the acquisition of Cornerstone Brands in April 2005. Excluding the results of Cornerstone Brands, revenue grew 7% as a result of increased units shipped, increased average price point and a slight decline in return rates.

Operating Income Before Amortization grew 36% to \$172.2 million, due primarily to the acquisition of Cornerstone Brands, growth in HSN revenue and an increase in gross profit margins by 60 basis points due primarily to the acquisition of Cornerstone Brands. Excluding the results of Cornerstone Brands, gross profit margins decreased 50 basis points due to the factors noted above in the three month discussion. This decrease was partially offset by the impact of a \$5.8 million favorable adjustment to certain accrued liabilities in the nine months ended September 30, 2005.

Operating income grew 48% to \$127.8 million due to the increase in Operating Income Before Amortization described above, partially offset by a \$4.4 million increase in amortization of intangibles and a \$0.3 million increase in amortization of non-cash compensation expense as noted above.

International

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue grew 18% to \$85.2 million in U.S. dollars due primarily to revenue growth across nearly all product lines at HSE-Germany, offset partially by higher return rates. Foreign exchange had little impact on the results during the quarter. Weakness in the Wellness product line negatively impacted the 2004 results.

Operating Income Before Amortization slightly improved to a loss of \$2.8 million and operating loss slightly improved to \$3.1 million, due to the increase of revenue noted above partially offset by lower average gross margins resulting from the sale of clearance items and increased operating expenses.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 15% to \$280.7 million in U.S. dollars, or 11% excluding the benefit of foreign exchange, due to the revenue factors described above as well as improved overall return rates for the year-to-date period in comparison to the prior year. Operating Income Before Amortization improved to a loss of \$0.2 million and operating loss improved to \$1.2 million, respectively, due to the growth in HSE-Germany noted above, partially offset by an unfavorable arbitration settlement in the second quarter 2005 related to a former Spanish language service.

In the first quarter of 2005, the Company entered into an agreement to sell its 48.6% ownership interest in EUVÍA. The sale closed on June 2, 2005. Accordingly, the results of operations and statement of position of EUVÍA are presented as discontinued operations for all periods presented.

Services

Revenue, Operating Income Before Amortization and operating income for the Services sector increased in the three and nine months ended September 30, 2005, driven primarily by significant growth at Lending, particularly from closing loans in its own name along with strong growth from the Lending exchange, as well as strong domestic growth in concert and sporting event ticket sales and international expansion in our Ticketing segment. The segment formerly known as Financial Services & Real Estate is now being reported as separate segments, Lending and Real Estate.

Revenue includes \$7.0 million and \$5.5 million for the three months ended September 30, 2005 and 2004, respectively, and \$25.2 million and \$15.8 million for the nine months ended September 30, 2005 and 2004, respectively, for services provided to other IAC businesses.

In addition to the operating segment results discussed below, the Services sector includes the results of the Teleservices and Home Services operating segments as noted on pages 39 through 41. Home Services includes ServiceMagic which was acquired in September 2004. ServiceMagic acquired ImproveNet in August 2005 and these two businesses have integrated their operations.

Ticketing

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue grew 25% to \$227.5 million driven by increases in both domestic and international revenue as total worldwide tickets sold increased by 28% to 28.9 million. Domestic revenue increased by 29% primarily due to strong concert and sporting event ticket sales compared with the prior year. International revenue increased by 16%, or 14% excluding the benefit of foreign exchange, due primarily to Ticketmaster's purchase of the remaining interest in its Australian joint venture in April 2005, strong ticket sales in Canada, and the acquisition in Finland in August 2004. These effects on international revenue were partially offset by the absence of non-recurring license income related to the Athens 2004 Summer Olympics.

Operating Income Before Amortization increased 54% to \$49.9 million reflecting the higher revenue growth described above, a favorable mix of tickets sold through its distribution channels and increased cross-selling on behalf of IAC businesses and other affiliates. These increases were partially offset by higher domestic ticket royalties as a percentage of revenue and increased costs associated with the development and support of ticketing technology. We expect to continue to experience higher operating costs in certain areas, including the development and support of ticketing technology. Domestic ticketing royalties are also expected to continue to increase as a percentage of revenue.

Operating income increased 70% to \$42.8 million reflecting the results discussed as well as a \$0.2 million decrease in amortization of intangibles.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 20% to \$696.7 million reflecting a 21% increase in the number of worldwide tickets sold. Domestic revenue increased by 18% due primarily to the strength in the U.S. concert season and solid sporting event ticket sales in 2005. International revenue increased by 28%, or 24% excluding the benefit of foreign exchange, due to the factors described above in the three month discussion, as well as increased revenues from the acquisition in Sweden in June 2004.

Operating Income Before Amortization and operating income increased 27% and 30% to \$159.6 million and \$138.1 million, respectively, reflecting the increase in revenue noted above, partially offset by higher domestic ticket royalties as a percentage of revenue and increased costs associated with the development and support of ticketing technology. Further, operating income was negatively impacted by a \$2.1 million increase in amortization of intangibles related to recent acquisitions.

Lending

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue grew 258% to \$142.8 million, driven primarily by an increase in revenue from loans closed, reflecting LendingTree's strategy to close in its own name a portion of the loans sourced through the LendingTree exchange which began in December 2004 with the acquisition of Home Loan Center (now known as LendingTree Loans), and increased growth in the Lending exchange. The addition of LendingTree Loans resulted in a substantial increase in revenue per closing. Refinance mortgages performed strongly and increased as a percent of revenue from the prior year period, while revenue from purchase and home equity loans also increased. The dollar value of closed loans in 2005 increased 45% to \$9.9 billion. This includes refinance mortgages of \$5.8 billion, purchase mortgages of \$2.4 billion and home equity loans of \$1.5 billion. The dollar value of closed loans in 2004 was \$6.9 billion, including refinance mortgages of \$3.0 billion, purchase mortgages of \$2.0 billion and home equity loans of \$1.6 billion.

Operating Income Before Amortization increased 298% to \$30.6 million primarily due to growth in revenues reflecting in part higher revenue per closing as described above. Operating Income Before Amortization grew faster than revenue due primarily to lower marketing expenses as a percentage of revenue as marketing efficiency benefited from higher revenue per closing associated with loans closed in our own name, offset in part by lower gross margins as a percentage of revenue due to the higher costs of origination, funding and closing of such loans.

Operating income increased 878% to \$25.3 million due to the increase in Operating Income Before Amortization described above, as well as a \$0.1 million decrease in amortization of non-cash compensation expense, partially offset by a \$0.3 million increase in amortization of intangibles.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 209% to \$352.2 million driven primarily by the factors described above. The dollar value of closed loans in 2005 increased 21% to \$25.5 billion. This includes refinance mortgages of \$14.2 billion, purchase mortgages of \$6.2 billion and home equity loans of \$4.3 billion. The dollar value of closed loans in 2004 was \$21.0 billion, including refinance mortgages of \$10.7 billion, purchase mortgages of \$4.8 billion and home equity loans of \$4.6 billion.

Operating Income Before Amortization increased 258% to \$66.7 million in 2005 reflecting the growth in revenues described above as well as a decrease in marketing costs as a percentage of revenue. These increases were offset in part by higher overhead costs incurred as a result of infrastructure changes resulting from the acquisition of LendingTree Loans in December 2004 and the higher costs of originating, funding and closing loans as described above.

Operating income increased to \$46.6 million in 2005 primarily due to the increase in Operating Income Before Amortization described above and a \$0.5 million decrease in amortization of non-cash compensation expense, partially offset by a \$5.3 million increase in amortization of intangibles.

Real Estate

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue from the real estate businesses grew 102% to \$16.3 million, due to a 34% increase in closings primarily driven by the acquisition of iNest in October 2004 and solid growth in the company's other real estate businesses.

Operating Income Before Amortization loss increased 102% to a loss of \$2.4 million in 2005 from a loss of \$1.2 million in 2004 due to increased on-line advertising expense and increased customer rebates as well as increases in overhead costs incurred as a result of the growth of the overall Real Estate businesses.

Operating loss increased 95% to \$5.4 million in 2005 primarily due to the increase in Operating Income Before Amortization loss described above, a \$1.4 million increase in amortization of intangibles and a \$0.1 million increase in amortization of non-cash compensation expense.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 136% to \$43.0 million driven primarily by the acquisition of iNest and growth of the other real estate businesses as described above. Operating Income Before Amortization loss increased 306% to \$13.8 million reflecting increased marketing costs relating to a test advertising campaign for RealEstate.com, customer rebates for real estate closings and increases in overhead costs as noted above. Operating loss increased 190% to \$23.9 million in 2005 primarily due to the increase in Operating Income Before Amortization loss described above, a \$5.1 million increase in amortization of intangibles and a \$0.1 million increase in amortization of non-cash compensation expense.

Media & Advertising

Media & Advertising consists of the results of Ask Jeeves, Citysearch and Evite. Media & Advertising reflect the inclusion of Ask Jeeves, since its acquisition on July 19, 2005.

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue grew 958% to \$83.5 million, primarily due to increased revenue from the acquisition of Ask Jeeves in July 2005 as well as increased traffic at Citysearch which favorably impacted its pay-for-performance revenue.

Operating Income Before Amortization increased by \$11.6 million primarily resulting from the Ask Jeeves acquisition. Additionally, Citysearch continues to benefit from higher revenues along with cost cutting initiatives as it lowers operating costs.

Operating loss improved to \$0.9 million from an operating loss of \$12.1 million in 2004 reflecting the increase in Operating Income Before Amortization described above, partially offset by a \$0.4 million increase in amortization of intangibles. The increase in the amortization of intangibles is due to the Ask Jeeves acquisition, partially offset by certain Citysearch intangibles becoming fully amortized in 2004.

Comparing Ask Jeeves' results on a standalone basis, for the full quarter, Ask Jeeves revenue increased 15% compared to the prior year period. Ask Jeeves revenue increase was primarily driven by an increase in queries in North America and increased volume through new syndication partnerships. Site changes on the Ask Jeeves U.S. site launched in August 2005 had an adverse impact on revenue growth and operating income in the third quarter 2005, as anticipated, and is expected to continue to adversely impact revenues and margins in the near-term. Ask Jeeves was also adversely impacted by

increased selling and marketing expense incurred for a newly launched off-line marketing campaign and higher revenue share payments to third party traffic sources.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 404% to \$104.0 million, primarily due to the factors described above in the three month discussion.

Operating Income Before Amortization improved to \$10.2 million in 2005, from a loss of \$11.4 million in 2004 primarily driven by the Ask Jeeves acquisition and increased revenue and reduced operating costs at Citysearch.

Operating income improved \$45.0 million in 2005, primarily due to the increase in Operating Income Before Amortization described above. In addition, benefiting operating income in 2005 is a \$23.0 million decrease in amortization of intangibles primarily resulting from certain Citysearch intangibles becoming fully amortized in 2004, partially offset by the increase in amortization of intangibles resulting from the Ask Jeeves acquisition, as a well as a \$0.4 million decrease in non-cash distribution and marketing expense.

Comparing Ask Jeeves' results on a standalone basis, for the full nine months, Ask Jeeves revenue increased 57% compared to the prior year period. Revenue growth was primarily driven by acquisitions made by Ask Jeeves in the second half of 2004 and the factors noted above in the three month discussion.

Membership & Subscriptions

Membership & Subscriptions sector results were led by record revenue and profits at the Personals segment.

In addition to the operating segment results discussed below, the Membership & Subscriptions sector included results from the Discounts operating segment as noted on pages 39 through 41.

Vacations

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Vacations grew revenues by 4% to \$66.1 million, primarily driven by increases in membership revenue and higher average fees, partially offset by a decrease in confirmed vacations. Revenue growth at Vacations was slower than in prior quarters due to inventory constraints reflective of high-occupancy levels in the travel industry. Total active members increased 5% to 1.8 million.

Operating Income Before Amortization and operating income increased 18% and 25% to \$26.6 million and \$20.2 million, respectively, due primarily to the higher revenue noted above, and higher gross margins, partially offset by costs associated with its newly launched online travel and lifestyle membership club. Vacations confirmed online were 22% during 2005, compared with 20% in the prior year.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Vacations grew revenues by 6% to \$208.9 million, driven by increased membership revenue, higher average fees and increased confirmed vacations as compared to the prior year. Operating Income Before Amortization and operating income grew by 22% and 30%, respectively, due to the factors described above.

Personals

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Revenue grew 33% to \$66.0 million, reflecting a 19% increase in paid subscribers to 1.2 million and an increase in the average revenue per paid subscriber due to higher package prices implemented in early 2005. International subscribers grew 13% over the prior year period driven by expansion in several markets, most notably in Scandinavia and Latin America.

Operating Income Before Amortization increased 271% to \$16.6 million due to the increased revenue noted above, partially offset by higher customer acquisition costs relating primarily to the company's offline marketing campaign and start-up costs in connection with Chemistry.com, a newly launched premium relationship service. Results in the prior year period were impacted by charges related to the elimination of non-core businesses.

The increase in operating income of 472% to \$15.8 million reflects an increase in Operating Income Before Amortization described above and a \$0.9 million decrease in amortization of intangibles which resulted from certain intangibles becoming fully amortized in 2004 and early 2005.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Revenue grew 23% to \$181.3 million, primarily driven by the factors described above as well as expansion in France and Spain. Operating Income Before Amortization increased 60% to \$32.5 million in 2005 as a result of increased revenue, partially offset by higher customer acquisition costs relating primarily to the company's off-line marketing campaign noted above. Negatively impacting the 2004 results were charges related to the elimination of certain non-core business lines.

The increase in operating income of 121% to \$29.7 million reflects an increase in Operating Income Before Amortization described above and a \$3.5 million decrease in amortization of intangibles which resulted from certain intangibles becoming fully amortized in 2004 and early 2005 and a \$0.6 million decrease in non-cash distribution and marketing expense.

Corporate and Other

For the three months ended September 30, 2005 compared to the three months ended September 30, 2004

Corporate operating expenses for the third quarter of 2005 were \$110.4 million compared with \$35.5 million for the same period in 2004, of which \$83.8 million and \$12.7 million relate to amortization of non-cash compensation in 2005 and 2004, respectively. The increase in amortization of non-cash compensation was principally due to a \$67.0 million charge related to the treatment of vested stock options in connection with the Spin-Off. To a lesser degree, amortization of non-cash compensation expense increased due to expense related to unvested stock options and restricted stock assumed in the Ask Jeeves and Cornerstone Brands acquisitions. These increases were partially offset by a reduction in amortization of non-cash compensation expense of \$5.5 million due to the cumulative effect of a change in the Company's estimate related to the number of stock-based awards that are expected to vest. Amortization of non-cash compensation related to equity awards assumed in acquisitions is recorded over the remaining vesting period of the equity awards and therefore will decline over time as the awards vest. In addition, Corporate operating expenses include \$2.1 million related to transaction expenses incurred in 2005 associated with the Spin-Off.

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Corporate operating expenses in 2005 were \$213.3 million compared with \$115.9 million in 2004, of which \$112.3 million and \$45.2 million relate to amortization of non-cash compensation in 2005 and 2004, respectively. Amortization of non-cash compensation increased principally due to the factors described above in the three month discussion. In addition, Corporate operating expenses include \$16.1 million related to transaction expenses incurred in 2005 associated with the Spin-Off.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

All IAC common stock share information has been adjusted to reflect IAC's one-for-two reverse stock split in August 2005.

As of September 30, 2005, the Company had \$1.0 billion of cash and cash equivalents and restricted cash and cash equivalents and \$2.1 billion of marketable securities on hand, including \$224.7 million in funds representing amounts equal to the face value of tickets sold by Ticketing on behalf of its clients.

Net cash (used in) provided by operating activities was approximately (\$452.2) million in 2005 and \$345.4 million in 2004. Cash used in operations in 2005 was negatively impacted by higher cash tax payments made, including \$652.8 million related to the VUE gain, increases related to loans available for sale at LendingTree Loans which were not included in the prior year period and higher uses of working capital, including higher inventory. Partially offsetting these declines were higher earnings and increased contribution to working capital from Ticketing client cash of \$78.7 million in 2005 compared with \$38.6 million in 2004, primarily due to timing of settlements with venues. There tends to be a seasonal element to the inventory balances for the Retailing sector and the Discounts segment as inventory tends to be higher in the third quarter in anticipation of the fourth quarter selling season. At September 30, 2005, inventory, net of reserves, increased \$187.7 million to \$428.6 million from \$240.9 million at December 31, 2004 due in part to the acquisition of Cornerstone Brands, which contributed \$118.0 million of the increase, as well as increases at HSN U.S., Discounts and HSE-Germany. The increases in inventory at HSN U.S. and HSE-Germany relate primarily to increased merchandise purchases as well as lower than anticipated sales during the year. The total net cash tax payments impacting operating cash flows were \$754.2 million in 2005 compared with \$48.6 million in 2004.

Cash provided by investing activities in 2005 of \$1.6 billion resulted from the proceeds generated from the sale of IAC's common and preferred interests in VUE of \$1.9 billion, net proceeds of \$381.1 million generated from the sale of marketable securities and proceeds from the sale of EUVÍA of \$183.0 million. Partially offsetting these amounts were acquisitions, net of cash acquired, of \$682.8 million and capital expenditures of \$175.7 million. Cash acquisitions in 2005 primarily relate to Cornerstone Brands. Cash used in investing activities in 2004 of \$806.2 million relates primarily to net purchases of marketable securities of \$541.1 million, acquisitions, net of cash acquired, of \$172.4 million and capital expenditures of \$120.5 million. Cash acquisitions in 2004 primarily relate to ServiceMagic.

Cash used in financing activities in 2005 of \$1.8 billion was primarily due to the purchase of treasury stock of \$1.4 billion and the redemption of IAC's convertible preferred stock of \$655.7 million, partially offset by increased borrowings under various warehouse lines of credit of \$205.6 million at LendingTree Loans, \$80.0 million of borrowings under the Liberty Bond program (see below) and proceeds from the issuance of common stock pursuant to stock option exercises of \$80.7 million. Cash used in financing activities in 2004 of \$345.6 million was primarily due to the purchase of treasury stock of \$429.5 million partially offset by proceeds from the issuance of common stock pursuant to stock option exercises of \$94.1 million.

As of September 30, 2005, the Company has \$1.8 billion in short and long-term obligations, of which \$817.3 million, consisting primarily of \$360.8 million of 1998 Senior Notes due November 15, 2005 and various warehouse lines of credit, are classified as current. The warehouse lines of credit are used by LendingTree Loans to fund mortgage and home equity loans that are held for sale. Interest rates under these lines of credit fall within a range of 30-day LIBOR plus 75-100 basis points in the ordinary course of business, but may exceed this range under certain circumstances. Under the terms of these lines of credit, LendingTree Loans is required to maintain various financial and other covenants. The balance of these warehouse lines of credit at September 30, 2005 was \$405.1 million. IAC

anticipates that the repayment of the 1998 Senior Notes on November 15, 2005 will come from current cash balances. Repayments of the warehouse lines of credit will come from the sale of loans held for sale by LendingTree Loans.

On July 19, 2005, as part of the Ask Jeeves acquisition, IAC guaranteed \$115.0 million par value of Ask Jeeves' Zero Coupon Convertible Subordinated Notes due June 1, 2008. In addition, in connection with the financing of the construction of IAC's corporate headquarters, on August 31, 2005, the New York City Industrial Development Agency (the "Agency") issued \$80 million in aggregate principal amount of New York City Industrial Development Agency Liberty Bonds (IAC/InterActiveCorp Project), Series 2005 (the "Liberty Bonds"). The Liberty Bonds pay interest at a rate of 5% per annum, payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2006, and mature on September 1, 2035. IAC is obligated to make all principal, interest and other payments in respect of the Liberty Bonds pursuant to certain security and payment arrangements between IAC and the Agency, which arrangements were entered into in connection with the closing of the Liberty Bond issuance. Liberty Bonds proceeds may only be used for certain expenditures relating to the construction of IAC's corporate headquarters and may not be used for general corporate purposes. The convertible notes and the Liberty Bonds are classified as long-term obligations on the accompanying balance sheet at September 30, 2005.

In November 2004, IAC announced that its Board of Directors authorized the repurchase of up to 40 million shares of IAC common stock. This authorization was in addition to the 11.4 million shares IAC had remaining under the two repurchase authorizations announced in March 2003 and November 2003, which initially covered a total of 40 million shares. Pursuant to the Board's previous authorizations, during the nine months ended September 30, 2005, IAC purchased 36.3 million shares of IAC common stock for aggregate consideration of \$1.4 billion. Further, IAC repurchased an additional 10.8 million shares from October 1, 2005 through November 8, 2005 for aggregate consideration of \$279.4 million. At November 8, 2005, IAC had 4.4 million shares remaining in its authorizations. Going forward, IAC may purchase shares on an opportunistic basis over an indefinite period of time, on the open market or through private transactions, depending on those factors IAC deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.

On June 7, 2005 IAC completed a transaction with NBC Universal in which it sold its interests in VUE. After paying applicable taxes on the transaction, IAC expects to net approximately \$1.0 billion in cash. As part of the consideration in this transaction, IAC received 28.3 million IAC shares into treasury valued at \$1.4 billion.

IAC anticipates that it will need to invest in the development and expansion of its overall operations. The Company may make a number of acquisitions, which could result in the reduction of its cash balance or the incurrence of debt. Furthermore, future capital expenditures are expected to be higher than current amounts over the next several years.

Future demand for our products and services may be impacted by future economic and political developments. We believe that our financial situation would enable us to absorb a significant potential downturn in business. As a result, in management's opinion, available cash, internally generated funds and available borrowings will provide sufficient capital resources to meet IAC's foreseeable needs.

IAC reports Operating Income Before Amortization as a supplemental measure to GAAP. This measure is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. We provide and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measure which we discuss below.

Definition of IAC's Non-GAAP Measure

Operating Income Before Amortization is defined as operating income excluding: (1) amortization of non-cash distribution, marketing and compensation expense, (2) amortization of intangibles and goodwill impairment, if applicable, (3) pro forma adjustments for significant acquisitions, if applicable, and (4) one-time items, if applicable. We believe this measure is useful to investors because it represents the consolidated operating results from IAC's segments, taking into account depreciation, which we believe is an ongoing cost of doing business, but excluding the effects of any other non-cash expenses. Operating Income Before Amortization has certain limitations in that it does not take into account the impact to IAC's income statement of certain expenses, including non-cash compensation, non-cash payments to partners, and acquisition-related accounting. IAC endeavors to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items and adjustments, including quantifying such items, to derive the non-GAAP measure.

Non-Cash Expenses That Are Excluded From Our Non-GAAP Measure

Amortization of non-cash compensation expense consists of restricted stock and options expense, which includes the expense related to modifications of options in connection with the spin-off of Expedia, unvested options assumed by IAC in its acquisitions and expense associated with grants of restricted stock units for compensation purposes. These expenses are not paid in cash and we include the related shares in our fully diluted shares outstanding.

Amortization of non-cash distribution and marketing expense consists mainly of the non-cash advertising secured from Universal Television as part of the transaction pursuant to which VUE was created. The non-cash advertising from Universal is available for television advertising primarily on the USA and Sci Fi cable channels without any cash cost. Ticketmaster and Match.com also recognized non-cash distribution and marketing expense related to barter arrangements, which expired in March 2004, for distribution secured from third parties, whereby advertising was provided by Ticketmaster and Match.com to a third party in return for distribution over the third party's network.

Amortization of intangibles is a non-cash expense relating primarily to acquisitions. At the time of an acquisition, the intangible assets of the acquired company, such as supplier contracts and customer relationships, are valued and amortized over their estimated lives. While it is likely that we will have significant intangible amortization expense as we continue to acquire companies, we believe that since intangibles represent costs incurred by the acquired company to build value prior to acquisition, they were part of transaction costs and will not be replaced with cash costs when the intangibles are fully amortized.

RECONCILIATION OF OPERATING INCOME BEFORE AMORTIZATION

The following table is a reconciliation of Operating Income Before Amortization to operating income and net earnings available to common shareholders for the three months and nine months ended September 30, 2005 and 2004.

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
	(In thousands)			
Operating Income Before Amortization	\$ 156,268	\$ 76,880	\$ 391,865	\$ 255,788
Amortization of non-cash distribution and marketing expense	—	—	—	(1,301)
Amortization of non-cash compensation expense	(84,775)	(13,495)	(113,778)	(47,761)
Amortization of intangibles	(50,176)	(46,605)	(133,933)	(142,636)
Operating income	21,317	16,780	144,154	64,090
Interest income	20,062	45,847	115,075	134,437
Interest expense	(11,108)	(20,456)	(51,718)	(59,083)
Gain on sale of VUE	—	—	523,487	—
Equity in income of VUE	—	607	21,960	11,293
Equity in income (losses) of unconsolidated affiliates and other	14,263	(1,354)	33,753	13,475
Income tax expense	(7,635)	(6,215)	(311,652)	(53,609)
Minority interest in income of consolidated subsidiaries	(527)	(672)	(1,951)	(1,685)
Gain on sale of EUVÍA, net of tax	—	—	79,648	—
Income from discontinued operations, net of tax	33,117	58,204	210,327	98,546
Preferred dividends	(1,412)	(3,263)	(7,938)	(9,789)
Net earnings available to common shareholders	\$ 68,077	\$ 89,478	\$ 755,145	\$ 197,675

RECONCILIATION OF NON-GAAP MEASURE

The following table reconciles Operating Income Before Amortization to operating income (loss) for the Company's reporting segments and to net earnings available to common shareholders in total (in millions, rounding differences may occur):

For the three months ended September 30, 2005:

	Operating Income Before Amortization	Amortization of non-cash items	Operating income (loss)
Retailing:			
U.S.	\$ 56.7	\$ (15.6)	\$ 41.1
International	(2.8)	(0.3)	(3.1)
Total Retailing	54.0	(16.0)	38.0
Services:			
Ticketing	49.9	(7.1)	42.8
Lending	30.6	(5.3)	25.3
Real Estate	(2.4)	(3.0)	(5.4)
Teleservices	4.4	—	4.4
Home Services	3.5	(0.9)	2.6
Total Services	86.0	(16.3)	69.6
Media & Advertising	9.3	(10.1)	(0.9)
Membership & Subscriptions:			
Vacations	26.6	(6.3)	20.2
Personals	16.6	(0.9)	15.8
Discounts	(7.1)	(1.6)	(8.6)
Total Membership & Subscriptions	36.1	(8.7)	27.4
Emerging Businesses	(2.4)	—	(2.4)
Corporate and other	(26.6)	(83.8)	(110.4)
Total	\$ 156.3	\$ (135.0)	\$ 21.3
Other income, net			23.2
Earnings from continuing operations before income taxes and minority interest			44.5
Income tax expense			(7.6)
Minority interest in income of consolidated subsidiaries			(0.5)
Earnings from continuing operations			36.4
Income from discontinued operations, net of tax			33.1
Earnings before preferred dividends			69.5
Preferred dividends			(1.4)
Net earnings available to common shareholders			\$ 68.1

	Operating Income Before Amortization	Amortization of non-cash items	Operating income (loss)
Retailing:			
U.S.	\$ 43.1	\$ (13.2)	\$ 29.9
International	(2.9)	(0.3)	(3.3)
Total Retailing	40.2	(13.6)	26.6
Services:			
Ticketing	32.4	(7.2)	25.2
Lending	7.7	(5.1)	2.6
Real Estate	(1.2)	(1.6)	(2.8)
Teleservices	5.9	—	5.9
Home Services	0.2	—	0.2
Total Services	45.1	(14.0)	31.1
Media & Advertising	(2.4)	(9.8)	(12.1)
Membership & Subscriptions:			
Vacations	22.5	(6.3)	16.2
Personals	4.5	(1.7)	2.8
Discounts	(10.3)	(1.9)	(12.1)
Total Membership & Subscriptions	16.7	(9.9)	6.8
Emerging Businesses	—	(0.2)	(0.2)
Corporate and other	(22.8)	(12.7)	(35.5)
Total	\$ 76.9	\$ (60.1)	\$ 16.8
Other income, net			24.6
Earnings from continuing operations before income taxes and minority interest			41.4
Income tax expense			(6.2)
Minority interest in income of consolidated subsidiaries			(0.7)
Earnings from continuing operations			34.5
Income from discontinued operations, net of tax			58.2
Earnings before preferred dividends			92.7
Preferred dividends			(3.3)
Net earnings available to common shareholders			\$ 89.5

	Operating Income Before Amortization	Amortization of non-cash items	Operating income (loss)
Retailing:			
U.S.	\$ 172.2	\$ (44.4)	\$ 127.8
International	(0.2)	(1.0)	(1.2)
Total Retailing	172.0	(45.3)	126.6
Services:			
Ticketing	159.6	(21.4)	138.1
Lending	66.7	(20.1)	46.6
Real Estate	(13.8)	(10.1)	(23.9)
Teleservices	11.0	—	11.0
Home Services	9.1	(1.4)	7.8
Total Services	232.6	(53.0)	179.6
Media & Advertising	10.2	(10.2)	0.0
Membership & Subscriptions:			
Vacations	85.5	(18.9)	66.6
Personals	32.5	(2.8)	29.7
Discounts	(31.7)	(4.8)	(36.6)
Total Membership & Subscriptions	86.2	(26.5)	59.7
Emerging Businesses	(8.3)	(0.2)	(8.5)
Corporate and other	(100.9)	(112.3)	(213.3)
Total	\$ 391.9	\$ (247.7)	\$ 144.2
Other income, net			642.6
Earnings from continuing operations before income taxes and minority interest			786.7
Income tax expense			(311.7)
Minority interest in income of consolidated subsidiaries			(2.0)
Earnings from continuing operations			473.1
Gain on sale of EUVÍA, net of tax			79.6
Income from discontinued operations, net of tax			210.3
Earnings before preferred dividends			763.1
Preferred dividends			(7.9)
Net earnings available to common shareholders			\$ 755.1

	Operating Income Before Amortization	Amortization of non-cash items	Operating income (loss)
Retailing:			
U.S.	\$ 126.3	\$ (39.7)	\$ 86.6
International	(1.3)	(1.0)	(2.3)
Total Retailing	125.0	(40.7)	84.3
Services:			
Ticketing	126.0	(19.6)	106.4
Lending	18.6	(15.3)	3.3
Real Estate	(3.4)	(4.8)	(8.2)
Teleservices	13.3	—	13.3
Home Services	0.2	—	0.2
Total Services	154.7	(39.8)	114.9
Media & Advertising	(11.4)	(33.6)	(45.0)
Membership & Subscriptions:			
Vacations	70.1	(18.9)	51.2
Personals	20.4	(7.0)	13.4
Discounts	(30.5)	(6.1)	(36.6)
Total Membership & Subscriptions	60.0	(32.0)	28.0
Emerging Businesses	(1.8)	(0.5)	(2.2)
Corporate and other	(70.8)	(45.2)	(115.9)
Total	\$ 255.8	\$ (191.7)	\$ 64.1
Other income, net			100.1
Earnings from continuing operations before income taxes and minority interest			164.2
Income tax expense			(53.6)
Minority interest in income of consolidated subsidiaries			(1.7)
Earnings from continuing operations			108.9
Income from discontinued operations, net of tax			98.5
Earnings before preferred dividends			207.5
Preferred dividends			(9.8)
Net earnings available to common shareholders			\$ 197.7

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "intends," "plans," and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: IAC's future financial performance, anticipated trends and prospects in the various industries in which IAC and its businesses operate, IAC's business prospects and strategy, and anticipated financial position, liquidity and capital needs. These forward-looking statements reflect the views of IAC management regarding current expectations and projections about future events and are based on currently available information. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results could differ materially from those contained in the forward-looking statements included in this report for a variety of reasons, including, among others:

- changes in economic conditions generally or in any of the markets or industries in which IAC's businesses operate;
- changes in senior management at IAC and/or its businesses;
- adverse changes to, or interruptions in, IAC's relationships with third party distribution channels, suppliers, advertisers and other parties with whom it has significant relationships;
- the rates of growth of the Internet, the e-commerce industry and broadband access, as well as the rates of online migration in the various markets and industries in which IAC's businesses operate; changes affecting IAC's ability to efficiently maintain and grow the respective market shares of its various brands, as well as to extend the reach of these brands through a variety of distribution channels and to attract new (and retain existing) customers;
- changes to IAC's ability to commit resources to develop or acquire new technologies, including new features and functions for the websites of its various businesses, which may be necessary to maintain or grow its businesses;
- future regulatory and legislative actions and conditions affecting IAC, including:
 - the promulgation of new, and/or the amendment of existing, laws, rules and regulations applicable to IAC and its businesses; and
 - changes in the application or interpretation of existing laws, rules and regulations in the case of IAC and its businesses. In each case, laws, rules and regulations include, among others, those relating to sales, use, value-added and other taxes, software programs consumer protection and privacy, intellectual property, the Internet and e-commerce;
- consumer acceptance of new products and services offered by IAC's businesses;
- weaknesses in the concert, special event and sporting event environments;
- general declines in U.S. housing prices or activities in the U.S. housing market;
- interest rate changes;
- changes adversely affecting the ability of IAC to adequately expand the reach of its various businesses into various international markets, as well as to successfully manage risks specific to international operations, including, but not limited to, the following:
 - competition from local businesses, which may better understand local consumers and their preferences, as well as have more established local brand recognition;

- developing, managing and staffing international operations and the related difficulties resulting from distance, language and cultural differences; and
- fluctuations in foreign exchange rates, which could cause results of international operations, when translated, to materially differ from expectations;
- the successful integration of acquired businesses, including:
 - the successful integration of the operations, as well as the accounting, financial controls, management information, technology, human resources and other administrative systems, of acquired businesses with IAC's existing operations and systems;
 - the retention of senior management and other key personnel at acquired businesses; and
 - the successful management of acquisition-related strain on IAC's management, operations and financial resources;
- competition from other companies;
- changes adversely affecting the ability of IAC and its business to adequately protect intellectual property rights, as well as to obtain licenses or other rights with respect to intellectual property in the future, which may or may not be available on favorable terms (if at all);
- third party claims alleging infringement of intellectual property rights by IAC and its businesses, which could result in the expenditure of significant financial and managerial resources, injunctions or the imposition of damages, as well as the need to enter into formal licensing or other similar arrangements with such third parties, which may or may not be available on favorable terms (if at all); and
- natural disasters, acts of terrorism, war or political instability.

Certain of these factors and other factors, risks and uncertainties are discussed in IAC's filings with the SEC. Other unknown or unpredictable factors also could have a material adverse effect on IAC's business, financial condition and results of operations.

In light of these risks and uncertainties, the forward-looking statements discussed in this report may not occur. Accordingly, readers should not place undue reliance on these forward-looking statements, which only reflect the views of IAC management as of the date of this report. IAC is not under any obligation and does not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Interest Rate Risk

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term investment portfolio, loans held for sale and long-term debt, including the current portion thereof, and its warehouse line of credit. The Company invests its excess cash in debt securities of government agencies and high quality corporate issuers. The portfolio is reviewed on a periodic basis and adjusted in the event that the credit ratings of securities held in the portfolio deteriorates.

Based on the Company's total debt investment securities as of September 30, 2005, a 100 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the debt securities by approximately \$28.8 million. Such potential increase or decrease are based on certain simplifying assumptions, including a constant level and rate of debt securities and an

immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. Conversely, since almost all of the Company's cash balance of approximately \$1.0 billion is invested in variable rate interest earning assets, the Company would also earn more (less) interest income due to such an increase (decrease) in interest rates.

At September 30, 2005, the Company's outstanding debt approximated \$1.8 billion, a majority of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on market rates. As part of its risk management strategy, the Company uses derivative instruments, including interest rate swaps, to hedge some of this interest rate exposure. The Company's intent is to offset gains and losses resulting from this exposure with losses and gains on the derivative contracts used to hedge it, thereby reducing volatility of earnings and protecting fair values of assets and liabilities. The Company's objective in managing its exposure to interest rate risk on its long-term debt is to maintain its mix of floating rate and fixed rate debt within a certain range. During 2004 and 2003, the Company entered into interest rate swap agreements related to a portion of the 2002 Senior Notes, which allow IAC to receive fixed rate amounts in exchange for making floating rate payments based on the LIBOR. As of September 30, 2005, of the \$750 million notional amount outstanding under the 2002 Senior Notes, the interest rate is fixed on \$400 million at 7% and floating on \$350 million, with the rate based on a spread over 6-month LIBOR. In July 2005, the Company unwound swap agreements with a notional amount of \$50 million and during 2004 the Company unwound swap agreements with a notional amount of \$250 million and \$100 million for nominal gains, all of which are being amortized over the remaining life of the 2002 Senior Notes. The changes in fair value of the interest rate swaps at September 30, 2005 resulted in an unrealized loss of \$5.3 million.

The majority of the Company's outstanding fixed-rate debt relates to the \$750 million outstanding under the 2002 Senior Notes, the \$360.8 million outstanding under the 1998 Senior Notes and the \$80 million outstanding under the New York City Industrial Development Agency Liberty Bonds (IAC/InterActiveCorp Project) Series 2005. Excluding the \$350 million under the 2002 Senior Notes which currently pays a variable interest rate as a result of the outstanding swap agreements noted above, a 100 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the fixed-rate debt by approximately \$36.8 million. Such potential increase or decrease are based on certain simplifying assumptions, including a constant level and rate of fixed-rate debt for all maturities and an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period. If the LIBOR rates were to increase (decrease) by 100 basis points, then the annual interest payments on the \$350 million of variable-rate debt would have increased (decreased) by \$3.5 million. Such potential increase or decrease are based on certain simplifying assumptions, including a constant level and rate of variable-rate debt for all maturities and an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

LendingTree Loans is exposed to interest rate risk for loans it originates until those loans are sold in the secondary market ("loans held for sale") and as a party to interest rate lock commitments ("IRLCs") to fund mortgage loans at interest rates previously agreed upon with the borrower for specified periods of time.

LendingTree Loans hedges the changes in fair value of the loans held for sale primarily by using mortgage forward delivery contracts. These hedging relationships are designated as fair value hedges. For loans held for sale that are hedged with forward delivery contracts, the carrying value of the loans held for sale and the derivatives are adjusted for the change in fair value during the time the hedge was deemed to be highly effective. The effective portion of the derivative and the loss or gain of the hedged item attributed to the hedged risk are recognized in the accompanying statement of operations as a component of revenue and are offsetting. If it is determined that the hedging relationship is not highly effective, hedge accounting is discontinued. When hedge accounting is discontinued, the affected

loans held for sale are no longer adjusted for the changes in fair value, however, the changes in fair value of the derivative instruments are recognized in current earnings as a component of revenue. For the three and nine months ended September 30, 2005, the Company recognized a less than \$0.1 million loss and \$1.2 million loss, respectively, related to hedge ineffectiveness and \$1.3 million and \$0.7 million in gains, respectively, related to changes in the fair value of derivative instruments when hedge accounting was discontinued.

IRLCs are derivative instruments and, therefore, are required to be recorded at fair value, with changes in fair value reflected in current period earnings. To manage the interest rate risk associated with the IRLCs the Company uses derivative instruments, including mortgage forward delivery contracts. These instruments do not qualify for hedge accounting. The changes in fair value of these instruments for the three and nine months ended September 30, 2005 resulted in net gains of \$2.8 million and \$0.9 million, respectively, which have been recognized as a component of revenue in the accompanying statement of operations.

The Company formally designates and documents all hedging relationships as either fair value hedges or cash flow hedges, as applicable, and documents the objective and strategy for undertaking the hedge transaction.

Foreign Currency Exchange Risk

The Company conducts business in certain foreign markets, primarily in the European Union and Canada. The Company's primary exposure to foreign currency risk relates to investments in foreign subsidiaries that transact business in a functional currency other than the U.S. Dollar, primarily the Euro, British Pound Sterling and Canadian Dollar. However, the exposure is mitigated since the Company has generally reinvested profits from international operations in order to grow the businesses.

As the Company increases its operations in international markets it becomes increasingly exposed to potentially volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on the Company are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause the Company to adjust its financing and operating strategies.

As currency exchange rates change, translation of the income statements of the Company's international businesses into U.S. dollars affects year-over-year comparability of operating results. Historically, the Company has not hedged translation risks because cash flows from international operations were generally reinvested locally.

Foreign exchange gains and losses were not material to the Company's earnings in 2005 and 2004. However, the Company periodically reviews its strategy for hedging transaction risks. The Company's objective in managing its foreign exchange risk is to minimize its potential exposure to the changes that exchange rates might have on its earnings, cash flows and financial position.

During the second quarter of 2003, one of the Company's foreign subsidiaries entered into a foreign exchange forward contract with a notional amount of \$38.6 million which was used to hedge against the change in value of a liability denominated in a currency other than the subsidiary's functional currency. Foreign exchange re-measurement gains and losses related to the contract and liability are recognized each period in the statements of operations and are offsetting. The change in fair value of this foreign exchange forward contract at September 30, 2005 resulted in an unrealized loss of \$6.2 million.

Equity Price Risk

The Company has a minimal investment in equity securities of publicly traded companies. These investments, as of September 30, 2005, were considered available-for-sale and included in long-term

assets with the unrealized gain deferred as a component of shareholders' equity. It is not customary for the Company to make significant investments in equity securities as part of its marketable securities investment strategy.

In connection with the Spin-Off, derivative liabilities were created due to IAC's obligation to deliver shares of both IAC and Expedia common stock upon conversion of the Ask Jeeves subordinated convertible notes and exercise of certain IAC warrants. Derivative assets were also created due to Expedia's contractual obligation to deliver shares of Expedia common stock to IAC upon conversion by the holders of the Ask Jeeves subordinated convertible notes and upon exercise of the warrants. Both the derivative liabilities and derivative assets are marked to market each quarter, and the changes in fair values, which are based upon changes in both IAC and Expedia common stock, are recognized in current earnings as a component of other income (expense).

Item 4. Controls and Procedures

The Company monitors and evaluates on an ongoing basis its disclosure controls and internal control over financial reporting in order to improve their overall effectiveness. In the course of this evaluation, the Company modifies and refines its internal processes as conditions warrant.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined by Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing reasonable assurance that information we are required to disclose in our filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and Forms, and include controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) of the Exchange Act, the Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, also evaluated whether any changes occurred to the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, such control. Based on that evaluation, there has been no such change during the period covered by this report.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, personal injury, contract, and other claims. The amounts that may be recovered in such matters may be subject to insurance coverage.

Rules of the Securities and Exchange Commission require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters which the Company and its subsidiaries are defending, including those described below, involves or is likely to involve amounts of that magnitude. The litigation matters described below involve issues or claims that may be of particular interest to the Company's shareholders, regardless of whether any of these matters may be material to the financial position or operations of the Company based upon the standard set forth in the SEC's rules.

Securities Class Action Litigation against IAC

This litigation, *In re IAC/InterActiveCorp Securities Litigation*, pending in the United States District Court for the Southern District of New York and arising out of the Company's August 4, 2004 announcement of its earnings for the second quarter of 2004, is described in detail on pages 29-30 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. The consolidated amended complaint, filed on May 20, 2005, generally alleges that the value of the Company's stock was artificially inflated by pre-announcement statements about its financial results and forecasts that were false and misleading due to the defendants' alleged failure to disclose various problems faced by the Company's travel businesses. The plaintiffs seek to represent a class of shareholders who purchased IAC common stock between March 31, 2003 and August 3, 2004. The defendants are IAC and fourteen current or former officers or directors of the Company or its former Expedia travel business. The complaint purports to assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder, as well as Sections 11 and 15 of the Securities Act of 1933, and seeks damages in an unspecified amount.

The two related shareholder derivative actions (*Garber* and *Butler*) have been consolidated with the securities class action for pre-trial purposes. The consolidated shareholder derivative complaint, filed on July 5, 2005 against IAC (as a nominal defendant) and sixteen current or former officers or directors of the Company or its former Expedia travel business, is based upon factual allegations similar to those in the securities class action and purports to assert claims for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, violation of Section 14(a) of the Exchange Act, and contribution and indemnification. The complaint seeks an order voiding the election of the Company's current Board of Directors, as well as damages in an unspecified amount, various forms of equitable relief, restitution, and disgorgement of remuneration received by the individual defendants from the Company.

On September 15, 2005, IAC and the other defendants filed motions to dismiss both the securities class action and the shareholder derivative suits. The plaintiffs' responses to the motions are scheduled to be filed by November 15, 2005.

The Company believes that the claims in the class action and the derivative suits lack merit and will continue to defend vigorously against them.

Consumer Class Action Litigation against Ticketmaster

Illinois. On November 22, 2002, a purported class action was filed in Illinois state court, challenging Ticketmaster's charges to customers for UPS ticket delivery. See *Mitchell B. Zaveduk, Individually and as the Representative of a Class of Similarly Situated Persons v. Ticketmaster et al.*, No. 02 CH 21148 (Circuit Court, Cook County). The lawsuit alleges in essence that it is unlawful for Ticketmaster not to disclose that the fee it charges to customers to have their tickets delivered by UPS contains a profit component. The complaint asserted claims for violation of the Illinois Consumer Fraud and Deceptive Business Practices Act and for unjust enrichment and sought restitution to the purported class of the difference between what Ticketmaster charged for UPS delivery and what it paid UPS for that service.

On May 20, 2003, the court granted Ticketmaster's motion to dismiss the common-law claim for unjust enrichment but declined to dismiss the claim under the Illinois statute. On July 7, 2004, the plaintiff filed an amended complaint, adding claims for breach of contract and for violation of the California Consumers' Legal Remedies Act and Section 17200 of the California Business and Professions Code. On August 13, 2004, the court granted Ticketmaster's motion to dismiss the claim under the California Consumers' Legal Remedies Act. On October 28, 2004, the court granted Ticketmaster's motion to dismiss the claim for breach of contract but declined again to dismiss the claim under the Illinois statute. On June 16, 2005, the court denied Ticketmaster's motion for summary judgment on the remaining Illinois and California statutory claims. Discovery in the case has been stayed.

California. On October 21, 2003, a purported representative action was filed in California state court, challenging Ticketmaster's charges to online customers for UPS ticket delivery. See *Curt Schlesinger et al. v. Ticketmaster*, No. BC304565 (Superior Court, Los Angeles County). Similar to the Illinois case, this lawsuit alleges in essence that it is unlawful for Ticketmaster not to disclose on its website that the fee it charges to online customers to have their tickets delivered by UPS contains a profit component. The complaint asserted a claim for violation of Section 17200 of the California Business and Professions Code and, like the Illinois case, sought restitution or disgorgement of the difference between the total UPS-delivery fees charged by Ticketmaster in connection with online ticket sales and the amount it paid to UPS for that service.

On January 9, 2004, the court denied Ticketmaster's motion to stay the case in favor of the earlier-filed Illinois case. On December 31, 2004, the court denied Ticketmaster's motion for summary judgment. On April 1, 2005, the court denied the plaintiffs' motion for leave to amend their complaint to include UPS-delivery fees charged in connection with ticket orders placed by telephone. Citing Proposition 64, a recently approved California ballot initiative that outlawed so-called "representative" actions brought on behalf of the general public, the court ruled that since the named plaintiffs did not order their tickets by telephone, they lacked standing to assert a claim based on telephone ticket sales. The plaintiffs were granted leave to file an amended complaint that would survive application of Proposition 64.

On August 31, 2005, the plaintiffs filed an amended class-action and representative-action complaint alleging (i) as before, that Ticketmaster's website disclosures in respect of its charges for UPS ticket delivery violate Section 17200 of the California Business and Professions Code, and (ii) for the first time, that Ticketmaster's website disclosures in respect of its ticket order-processing fees constitute false advertising in violation of Section 17500 of the California Business and Professions Code. On this latter claim, the amended complaint seeks restitution or disgorgement of the entire amount of order-processing fees charged by Ticketmaster during the applicable statute-of-limitations period.

On September 1, 2005, in light of the newly pleaded claim based upon order-processing fees, Ticketmaster removed the case to federal court pursuant to the recently enacted federal Class Action

Fairness Act. See *Curt Schlesinger et al. v. Ticketmaster*, No. CV-05-6515 (U.S. District Court, Central District of California. On October 3, 2005, the plaintiffs filed a motion to remand the case to state court, which Ticketmaster has opposed. This motion was argued on November 7, 2005, and remains pending.

The Company believes that the claims in both the Illinois and the California lawsuits lack merit and will continue to defend vigorously against them.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table sets forth purchases by the Company of its Common Stock during the quarter ended September 30, 2005:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs(3)(4)
July 2005	—	—	—	25,032,954
August 2005	—	—	—	25,032,954
September 2005	9,870,600	\$ 25.10	9,870,600	15,162,354
Total	9,870,600	\$ 25.10	9,870,600	15,162,354

- (1) Reflects the weighted average price paid per share of IAC Common Stock.
- (2) Reflects repurchases made pursuant to repurchase authorizations previously announced in November 2004.
- (3) Represents shares that may yet be purchased pursuant to the November 2004 repurchase authorization, as adjusted to give effect to the reverse stock split completed on August 9, 2005. Repurchases pursuant to this authorization may be made on an opportunistic basis over an indefinite period of time, on the open market or through private transactions, depending on those factors that IAC deems relevant at any particular time, including, without limitation, market conditions, share price and future outlook.
- (4) During the period from October 1, 2005 through November 8, 2005, IAC purchased approximately 10.8 million shares of IAC Common Stock at a weighted average price per share of \$25.87. See "Part I—Item 2—Management's Discussion of Financial Condition and Results of Operations—Financial Position, Liquidity and Capital Resources."

Item 4. Submission of Matters to a Vote of Security Holders

Annual Meeting

On July 19, 2005, the Company's annual meeting of stockholders (the "Annual Meeting") was held. Stockholders present in person or by proxy, representing 537,023,990 shares of IAC Common Stock (entitled to one vote per share), 64,629,996 shares of IAC Class B Common Stock (entitled to ten votes per share) and 13,114,586 shares of IAC Preferred Stock (entitled to two votes per share), voted on the following matters:

1. *Election of Directors*—the stockholders elected the following ten directors of the Company, three of whom were elected by holders of IAC Common Stock only, and seven of whom were elected by holders of IAC Common Stock, IAC Class B Common Stock and IAC Preferred Stock, voting together as a single class, each to hold office until the next annual meeting of stockholders or until

their successors have been duly elected and qualified. In each case, the affirmative vote of a plurality of the total number of votes cast was required to elect each director. Stockholders eligible to vote voted as follows:

Holders of IAC Common Stock, voting as a separate class:

	Number of Votes Cast in Favor	Number of Votes Cast Against or For Which Authority Was Withheld
Donald R. Keough	533,060,987	3,963,003
Bryan Lourd	532,662,186	4,361,804
Gen. H. Norman Schwarzkopf	533,287,026	3,736,964

Holders of IAC Common Stock, IAC Class B Common Stock and IAC Preferred Stock, voting together as a single class:

	Number of Votes Cast in Favor	Number of Votes Cast Against or For Which Authority Was Withheld
Edgar Bronfman, Jr.	1,205,550,216	4,002,906
Barry Diller	1,177,878,108	31,675,014
Victor A. Kaufman	1,177,905,762	31,647,360
Marie-Josée Kravis	1,205,774,435	3,778,687
Steven Rattner	1,205,955,933	3,597,189
Alan G. Spoon	1,205,962,007	3,591,115
Diane Von Furstenberg	1,175,942,878	33,610,244

2. *The Spin-Off Proposal*—the stockholders approved amendments to IAC's Certificate of Incorporation that would effect the spin-off of Expedia, Inc. (the "Spin-Off"). The affirmative vote of (i) the holders of a majority of the outstanding shares of IAC Common Stock, voting as a separate class, (ii) the holders of a majority of the outstanding shares of IAC Class B Common Stock, voting as a separate class, (iii) a majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class and (iv) a majority of the shares of IAC Common Stock actually voting, excluding shares owned or controlled by IAC management, was required to approve the Spin-Off Proposal. Stockholders eligible to vote voted as follows:

Holders of a majority of the outstanding shares of IAC Common Stock, voting as a separate class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
491,541,057	545,549	189,130	44,748,254

Holders of a majority of the outstanding shares of IAC Class B Common Stock, voting as a separate class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
646,299,960	—	—	—

A majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
1,163,784,081	548,125	189,206	45,031,710

A majority of the shares of IAC Common Stock actually voting, excluding shares owned or controlled by IAC management:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining
358,772,827	545,549	189,130

3. *The Reverse Stock Split Proposal*—the stockholders approved amendments to IAC's Certificate of Incorporation to effect a one-for-two reverse stock split of IAC Common Stock and Class B Common Stock. The affirmative vote of a majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class, was required to approve the Reverse Stock Split Proposal, which was conditioned upon the completion of the Spin-Off. Stockholders eligible to vote voted as follows:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
1,148,639,075	1,801,096	14,081,241	45,031,710

4. *The Corporate Opportunity Proposal*—the stockholders approved the addition of new provisions to IAC's Certificate of Incorporation that generally provide that no IAC officer or director who is also an Expedia officer or director will be liable for breach of fiduciary duty because such individual directs a corporate opportunity to Expedia instead of IAC or does not communicate information regarding a corporate opportunity to IAC that the officer or director has directed to Expedia. The affirmative vote of a majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class, was required to approve the Corporate Opportunity Proposal, which was conditioned upon the completion of the Spin-Off. Stockholders eligible to vote voted as follows:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
1,160,975,333	3,044,431	501,648	45,031,710

5. *The Director Removal Proposal*—the stockholders approved an amendment to IAC's Certificate of Incorporation that deleted the provision regarding removal of directors so that IAC's Bylaws will govern director removal procedures under Delaware law. The affirmative vote of (i) the holders of a majority of the outstanding shares of IAC Common Stock, voting as a separate class, (ii) the holders of a majority of the outstanding shares of IAC Class B Common Stock, voting as a separate class and (iii) a majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class, was required to approve the Director Removal Proposal. Stockholders eligible to vote voted as follows:

Holders of a majority of the outstanding shares of IAC Common Stock, voting as a separate class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
473,615,551	2,355,835	16,304,350	44,748,254

Holders of a majority of the outstanding shares of IAC Class B Common Stock, voting as a separate class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
646,299,960	—	—	—

A majority of the voting power represented by all outstanding shares of IAC Common Stock, Class B Common Stock and Preferred Stock, voting together as a single class:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
1,145,859,867	2,357,195	16,304,350	45,031,710

6. *The 2005 Stock and Annual Incentive Plan Proposal*—The stockholders approved the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan. The affirmative vote of a majority of the total voting power of those shares of IAC Common Stock, Class B Common Stock and Preferred Stock present in person or represented by proxy at the Annual Meeting, voting together as a single class, was required to approve the 2005 Stock and Annual Incentive Plan Proposal. Stockholders eligible to vote voted as follows:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining	Number of Broker No Votes
1,109,095,884	55,003,991	421,537	45,031,710

7. *The Auditor Ratification Proposal*—the holders of IAC Common Stock, IAC Class B Common Stock and IAC Preferred Stock, voting as a single class, also ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the year ended December 31, 2005. The affirmative vote of a majority of the total voting power of those shares of IAC Common Stock, Class B Common Stock and Preferred Stock present in person or represented by proxy at the Annual Meeting, voting together as a single class, was required to approve the Auditor Ratification Proposal. Those shareholders eligible to vote voted as follows:

Number of Votes Cast in Favor	Number of Votes Cast Against	Number of Votes Abstaining
1,194,678,395	14,642,204	232,523

Item 6. Exhibits

Exhibit No.	Description	Location
2.1†	Separation Agreement, dated as of August 9, 2005, between IAC/InterActiveCorp and Expedia, Inc.	
3.1	Restated Certificate of Incorporation of IAC/InterActiveCorp.	Exhibit 3.1 to IAC's Registration Statement on Form 8-A/A, filed on August 12, 2005.
3.2	Certificate of Designations of Series B Cumulative Convertible Preferred Stock of IAC/InterActiveCorp.	Exhibit 3.2 to IAC's Registration Statement on Form 8-A/A, filed on August 12, 2005.
3.3	Amended and Restated ByLaws of IAC/InterActiveCorp.	Exhibit 99.1 to IAC's Current Report on Form 8-K, filed on September 20, 2002.

- 4.1 Second Supplemental Indenture (relating to the Zero Coupon Subordinated Convertible Notes of Ask Jeeves, Inc.), dated as of August 9, 2005, by and among IAC/InterActiveCorp, Ask Jeeves, Inc. and the Bank of New York Trust Company, N.A., as Trustee. Exhibit 4.4 to IAC's Current Report on Form 8-K, filed on September 22, 2005.
- 4.2 In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments relating to long-term obligations of the Company have been omitted but will be furnished to the Commission upon request.
- 10.1† Amended and Restated Governance Agreement, among IAC/InterActiveCorp, Liberty Media Corporation and Barry Diller, dated as of August 9, 2005.
- 10.2† Amended and Restated Stockholders Agreement between Liberty Media Corporation and Barry Diller, dated as of August 9, 2005.
- 10.3† Tax Sharing Agreement between IAC/InterActiveCorp and Expedia, Inc., dated as of August 9, 2005.
- 10.4*† Employee Matters Agreement between IAC/InterActiveCorp and Expedia, Inc., dated as of August 9, 2005.
- 10.5† Transition Services Agreement between IAC/InterActiveCorp and Expedia, Inc., dated as of August 9, 2005.
- 10.7*† Form of Restricted Stock Unit Agreement for the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan
- 10.8*† Stock Option Agreement between IAC/InterActiveCorp and Barry Diller, dated as of June 7, 2005.
- 10.9*† Amendment No. 1, dated as of June 6, 2005, to Agreement dated as of February 5, 2004, between Victor Kaufman and IAC/InterActiveCorp.
- 31.1† Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.

31.2† Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.

32.1†† Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.

32.2†† Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.

* Reflects management contracts and management and director compensatory arrangements.

† Filed herewith.

†† Furnished herewith.

SIGNATURES

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

November 9, 2005

IAC/INTERACTIVECORP

By: /s/ BARRY DILLER

Barry Diller
Chairman and Chief Executive Officer

Signature

Title

Date

/s/ BARRY DILLER

Chairman of the Board, Chief Executive Officer and
Director

November 9, 2005

Barry Diller

/s/ THOMAS J. MCINERNEY

Executive Vice President and Chief Financial Officer

November 9, 2005

Thomas J. McInerney

/s/ MICHAEL H. SCHWERDTMAN

Senior Vice President and Controller (Chief Accounting
Officer)

November 9, 2005

Michael H. Schwerdtman

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SEPARATION AGREEMENT

by and between

IAC/INTERACTIVECORP

and

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SEPARATION AGREEMENT

This SEPARATION AGREEMENT, dated as of August 9, 2005, is entered into by and between IAC/InterActiveCorp, a Delaware corporation (“IAC”), and Expedia, Inc., a Delaware corporation and wholly owned Subsidiary of IAC (“Expedia”).

RECITALS:

WHEREAS, the Board of Directors of IAC (“IAC Board”) has determined it is appropriate and desirable to separate IAC and Expedia into two publicly-traded companies by separating IAC’s principal travel and travel-related businesses, and related assets and liabilities, and contributing them to Expedia and effecting a reclassification of the capital stock of IAC pursuant to the Charter Amendments (as defined below);

WHEREAS, the IAC Board has adopted a resolution approving an amendment to IAC's restated certificate of incorporation (the "Reverse Stock Split Charter Amendment") and recommended that the holders of common stock, par value \$0.01 per share, of IAC ("Old IAC Common Stock"), holders of Class B common stock, par value \$0.01 per share, of IAC ("Old IAC Class B Common Stock"), and holders of Series A Cumulative Convertible preferred stock, par value \$0.01 per share, of IAC ("Old IAC Series A Preferred Stock," and together with Old IAC Common Stock and Old IAC Class B Common Stock, the "Old IAC Capital Stock") approve and adopt the Reverse Stock Split Charter Amendment in conformity with Section 242 of the General Corporation Law of the State of Delaware (the "DGCL"), pursuant to which IAC will effectuate a one-for-two reverse stock split with respect to Old IAC Common Stock and Old IAC Class B Common Stock (the "Reverse Stock Split");

WHEREAS, the IAC Board has adopted a resolution approving amendments to IAC's restated certificate of incorporation (the "Spin-Off Charter Amendments," and together with the Reverse Stock Split Charter Amendment, the "Charter Amendments") and recommended that the holders of Old IAC Capital Stock approve and adopt the Spin-Off Charter Amendments in conformity with Section 242 of the DGCL, whereby, among other matters, the Old IAC Common Stock and the Old IAC Class B Common Stock will be reclassified (the "Reclassification") as follows:

Each then issued and outstanding share of Old IAC Common Stock will be reclassified into (a) one share of common stock, par value \$0.001 per share, of IAC ("New IAC Common Stock") and (b) 1/100th of a share of Series 1 Mandatory Exchangeable preferred stock, par value \$0.01 per share, of IAC (the "New IAC Series 1 Preferred Stock"), which 1/100th of a share of New IAC Series 1 Preferred Stock shall, pursuant to its terms, automatically and immediately exchange into one share of common stock, par value \$0.001 per share, of Expedia ("Expedia Common Stock");

Each then issued and outstanding share of Old IAC Class B Common Stock will be reclassified into (a) one share of Class B common stock, par value \$0.001 per share, of IAC and (b) 1/100th of a share of Series 2 Mandatory Exchangeable preferred stock, par value \$0.01 per share, of IAC (the "New IAC Series 2 Preferred Stock"), which 1/100th of a share of New IAC Series 2 Preferred Stock shall, pursuant to its terms, automatically and immediately exchange

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into one share of Class B common stock, par value \$0.001 per share, of Expedia ("Expedia Class B Common Stock");

WHEREAS, at IAC's Annual Meeting of Stockholders held on July 19, 2005, the holders of Old IAC Capital Stock approved the Charter Amendments by the requisite votes required under the DGCL (and otherwise);

WHEREAS, in connection with the Reclassification, holders of Old IAC Series A Preferred Stock will receive one of the following, at the holder's option, in respect of each share of Old IAC Series A Preferred Stock: (a) \$50.00 in cash plus accrued and unpaid dividends, (b) the securities that the holder would have received had the share of Old IAC Series A Preferred Stock been converted based upon the applicable conversion ratio into shares of Old IAC Common Stock immediately prior to the Reverse Stock Split and the Reclassification or (c) one share of Series A Convertible preferred stock, par value \$0.001 per share, of Expedia ("Expedia Series A Preferred Stock") and one share of Series B Convertible preferred stock, par value \$0.01 per share, of IAC ("New IAC Series B Preferred Stock");

WHEREAS, pursuant to their terms, the warrants to purchase shares of Old IAC Common Stock set forth on Schedule 1.01(a) (the "Old IAC Severable Warrants") will be converted into (a) warrants to purchase shares of New IAC Common Stock ("New IAC Unitary Warrants") and (b) warrants to purchase shares of Expedia Common Stock ("Expedia Warrants");

WHEREAS, pursuant to their terms, the warrants to purchase shares of Old IAC Common Stock set forth on Schedule 1.01(b) (the "Old IAC Integrated Warrants," and together with the Old IAC Severable Warrants, the "Old IAC Warrants") will be converted into warrants to purchase shares of New IAC Common Stock and shares of Expedia Common Stock ("New IAC Integrated Warrants");

WHEREAS, the Parties wish to set forth in this Agreement the terms on which, and the conditions subject to which, they intend to implement the measures described above; and

WHEREAS, IAC and Expedia intend that the Separation (as defined below) and the Reclassification will qualify for United States federal income tax purposes as transactions that are generally tax free under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code") and hereby adopt the Agreement as a "plan of reorganization."

NOW THEREFORE, in consideration of the mutual agreements, covenants and other provisions set forth in this Agreement, the Parties hereby agree as follows:

ARTICLE I

INTERPRETATION

1.01. Definitions. The capitalized words and expressions and variations thereof used in this Agreement or in its schedules, unless a clearly inconsistent meaning is required under the context, shall have the meanings set forth below:

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"2005 Internal Control Audit and Management Assessments" has the meaning set forth in Section 12.01(b).

"AAA" has the meaning set forth in Section 10.03.

"Accounts Receivable" means in respect of any Person, (a) all trade accounts and notes receivable and other rights to payment from customers and all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of goods shipped or

products sold or otherwise disposed of or services rendered to customers, (b) all other accounts and notes receivable and all security for such accounts or notes, and (c) any claim, remedy or other right relating to any of the foregoing.

“Action” means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by any Person or any Governmental Authority or before any Governmental Authority or any arbitration or mediation tribunal.

“Adjusted Exercise Price” has the meaning set forth in Section 4.03(a)(ii).

“Affiliate” of any Person means any other Person that, directly or indirectly, controls, is controlled by, or is under common control with such first Person as of the date on which or at any time during the period for when such determination is being made. For purposes of this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise, and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing.

“Agent” has the meaning set forth in Section 4.04.

“Agreement” means this Separation Agreement, including all of the Schedules and Exhibits hereto.

“Ancillary Agreements” has the meaning set forth in Section 2.09.

“Applicable Law” means any applicable law, statute, rule or regulation of any Governmental Authority or any outstanding order, judgment, injunction, ruling or decree by any Governmental Authority.

“Appurtenances” means, in respect of any Land, all privileges, rights, easements, servitudes, hereditaments and appurtenances and similar interests belonging to or for the benefit of such Land, including all easements and servitudes appurtenant to and for the benefit of any Land (a “Dominant Parcel”) for, and as the primary means of, access between, the Dominant Parcel and a public way, or for any other use upon which lawful use of the Dominant Parcel for the purposes for which it is presently being used is dependent, and all rights existing in and to any streets, alleys, passages and other rights-of-way included therein or adjacent thereto.

“Asset-Related Claims” means, in respect of any Asset, all claims of the owner against Third Parties relating to such Asset, whether choate or inchoate, known or unknown, absolute or contingent, disclosed or non-disclosed.

“Assets” means assets, properties and rights (including goodwill), wherever located (including in the possession of owners or Third Parties or elsewhere), whether real, personal or mixed, tangible or intangible, movable or immovable, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of a Person, including the following:

- (a) Real Property;
- (b) Tangible Personal Property;
- (c) Inventories;
- (d) Accounts Receivable;
- (e) Contractual Assets;
- (f) Governmental Authorizations;
- (g) Business Records;
- (h) Intangible Property Rights;
- (i) Insurance Benefits;
- (j) Asset-Related Claims; and
- (k) Deposit Rights.

“Assumed Liabilities” has the meaning set forth in Section 2.06.

“Business Concern” means any corporation, company, limited liability company, partnership, joint venture, trust, unincorporated association or any other form of association.

“Business Day” means any day excluding (a) Saturday, Sunday and any other day which, in New York City is a legal holiday or (b) a day on which banks are authorized by Applicable Law to close in New York City.

“Business Records” means, in respect of any Person, all data and Records relating to such Person, including client and customer lists and Records, referral sources, research and development reports and Records, cost information, sales and pricing data, customer prospect lists, customer and vendor data, production reports and Records, service and warranty Records, equipment logs, operating guides and manuals, financial and accounting Records, personnel Records (subject to Applicable Law), creative materials, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and records.

“Charter Amendments” shall have the meaning set forth in the recitals hereto.

“Claim Notice” has the meaning set forth in Section 7.04(b).

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“Code” has the meaning set forth in the recitals hereto.

“Confidential Information” has the meaning set forth in Section 9.07(a).

“Consent” means any approval, consent, ratification, waiver or other authorization.

“Contract” means any contract, agreement, lease, purchase and/or commitment, license, consensual obligation, promise or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under Applicable Law, including all claims or rights against any Person, choses in action and similar rights, whether accrued or contingent with respect to any such contract, agreement, lease, purchase and/or commitment, license, consensual obligation, promise or undertaking, but excluding this Agreement and any Ancillary Agreement save as otherwise expressly provided in this Agreement or in any Ancillary Agreement.

“Contractual Asset” means, in respect of any Person, any Contract of, or relating to, such Person, any outstanding offer or solicitation made by, or to, such Person to enter into any Contract, and any promise or undertaking made by any other Person to such Person, whether or not legally binding.

“Corporate Contract” has the meaning set forth in Section 5.03.

“Corporate Contracts” has the meaning set forth in Section 5.03.

“Deferred Beneficiary” has the meaning set forth in Section 3.01(b).

“Deferred Excluded Asset” has the meaning set forth in Section 3.01(a).

“Deferred Separated Asset” has the meaning set forth in Section 3.01(a).

“Deferred Transactions” has the meaning set forth in Section 11.01(a)(ii).

“Deferred Transfer Asset” has the meaning set forth in Section 3.01(a).

“Deposit Rights” means rights relating to deposits and prepaid expenses, claims for refunds and rights of set-off in respect thereof.

“DGCL” has the meaning set forth in the recitals hereto.

“Disclosing Party” has the meaning set forth in Section 9.08.

“Dispute” has the meaning set forth in Section 10.02(a).

“Dispute Notice” has the meaning set forth in Section 10.02(a).

“Effective Date” means August 9, 2005.

“Effective Date Cash Balance” has the meaning set forth in Section 5.05.

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“Effective Time” means 9:15 a.m., New York City time, on the Effective Date.

“EHS Liabilities” means any Liability arising from or under any Environmental Law or Occupational Health and Safety Law.

“Employee Matters Agreement” means the Employee Matters Agreement attached hereto as Exhibit A.

“Encumbrance” means, with respect to any asset, mortgages, liens, hypothecations, pledges, charges, security interests or encumbrances of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under Applicable Law.

“Environmental Law” means any Applicable Law from any Governmental Authority (a) relating to the protection of the environment (including air, water, soil and natural resources) or (b) the use, storage, handling, release or disposal of Hazardous Substances.

“Escrow Agent” has the meaning set forth in Section 5.04(a).

“Escrow Agreement” has the meaning set forth in Section 5.04(a).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Excluded Assets” has the meaning set forth in Section 2.05(a).

“Expedia” has the meaning set forth in the preamble hereto.

“Expedia Annual Report” has the meaning set forth in Section 12.01(d).

“Expedia’s Auditors” has the meaning set forth in Section 12.01(a).

“Expedia Claims” has the meaning set forth in Section 7.01(a).

“Expedia Class B Common Stock” has the meaning set forth in the recitals hereto.

“Expedia Common Stock” has the meaning set forth in the recitals hereto.

“Expedia Common Stock Escrow Account” has the meaning set forth in Section 5.04(a).

“Expedia Conversion Obligations” has the meaning set forth in Section 5.04(c).

“Expedia Escrow Shares” has the meaning set forth in Section 5.04(a).

“Expedia Group” means the Separated Entities, the domestic and international businesses, Subsidiaries and investments owned, operated and/or managed thereby and the assets and liabilities contained therein.

“Expedia Group Balance Sheet” means the combined balance sheet of “Expedia Group” as of June 30, 2005, substantially in the form attached as Schedule 1.01(c).

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“Expedia Indemnified Parties” has the meaning set forth in Section 7.03.

“Expedia Opening Balance Sheet” has the meaning set forth in Section 2.03(e).

“Expedia Parties” has the meaning set forth in Section 7.01(b).

“Expedia Releasers” has the meaning set forth in Section 7.01(a).

“Expedia Series A Preferred Stock” has the meaning set forth in the recitals hereto.

“Expedia Warrant Factor” means 0.88933, which equals (x) \$22.50, the closing per-share price of Expedia Common Stock in the “when issued market” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M. Eastern Daylight time, divided by (y) \$25.30, the closing per-share price of Old IAC Common Stock trading “regular way” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M. Eastern Daylight time.

“Expedia Warrants” has the meaning set forth in the recitals hereto.

“GAAP” has the meaning set forth in Section 2.03(d).

“Governmental Authority” means any local, state, national or supranational court, arbitration panel, governmental or regulatory authority, agency, stock exchange, commission or body in any jurisdiction in or outside of the United States.

“Governmental Authorization” means any Consent, license, certificate, franchise, registration or permit issued, granted, given or otherwise made available by, or under the authority of, any Governmental Authority or pursuant to any Applicable Law.

“Ground Lease” means any long-term lease (including any emphyteotic lease) of Land in which most of the rights and benefits comprising ownership of the Land and the Improvements thereon or to be constructed thereon, if any, and the Appurtenances thereto for the benefit thereof, are transferred to the tenant for the term thereof.

“Ground Lease Property” means, in respect of any Person, any Land, Improvement or Appurtenance of such Person that is subject to a Ground Lease.

“Group” means IAC Group or Expedia Group, as the context requires.

“Hazardous Substance” means any substance to the extent presently listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable Environmental Law, including petroleum and any derivative or by-products thereof.

“IAC” has the meaning set forth in the preamble hereto.

“IAC’s Auditors” has the meaning set forth in Section 12.01(a).

“IAC Board” has the meaning set forth in the recitals hereto.

“IAC Businesses” means the Separated Businesses and the Remaining IAC Businesses.

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“IAC Claims” has the meaning set forth in Section 7.01(b).

“IAC Group” means IAC, its Subsidiaries (other than any member of Expedia Group) and their respective domestic and international businesses, assets and liabilities.

“IAC Indemnified Parties” has the meaning set forth in Section 7.02.

“IAC Parties” has the meaning set forth in Section 7.01(a).

“IAC Releasers” has the meaning set forth in Section 7.01(b).

“IAC Warrant Factor” means 1.11067, which equals (x) \$28.10, the closing per-share price of New IAC Common Stock in the “when issued market” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M. Eastern Daylight time, divided by (y) \$25.30, the closing per-share price of Old IAC Common Stock trading “regular way” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M. Eastern Daylight time.

“Improvements” means, in respect of any Land, all buildings, structures, plants, fixtures and improvements located on such Land, including those under construction.

“Indemnified Party” has the meaning set forth in Section 7.04(a).

“Indemnifying Party” has the meaning set forth in Section 7.04(b).

“Indenture” has the meaning set forth in Section 5.04(b).

“Information” means any information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, test procedures, research, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, manufacturing techniques, manufacturing variables, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, products, product plans, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer information, customer services, supplier information, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

“Insurance Benefits” means, in respect of any Asset or Liability, all insurance benefits, including rights to Insurance Proceeds, arising from or relating to such Asset or Liability.

“Insurance Proceeds” means those monies (in each case net of any costs or expenses incurred in the collection thereof and net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments)):

- (a) received by an insured from an insurance carrier; or
- (b) paid by an insurance carrier on behalf of the insured.

“Intangible Property Rights” means, in respect of any Person, all intangible rights and property of such Person, including IT Assets, going concern value and goodwill.

“Intercompany Accounts” means all balances related to indebtedness, including any intercompany indebtedness, loan, guaranty, receivable, payable or other account between a member of IAC Group, on the one hand, and a member of Expedia Group, on the other hand.

“Inventories” means, in respect of any Person, all inventories of such Person wherever located, including all finished goods, (whether or not held at any location or facility of such Person or in transit to or from such Person), work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by the Person in production of finished goods.

“IT Assets” means computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines, all other information technology equipments and all associated documentation.

“Jeeves” has the meaning set forth in Section 5.04(b).

“Jeeves Notes” has the meaning set forth in Section 5.04(a).

“Jeeves Supplemental Indenture” has the meaning set forth in Section 5.04(b).

“Land” means, in respect of any Person, all parcels and tracts of land in which the Person has an ownership interest.

“Liability” means, with respect to any Person, any and all losses, claims, charges, debts, demands, actions, causes of action, suits, damages, obligations, payments, costs and expenses, sums of money, accounts, reckonings, bonds, specialties, indemnities and similar obligations, exoneration covenants, contracts, controversies, agreements, promises, doings, omissions, variances, guarantees, make whole agreements and similar obligations, and other liabilities and requirements, including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, joint or several, whenever arising, and including those arising under any Applicable Law, Action, threatened or contemplated Action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys’ fees and any and all costs and expenses, whatsoever reasonably incurred in investigating, preparing or defending against any such Actions or threatened or contemplated Actions) or Order of any Governmental Authority or any award of any arbitrator or mediator of any kind, and those arising under any contract, commitment or undertaking, in each case, whether or not recorded or reflected or otherwise disclosed or required to be recorded or reflected or otherwise disclosed, on the books and records or financial statements of any Person, including any Specified Financial Liability, EHS Liability or Liability for Taxes.

“NASDAQ” means the National Association of Securities Dealers Inc. Automated Quotation System.

“New IAC Common Stock” has the meaning set forth in the recitals hereto.

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“New IAC Integrated Warrants” has the meaning set forth in the recitals hereto.

“New IAC Series 1 Preferred Stock” has the meaning set forth in the recitals hereto.

“New IAC Series 2 Preferred Stock” has the meaning set forth in the recitals hereto.

“New IAC Series B Preferred Stock” has the meaning set forth in the recitals hereto.

“New IAC Unitary Warrants” has the meaning set forth in the recitals hereto.

“Notice Period” has the meaning set forth in Section 7.04(b).

“Occupational Health and Safety Law” means any Applicable Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (such as those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

“Old IAC Capital Stock” has the meaning set forth in the recitals hereto.

“Old IAC Class B Common Stock” has the meaning set forth in the recitals hereto.

“Old IAC Common Stock” has the meaning set forth in the recitals hereto.

“Old IAC Series A Preferred Stock” has the meaning set forth in the recitals hereto.

“Old IAC Integrated Warrants” has the meaning set forth in the recitals hereto.

“Old IAC Severable Warrants” has the meaning set forth in the recitals hereto.

“Old IAC Warrants” has the meaning set forth in the recitals hereto.

“Order” means any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Authority or arbitrator.

“Ordinary Course of Business” means any action taken by a Person that is in the ordinary course of the normal, day-to-day operations of such Person and is consistent with the past practices of such Person.

“Parties” together and each “Party” individually, means the parties to this Agreement and, in the singular, means either of them.

“Person” means any individual, Business Concern or Governmental Authority.

“Potential Contributor” has the meaning set forth in Section 7.06(a).

“Prime Rate” means the rate which JPMorgan Chase & Co. (or any successor thereto or other major money center commercial bank agreed to by the Parties hereto) announces from time to time as its prime lending rate, as in effect from time to time.

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“Providing Party” has the meaning set forth in Section 9.08.

“Real Property” means any Land and Improvements and all Appurtenances thereto and any Ground Lease Property.

“Reclassification” has the meaning set forth in the recitals hereto.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Registered Securities” means the shares of New IAC Common Stock, the shares of New Expedia Common Stock, the shares of New IAC Series B Preferred Stock, the shares of Expedia Series A Preferred Stock, certain of the New IAC Unitary Warrants and certain of the Expedia Warrants.

“Registration Statement” means the registration statement on Form S-4 first filed by IAC and Expedia with the SEC on April 25, 2005 (together with all amendments thereto) in connection with the registration under the Securities Act of the Registered Securities.

“Regulation S-K” means Regulation S-K of the General Rules and Regulations promulgated by the SEC pursuant to the Securities Act.

“Remaining IAC Businesses” means all IAC Businesses other than the Separated Businesses.

“Remaining IAC Entity” means any Business Concern that is a member of IAC Group on and after the Effective Time.

“Representatives” means, with respect to any Person, any of such Person’s directors, officers, employees, agents, consultants, advisors, accountants or attorneys.

“Requesting Party” has the meaning set forth in Section 9.01(a).

“Response” has the meaning set forth in Section 10.02(a).

“Retained Liabilities” has the meaning set forth in Section 2.06.

“Retaining Person” has the meaning set forth in Section 3.01(b).

“Reverse Stock Split” has the meaning set forth in the recitals hereto.

“Reverse Stock Split Charter Amendment” has the meaning set forth in the recitals hereto.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Senior Party Representatives” has the meaning set forth in Section 10.02(a).

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“Separated Assets” has the meaning set forth in Section 2.03.

“Separated Businesses” means those domestic and international travel and travel-related businesses, Subsidiaries and investments owned, operated and/or managed by the Separated Entities.

“Separated Entities” means those Business Concerns which are identified on Schedule 2.03(b) and which on and after the Effective Time shall form part of Expedia Group.

“Separation” means the transfer of the Separated Entities and Separated Businesses, directly or indirectly, from IAC to Expedia.

“Services” has the meaning ascribed thereto in the Transition Services Agreement.

“Shared Litigation Liability” means any Liability from, relating to, arising out of, or derivative of any matter, claim or litigation, whether actual or potential, associated with any securities law litigation relating to any public disclosure (or absence of public disclosure) with respect to the Separated Businesses or the Separated Entities made by IAC prior to the Effective Time, including the fees and expenses of outside counsel retained by IAC in connection with the defense and/or settlement of any such matter. For purposes of this definition, the phrase “securities law litigation” shall include claims alleging any untrue statement of material fact or omission to state a material fact in alleged violation of the Securities Act, the Exchange Act or any similar state law and any claims premised on, related to or derivative of such alleged statements, omissions or violations, whether payable to any current, past or future holders of IAC or Expedia securities, to any of the co-defendants in such action or to any Governmental Authority. For the avoidance of doubt, Shared Litigation Liability shall include those matters set forth on Schedule 2.06(c). Notwithstanding anything in Section 7.06 to the contrary, the amount of any Shared Litigation Liability shall be net of any Insurance Proceeds actually recovered by or on behalf of any member of IAC Group or any member of Expedia Group.

“Specified Financial Liabilities” or “SFLS” mean, in respect of any Person, all liabilities, obligations, contingencies, instruments and other Liabilities of a financial nature with Third Parties of, or relating to, such Person, including any of the following:

- (a) foreign exchange contracts;
- (b) letters of credit;
- (c) guarantees of Third Party loans;
- (d) surety bonds (excluding surety for workers’ compensation self-insurance);
- (e) interest support agreements on Third Party loans;
- (f) performance bonds or guarantees issued by Third Parties;
- (g) swaps or other derivatives contracts;

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- (h) recourse arrangements on the sale of receivables or notes; and

(i) indemnities for damages for any breach of, or any inaccuracy in, any representation or warranty or any breach of, or failure to perform or comply with, any covenant, undertaking or obligation.

“Spin-Off Charter Amendments” has the meaning set forth in the recitals hereto.

“Subsidiary” of any Person means any corporation, partnership, limited liability entity, joint venture or other organization, whether incorporated or unincorporated, of which a majority of the total voting power of capital stock or other interests entitled (without the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof, is at the time owned or controlled, directly or indirectly, by such Person.

“Tangible Personal Property” means, in respect of any Person, all machinery, equipment, tools, furniture, office equipment, supplies, materials, vehicles and other items of tangible personal or movable property (other than Inventories and IT Assets) of every kind and wherever located that are owned or leased by the Person, together with any express or implied warranty by the manufacturers, sellers or lessors of any item or component part thereof and all maintenance Records and other documents relating thereto.

“Tax” has the meaning set forth in the Tax Sharing Agreement.

“Tax Sharing Agreement” means the Tax Sharing Agreement attached hereto as Exhibit B.

“Third Party” means a Person that is not a Party to this Agreement, other than a member of IAC Group or a member of Expedia Group, and that is not an Affiliate thereof.

“Third Party Claim” has the meaning set forth in Section 7.04(b).

“Third Party Consent” has the meaning set forth in Section 2.07.

“Transfer Impediment” has the meaning set forth in Section 3.01(a).

“Transition Service Schedule” has the meaning set forth in the Transition Services Agreement.

“Transition Services Agreement” means the Transition Services Agreement attached hereto as Exhibit C.

“Trustee” has the meaning set forth in Section 5.04(b).

“Unreleased Liabilities” has the meaning set forth in Section 3.02.

“Unreleased Person” has the meaning set forth in Section 3.02.

1.02. Schedules. The following schedules are attached to this Agreement and form a part hereof:

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<u>Schedule 1.01(a)</u>	Old IAC Severable Warrants
<u>Schedule 1.01(b)</u>	Old IAC Integrated Warrants
<u>Schedule 1.01(c)</u>	Expedia Group Balance Sheet
<u>Schedule 2.03(a)</u>	Separated Assets
<u>Schedule 2.03(b)</u>	Separated Entities
<u>Schedule 2.06(a)</u>	Assumed Liabilities
<u>Schedule 2.06(b)</u>	Retained Liabilities
<u>Schedule 2.06(c)</u>	Shared Litigation Liabilities

1.03. Exhibits. The following exhibits are attached to this Agreement and form a part hereof:

Exhibit A	Employee Matters Agreement
Exhibit B	Tax Sharing Agreement
Exhibit C	Transition Services Agreement

ARTICLE II

THE SEPARATION

2.01. Separation. To the extent not already complete, IAC and Expedia agree to implement the Separation and to cause the Separated Businesses to be transferred to Expedia and its Subsidiaries and the Remaining IAC Businesses to be held by IAC and its Subsidiaries (other than Expedia or its Subsidiaries) as of the Effective Time, on the terms and subject to the conditions set forth in this Agreement. The Parties acknowledge that the Separation is intended to result in Expedia, directly or indirectly, operating the Separated Businesses, owning the Separated Assets and assuming the Assumed Liabilities as set forth in this Article II.

2.02. Transfer of Separated Assets; Assumption of Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, and in furtherance of the Separation, with effect as of the Effective Time:

(a) To the extent not already complete, IAC agrees to cause the Separated Assets to be contributed, assigned, transferred, conveyed and delivered, directly or indirectly, to Expedia and Expedia agrees to accept from IAC all of the Separated Assets and all of IAC’s rights, title and interest in and to all Separated Assets, except with respect to the Deferred Separated Assets and Unreleased Liabilities, if any.

(b) Expedia agrees to accept, assume and faithfully perform, discharge and fulfill all of the Assumed Liabilities in accordance with their respective terms.

2.03. Separated Assets. For the purposes of this Agreement, “Separated Assets” shall mean, without duplication, those Assets whether now existing, used or contemplated to be used or held for use exclusively or primarily in the ownership, operation or conduct of the Separated Businesses or relating exclusively or primarily to the Separated Businesses or to a Separated Entity including the following:

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(a) all Assets expressly identified in this Agreement or in any Ancillary Agreement or in any Schedule hereto or thereto, including those listed on Schedule 2.03(a), as Assets to be transferred to, or retained by, Expedia or any other member of Expedia Group;

(b) the outstanding capital stock, units or other equity interests of the Separated Entities (including the Assets owned by such Separated Entities), as listed on Schedule 2.03(b);

(c) all Assets properly reflected on the Expedia Group Balance Sheet (Schedule 1.01(c)), excluding Assets disposed of by IAC or any other Subsidiary or entity controlled by IAC subsequent to the date of the Expedia Group Balance Sheet;

(d) all Assets that have been written off, expensed or fully depreciated by IAC or any Subsidiary or entity controlled by IAC that, had they not been written off, expensed or fully depreciated, would have been reflected on the Expedia Group Balance Sheet in accordance with accounting principles generally accepted in the United States (“GAAP”);

(e) all Assets acquired by IAC or any Subsidiary or entity controlled by IAC after the date of the Expedia Group Balance Sheet and that would be reflected on the balance sheet of Expedia as of the Effective Date (the “Expedia Opening Balance Sheet”), if such balance sheet were prepared in accordance with GAAP; and

(f) all Assets transferred to Expedia or any member of the Expedia Group pursuant to Section 11.01(a); provided, however, that any such transfer shall take effect under Section 11.01(a) and not under this Section 2.03.

Notwithstanding the foregoing, there shall be excluded from the definition of Assets under this Section 2.03 Business Records to the extent they are included in or primarily relate to any Excluded Asset or Retained Liability or Remaining IAC Business or their transfer is prohibited by Applicable Law or pursuant to agreements between IAC or any other member of IAC Group and Third Parties or otherwise would subject IAC or any other member of IAC Group to liability for such transfer. Access to such excluded Business Records shall be governed by Article IX.

2.04. Deferred Separated Assets. Notwithstanding anything to the contrary contained in Section 2.03 or elsewhere in this Agreement, Separated Assets shall not include the Deferred Separated Assets. The transfer to Expedia (or any other member of the Expedia Group) of any such Deferred Separated Asset shall only be completed at the time, in the manner and subject to the conditions set forth in Article III.

2.05. Excluded Assets. (a) Notwithstanding anything to the contrary contained in Section 2.03 or elsewhere in this Agreement, the following Assets of IAC or of any other relevant member of IAC Group shall not be transferred to Expedia (or any other member of Expedia Group), shall not form part of the Separated Assets and shall remain the exclusive property of IAC or the relevant member of IAC Group on and after the Effective Time (the “Excluded Assets”):

(i) any Asset referred to in Section 2.05(b); and

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(ii) any Asset transferred to IAC or to any other relevant member of IAC Group pursuant to Section 11.01(a); provided, however, that any such transfers shall take effect under Section 11.01(a) and not under this Section 2.05.

(b) Notwithstanding anything to the contrary in this Agreement, Excluded Assets shall not include the Deferred Excluded Assets. The transfer to IAC (or to the relevant member of IAC Group) of any such Asset shall be completed at the time, in the manner and subject to the conditions set forth in Article III.

2.06. Liabilities. For the purposes of this Agreement, Liabilities shall be identified as “Assumed Liabilities” or as “Retained Liabilities” under the following principles:

(a) any Liability which is expressly identified on Schedule 2.06(a) is an Assumed Liability;

(b) any Liability which is expressly identified on Schedule 2.06(b) is a Retained Liability;

(c) 50% of any Shared Litigation Liability shall be an Assumed Liability and 50% of any Shared Litigation Liability shall be a Retained Liability;

(d) any Liability of a Separated Entity, whether arising or accruing prior to, on or after the Effective Time and whether the facts on which it is based occurred on, prior to or after the Effective Time and whether or not reflected on the Expedia Group Balance Sheet or on the Expedia Opening Balance Sheet, is an Assumed Liability, unless it is expressly identified in this Agreement (including on Schedule 2.06(b) or any other Schedule) or in any Ancillary Agreement as a Liability to be assumed or retained by IAC or any other member of IAC Group, in which case it is a Retained Liability;

(e) any Liability relating to, arising out of, or resulting from the conduct of, a Separated Business (as conducted at any time prior to, on or after the Effective Time) or relating to a Separated Asset or a Deferred Separated Asset (including any Asset of a Separated Entity) and whether arising or accruing prior to, on or after the Effective Time and whether the facts on which it is based occurred on, prior to or after the Effective Time and whether or not reflected on the Expedia Balance Sheet or the Expedia Opening Balance Sheet, is an Assumed Liability, unless it is expressly identified in this Agreement (including on Schedule 2.06(b) or any other Schedule) or in any Ancillary Agreement as a Liability to be assumed or retained by IAC or any other member of IAC Group, in which case it is a Retained Liability;

(f) any Liability which is reflected or otherwise disclosed as a liability or obligation of Expedia Group on the Expedia Group Balance Sheet is an Assumed Liability;

(g) any Liability which would be reflected or otherwise disclosed on the Expedia Group Balance Sheet, if such balance sheet were prepared under GAAP, is an Assumed Liability;

(h) any Liability pursuant to contracts entered into by IAC, any member of the IAC Group and/or any IAC Affiliate (i) in connection with the acquisition by IAC and/or any member

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of the IAC Group of any Separated Entity and/or Separated Business or (ii) otherwise relating primarily to a Separated Entity and/or the conduct of a Separated Business;

(i) any Liability of a Remaining IAC Entity, whether arising or accruing prior to, on or after the Effective Time and whether the facts on which it is based occurred on, prior to or after the Effective Time, is a Retained Liability, unless it is determined to be an Assumed Liability pursuant to clause (a), (c), (d), (e), (f), (g) or (h) above, in which case it is an Assumed Liability;

(j) any Liability relating to, arising out of, or resulting from the conduct of, a Remaining IAC Business (as conducted at any time prior to, on or after the Effective Time) or relating to an Excluded Asset (including any Asset of a Remaining IAC Entity) and whether arising or accruing prior to, on or after the Effective Time and whether the facts on which it is based occurred on, prior to or after the Effective Time, is a Retained Liability, unless it is determined to be an Assumed Liability pursuant to clause (a), (c), (d), (e), (f), (g) or (h) above, in which case it is an Assumed Liability; and

(k) any Liability of Expedia or any other member of Expedia Group under this Agreement or any Ancillary Agreement is an Assumed Liability and any Liability of IAC or any other member of IAC Group under this Agreement or any Ancillary Agreement is a Retained Liability.

2.07. Third Party Consents and Government Approvals. To the extent that the Separation or any transaction contemplated thereby requires a Consent from any Third Party (a “Third Party Consent”) or any Governmental Authorization, the Parties will use commercially reasonable efforts to obtain all such Third Party Consents and Governmental Authorizations prior to the Effective Time. If the Parties fail to obtain any such Third Party Consent or Governmental Authorization prior to the Effective Time, the matter shall be dealt with in the manner set forth in Article III.

2.08. Preservation of Agreements. Expedia and IAC agree that all written agreements, arrangements, commitments and understandings between any member or members of Expedia Group, on the one hand, and any member or members of IAC Group, on the other hand, shall remain in effect in accordance with their terms from and after the Effective Time, unless otherwise terminated by the Parties.

2.09. Ancillary Agreements. On or prior to the Effective Date, the Parties shall execute and deliver or, as applicable, cause the appropriate members of their respective Groups to execute and deliver, each of the following agreements (collectively, the “Ancillary Agreements”):

- (a) the Employee Matters Agreement;
- (b) the Tax Sharing Agreement;
- (c) the Transition Services Agreement; and

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- (d) such other agreements and instruments as may relate to or be identified in any of the foregoing agreements.

2.10. Resignations. (a) IAC agrees to cause each Person who is a director or an officer of any Separated Entity and who will not be or become an employee of Expedia Group (or any member thereof) on the Effective Date to resign from such position with effect as of the Effective Date.

(b) Expedia agrees to cause each Person who is a director or an officer of a Remaining IAC Entity and who will become an employee of Expedia Group (or any member thereof) on the Effective Date to resign from such position with effect as of the Effective Date; provided, however, that this Section 2.10(b) shall not apply to Messrs. Barry Diller and Victor A. Kaufman.

(c) Each of IAC and Expedia agrees to obtain all such letters of resignation or other evidence of such resignations as may be necessary or desirable in performing their respective obligations under this Section 2.10.

2.11. Cooperation. The Parties shall cooperate in all aspects of the Separation and shall sign all such documents and perform all such other acts as may be necessary or desirable to give full effect to the Separation; and each of IAC and Expedia shall cause each other member of its respective Group to do likewise.

2.12. Intercompany Accounts Between IAC Group and Expedia Group. From and after the Effective Time, Expedia agrees to cause any Intercompany Account payable by any member of Expedia Group to any member of the IAC Group to be satisfied in full when due. From and after the Effective Time, IAC agrees to cause any Intercompany Account payable by any member of IAC Group to any member of the Expedia Group to be satisfied in full when due.

2.13. Disclaimer of Representations and Warranties. (a) Each of the Parties (on behalf of itself and each other member of its respective Group) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no Party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, makes any representation or warranty, express or implied, regarding any of the Separated Assets, Separated Entities, Separated Businesses, Excluded Assets, Assumed Liabilities or Retained Liabilities including any warranty of merchantability or fitness for a particular purpose, or any representation or warranty regarding any Consents or Governmental

Authorizations required in connection therewith or their transfer, regarding the value or freedom from Encumbrances of, or any other matter concerning, any Separated Asset or Excluded Asset, or regarding the absence of any defense or right of setoff or freedom from counterclaim with respect to any claim or other Separated Asset or Excluded Asset, including any Account Receivable of either Party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Separated Asset or Excluded Asset upon the execution, delivery and filing hereof or thereof.

(b) Except as may expressly be set forth herein or in any Ancillary Agreement, all Separated Assets and Excluded Assets are being transferred on an “as is, where is” basis, at the

risk of the respective transferees without any warranty whatsoever on the part of the transferor, formal or implicit, legal, statutory or conventional (and, in the case of any Real Property, by means of a quitclaim or similar form deed or conveyance).

ARTICLE III

DEFERRED SEPARATION TRANSACTIONS

3.01. Deferred Transfer Assets. (a) If the transfer to, or retention by, Expedia Group of any Asset that would otherwise constitute a Separated Asset (a “Deferred Separated Asset”) or the transfer to, or retention by, IAC Group (or the relevant member thereof) (that would otherwise constitute an Excluded Asset or the relevant member thereof) of any Asset (a “Deferred Excluded Asset,” and together with a Deferred Separated Asset, a “Deferred Transfer Asset”) cannot be accomplished without giving rise to a violation of Applicable Law, or without obtaining a Third Party Consent or a Governmental Authorization (collectively, a “Transfer Impediment”) and any such Third Party Consent or Governmental Authorization has not been obtained prior to the Effective Time, then such Asset shall be dealt with in the manner described in this Section 3.01.

(b) Pending removal of such Transfer Impediment, the Person holding the Deferred Transfer Asset (the “Retaining Person”) shall hold such Deferred Transfer Asset for the use and benefit, insofar as reasonably possible, of the Party to whom the transfer of such Asset could not be made at the Effective Time (the “Deferred Beneficiary”). The Retaining Person shall use commercially reasonable efforts to preserve such Asset and its right, title and interest therein and take all such other action as may reasonably be requested by the Deferred Beneficiary (in each case, at such Deferred Beneficiary’s expense) in order to place such Deferred Beneficiary, insofar as reasonably possible, in the same position as it would be in if such Asset had been transferred to it or retained by it with effect as of the Effective Time and so that, subject to the standard of care set forth above, all the benefits and burdens relating to such Deferred Transfer Asset, including possession, use, risk of loss, potential for gain, enforcement of rights against third parties and dominion, control and command over such Asset, are to inure from and after the Effective Time to such Deferred Beneficiary and the members of the Group to which it belongs. The provisions set forth in this Article III contain all the obligations of the Retaining Person vis-à-vis the Deferred Beneficiary with respect to the Deferred Transfer Asset and the Retaining Person shall not be bound vis-à-vis the Deferred Beneficiary by any other obligations under Applicable Law.

(c) The Parties shall continue on and after the Effective Time to use commercially reasonable efforts to remove all Transfer Impediments; provided, however, that neither Party shall be required to make any unreasonable payment or assume any material obligations therefor. As and when any Transfer Impediment is removed, the relevant Deferred Transfer Asset shall forthwith be transferred to its Deferred Beneficiary at no additional cost and in a manner and on terms consistent with the relevant provisions of this Agreement and the Ancillary Agreements, including Section 2.13(b) hereof, and any such transfer shall take effect as of the date of its actual transfer.

(d) Notwithstanding the foregoing or any provision of Applicable Law, a Retaining Person shall not be obligated, in connection with the foregoing, to expend any money in respect of a Deferred Transfer Asset unless the necessary funds are advanced by the Deferred Beneficiary of such Deferred Transfer Asset, other than reasonable attorneys’ fees and recording or similar fees, all of which shall be promptly reimbursed by the Deferred Beneficiary of such Deferred Transfer Asset.

3.02. Unreleased Liabilities. If at any time on or after the Effective Time, any member of the IAC Group shall remain obligated to any Third Party in respect of any Assumed Liability or any member of Expedia Group shall remain obligated to any Third Party in respect of any Retained Liability, the following provisions shall apply. The Liabilities referred to in this Section 3.02 are hereinafter referred to as the “Unreleased Liabilities” and the Person remaining obligated for such Liability in a manner contrary to what is intended under this Agreement is hereinafter referred to as the “Unreleased Person.”

(a) Each Unreleased Person shall remain obligated to Third Parties for such Unreleased Liability as provided in the relevant Contract, Applicable Law or other source of such Unreleased Liability and shall pay and perform such Liability as and when required, in accordance with its terms.

(b) IAC shall indemnify, defend and hold harmless each Expedia Indemnified Party that is an Unreleased Person against any Liabilities arising in respect of each Unreleased Liability of such Person; and Expedia shall indemnify, defend and hold harmless each IAC Indemnified Party that is an Unreleased Person against any Liabilities arising in respect of each Unreleased Liability of such Person. IAC and Expedia shall take, and shall cause the members of their respective Groups to take, such other actions as may be reasonably requested by the other in accordance with the provisions of this Agreement in order to place IAC and Expedia, insofar as reasonably possible, in the same position as they would be in if such Unreleased Liability had been fully contributed, assigned, transferred, conveyed, and delivered to, and accepted and assumed or retained, as applicable, by the other Party (or any relevant member of the Group to which it belongs) with effect as of the Effective Time and so that all the benefits and burdens relating to such Unreleased Liability, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Unreleased Liability, are to inure from and after the Effective Time to the member or members of IAC Group or Expedia Group, as the case may be.

(c) The Parties shall continue on and after the Effective Time to use commercially reasonable efforts to cause each Unreleased Person to be released from each of its Unreleased Liabilities.

(d) If, as and when it becomes possible to delegate, novate or extinguish any Unreleased Liability in favor of an Unreleased Person, the Parties shall promptly sign all such documents and perform all such other acts, and shall cause each member of their respective Groups, as applicable, to sign all such

3.03. No Additional Consideration. For the avoidance of doubt, the transfer or assumption of any Assets or Liabilities under this Article III shall be effected without any additional consideration by either Party hereunder.

ARTICLE IV

TREATMENT OF OLD IAC SERIES A PREFERRED STOCK AND OLD IAC WARRANTS IN THE SEPARATION

4.01. Old IAC Series A Preferred Stock. Following the Effective Time, a former holder of Old IAC Series A Preferred Stock will receive one of the following forms of consideration, at the holder's election, in respect of each share of Old IAC Series A Preferred Stock held by such Person prior to the Effective Time: (i) \$50.00 in cash per share, plus accrued and unpaid dividends to the Effective Date, payable by IAC, (ii) the securities that the holder would have received had the share of Old IAC Preferred Stock been converted based upon the applicable conversion ratio into shares of Old IAC Common Stock immediately prior to the Reverse Stock Split and the Reclassification, or (iii) one share of New IAC Series B Preferred Stock and one share of Expedia Series A Preferred Stock, each having the terms set forth in its respective certificate of designation filed with the Secretary of State of the State of Delaware on August 9, 2005. Holders of Old IAC Series A Preferred Stock that did not make an affirmative election by July 11, 2005 are deemed to have elected to receive \$50.00 in cash per share, plus accrued and unpaid dividends to the Effective Date, payable by IAC. Schedule 4.01 sets forth the final elections, including default elections, by holders of Old IAC Preferred Stock, as of the Effective Time.

4.02. Old IAC Severable Warrants.

(a) At the Effective Time, the Old IAC Severable Warrants will be adjusted based upon the following principles:

(i) the number of shares of New IAC Common Stock subject to each New Unitary IAC Warrant will equal one half the number of shares of Old IAC Common Stock underlying the Old IAC Severable Warrant immediately prior to the Reverse Stock Split and the Reclassification;

(ii) the per share exercise price of the New IAC Unitary Warrant (rounded up to the nearest whole cent) will equal the per share exercise price of the Old IAC Severable Warrant prior to the Reverse Stock Split and the Reclassification multiplied by the IAC Warrant Factor.

(iii) the number of shares of Expedia Common Stock subject to the Expedia Warrant will equal one half the number of shares of Old IAC Common Stock underlying the Old IAC Severable Warrant immediately prior to the Reverse Stock Split and the Reclassification; and

(iv) the per share exercise price of the Expedia Warrant (rounded up to the nearest whole cent) will equal the per share exercise price of the Old IAC Severable

Warrant prior to the Reverse Stock Split and the Reclassification multiplied by the Expedia Warrant Factor.

(b) IAC shall be responsible for all obligations with respect to the New IAC Unitary Warrants. Expedia shall be responsible for all obligations with respect to the Expedia Warrants. The warrant agreements, if any, that currently govern the Old IAC Severable Warrants shall continue to govern the New IAC Unitary Warrants, as adjusted in accordance with the terms hereof and IAC shall be responsible for the obligations arising thereunder. To the extent necessary to memorialize and satisfy its obligations hereunder, Expedia shall enter into warrant agreements with respect to the Expedia Warrants with the holders (or the agent(s) therefor) of such Expedia Warrants and Expedia shall be responsible for the obligations arising under any such agreements. The failure of Expedia to enter into any such agreements shall not relieve Expedia of its obligations with respect to the Expedia Warrants.

4.03. Old IAC Integrated Warrants.

(a) Immediately following the Effective Time:

(i) each Old IAC Integrated Warrant shall become a New IAC Integrated Warrant which will represent the right to receive (x) a number of shares of New IAC Common Stock equal to one half the number of shares of Old IAC Common Stock subject to the Old IAC Integrated Warrant immediately prior to the Reverse Stock Split and the Reclassification; and (y) a number of shares of Expedia Common Stock equal to one half the number of shares of Old IAC Common Stock subject to the Old IAC Integrated Warrant immediately prior to the Reverse Stock Split and the Reclassification; and

(ii) the exercise price of the New IAC Integrated Warranted, expressed as an amount per share of New IAC Common Stock and Expedia Common Stock, taken together (rounded up to the nearest whole cent), will equal two times per share exercise price per of the Old IAC Warrant prior to the Reverse Stock Split and the Reclassification (such exercise price, as adjusted, the "Adjusted Exercise Price").

(b) From and after the Effective Time, as soon as reasonably practicable following receipt of the Adjusted Exercise Price in connection with the exercise of a New IAC Integrated Warrant, IAC shall remit to Expedia an amount in cash equal to the product of (i) the aggregate amount of the Adjusted Exercise Price, (ii) the Expedia Warrant Factor and (iii) 0.5, such amount to be determined by IAC in good faith in its sole discretion.

4.04. Stock Certificates and Related Matters. Subject to the terms of this Agreement and the satisfaction or waiver of the conditions set forth in Article VI hereof, IAC and Expedia (as applicable) shall deliver to the applicable agent or depository (such agent or depository, as the case may be, the "Agent") cash and securities (either in certificated or electronic book-entry form at the option of IAC) representing all of the securities to be issued in

Time, shall represent the securities into which such Old IAC Capital Stock and/or Old IAC Warrants are convertible in the Reclassification and related transactions), and shall instruct the Agent to distribute, on or as soon as practicable following the Effective Date, such cash and/or securities (as applicable) to holders of record of Old IAC Capital Stock and Old IAC Warrants on the Effective Date. Expedia agrees to provide all share certificates or other similar documentation and any information that the Agent shall require in order to effect the distributions contemplated by this Section 4.04. All securities of IAC and Expedia issued in connection with the Reclassification shall be duly authorized, validly issued, fully paid and nonassessable. IAC and/or Expedia may require that holders of Old IAC Capital Stock and/or Old IAC Warrants return any certificates or instruments representing such securities prior to IAC and/or Expedia issuing new certificates or instruments (if any) representing the new securities or cash consideration into which such Old IAC Capital Stock and/or Old IAC Warrants are convertible in the Reclassification and related transactions.

ARTICLE V

COVENANTS

5.01. General Covenants. Each Party covenants with and in favor of the other Party that it shall, subject, in the case of IAC, to Article XIII:

(a) do and perform all such acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments as may reasonably be required of it to facilitate the carrying out of the intent and purpose of this Agreement;

(b) cooperate with and assist the other Party, both before and after the Effective Date, in dealing with transitional matters relating to or arising from the Separation, the Reclassification, this Agreement or the Ancillary Agreements; and

(c) cooperate in preparing and filing all documentation (i) to effect all necessary applications, notices, petitions, filings and other documents; and (ii) to obtain as promptly as reasonably practicable all Consents and Governmental Authorizations necessary or advisable to be obtained from any Third Party and/or any Governmental Authority in order to consummate the transactions contemplated by this Agreement (including all approvals required under applicable antitrust laws).

5.02. Covenants of Expedia. In addition to the covenants of Expedia provided for elsewhere in this Agreement, Expedia covenants and agrees with and in favor of IAC that it shall:

(a) use commercially reasonable efforts and do all things reasonably required of it to cause the Separation and the Reclassification to be completed, including cooperating with IAC to obtain: the approval for the listing of the Expedia Common Stock and certain Expedia Warrants on the Nasdaq or such other securities exchange or inter-dealer quotation system as is reasonably acceptable to IAC;

(b) use its commercially reasonable efforts to take all such action as may be necessary or desirable under applicable state securities and blue sky laws of the United States

(and any comparable laws under any foreign jurisdictions) in connection with the Reclassification;

(c) (i) use its commercially reasonable efforts to cause any member of the IAC Group to be released, as soon as reasonably practicable, from any guarantees given by any member of the IAC Group for the benefit of any Separated Entity and (to the extent necessary to secure such releases) to cause itself or one or more members of the Expedia Group to be substituted in all respects for any member of the IAC Group in respect of such guarantees, provided, that in the event that, notwithstanding the commercially reasonable efforts of Expedia, Expedia is unable to obtain such guarantee releases, Expedia hereby agrees to indemnify and hold IAC and the other members of the IAC Group harmless from and against all Liabilities incurred by them in connection with, arising out of or resulting from such guarantees; and

(d) perform and, as applicable, cause each member of Expedia Group to perform each of its and their respective obligations under each Ancillary Agreement.

5.03. Certain Corporate Contracts. Each of the Parties hereto agrees to use its commercially reasonable efforts to permit the other Party hereto to obtain the benefits of contracts with nationally-based vendors and suppliers utilized by both IAC Group and Expedia Group prior to the Effective Date until the expiration of the primary term of such contracts (each such contract, individually, a "Corporate Contract" and, collectively, the "Corporate Contracts"). Each Party hereby agrees to cooperate with respect to obtaining favorable prices under such Corporate Contracts by combining or consolidating orders made under such Corporate Contracts during the remainder of the primary term of such Corporate Contracts. IAC shall administer these Corporate Contracts and Expedia shall be responsible for the portions attributable to Expedia Group of any order or delivery of goods and services received under each Corporate Contract (including costs of administration). Any arrangement under any of the Corporate Contracts relating to employee matters shall be governed by the terms of the Employee Matters Agreement.

5.04. Expedia Common Stock Escrow Account.

(a) Immediately following the Effective Time, Expedia shall deposit 5,019,125 shares of Expedia Common Stock (the "Expedia Escrow Shares") into an escrow account (the "Expedia Common Stock Escrow Account") to be established by Expedia and IAC with The Bank of New York (the "Escrow Agent") to be held by the Escrow Agent pursuant to the terms of an escrow agreement in customary form to be agreed upon by IAC, Expedia and the Escrow Agent prior to the Effective Time (the "Escrow Agreement"). The Expedia Common Stock Escrow Account will serve as a source of shares of Expedia Common Stock deliverable by Expedia upon (i) the exercise of New IAC Integrated Warrants, and (ii) the conversion of the Ask Jeeves, Inc. Zero Coupon Convertible Notes Due June 1, 2008 (the "Jeeves Notes"). Under the terms of the Escrow Agreement, any shares of Expedia Common Stock

designated for delivery upon conversion of the Jeeves Notes that are not delivered to converting holders of notes shall be returned to Expedia at the maturity of the Jeeves Notes and any shares of Expedia Common Stock designated for delivery upon exercise of the New IAC Integrated Warrants shall be returned to Expedia upon the expiration of the New IAC Integrated Warrants in accordance with their terms. IAC and Expedia acknowledge that IAC's obligation to issue shares of Old IAC

Common Stock to holders of Old IAC Integrated Warrants or to holders of the Jeeves Notes relates to the businesses that were conducted by the IAC Group and the Expedia Group prior to the Effective Time. Accordingly, from and after the Effective Time, upon an exercise of New IAC Integrated Warrants or a conversion of the Jeeves Notes, as between IAC and Expedia, Expedia will exclusively bear the obligation to deliver shares of Expedia Common Stock or cash in lieu of shares of Expedia Common Stock (including with respect to the matters contemplated by Section 5.04(b) and (c)). The issuance and delivery by Expedia of the Expedia Escrow Shares to the Expedia Common Stock Escrow Account is intended to further Expedia's satisfaction of such obligations following the Separation and the Reclassification; provided, however, that if for any reason the Expedia Common Stock Escrow Account does not satisfy such obligations, the transfer to the Expedia Common Stock Escrow Account under this Section 5.04 is not in substitution of the obligations of Expedia under the immediately preceding sentence to deliver shares of Expedia Common Stock. For the avoidance of doubt, any obligations with respect to the delivery of Expedia Common Stock (or cash in lieu of Expedia Common Stock) on account of the New IAC Integrated Warrants or the Jeeves Notes, including any Liabilities resulting from Expedia's determinations or calculations contemplated by this Section 5.04 shall be an Assumed Liability. If, at any time or from time to time following the Effective Time,

(X) IAC reasonably determines in good faith (which determination, absent manifest error, shall be final and binding) in its sole discretion that the Expedia Escrow Shares are insufficient to satisfy the obligations with respect to the New IAC Integrated Warrants and the Jeeves Notes, IAC shall provide to Expedia written notice indicating the number of additional shares of Expedia Common Stock necessary to satisfy the obligations pursuant to the New IAC Integrated Warrants and the Jeeves Notes and Expedia shall promptly deposit into the Expedia Common Stock Escrow Account the number of shares of Expedia Common Stock indicated in the written notice from IAC; or

(Y) Expedia undertakes any action, or any event shall occur, that either (i) results in an adjustment to the number of shares of Expedia Common Stock (A) into which Jeeves Notes are convertible or (B) with respect to which New IAC Integrated Warrants are exercisable or (ii) causes (A) that portion of the Jeeves Notes that would otherwise have been convertible into Expedia Common Stock to become convertible into another form of consideration or (B) that portion of the New IAC Integrated Warrants that would otherwise have been exercisable for shares of Expedia Common Stock to become exercisable into another form of consideration (in the case of each of clauses (A) or (B), including, without limitation, in conjunction with a merger of Expedia or reclassification of the Expedia Common Stock), then, in each case, Expedia shall promptly deposit into the Expedia Common Stock Escrow Account the number of additional shares of Expedia Common Stock and/or the other consideration into which the Jeeves Notes are convertible under the Indenture (as defined below) and/or with respect to which the New IAC Integrated Warrants are exercisable.

(b) In connection with the Separation and the Reclassification and in respect of the Jeeves Notes, IAC, Ask Jeeves, Inc. ("Jeeves") and The Bank of New York (as indenture trustee, the "Trustee") entered into that certain Second Supplemental Indenture, dated as of August 9,

2005 (the "Jeeves Supplemental Indenture") to the Indenture dated as of June 4, 2003 between Jeeves and the Trustee (as amended and supplemented from time to time, including pursuant to the Jeeves Supplemental Indenture, the "Indenture"). Pursuant to the Jeeves Supplemental Indenture, holders of Jeeves Notes shall be entitled to receive shares of New IAC Common Stock and/or Expedia Common Stock and/or cash on the terms, and subject to the conditions, set forth in the Indenture upon the conversion of the Jeeves Notes. The Indenture provides for, among other things, adjustments to the number of shares of New IAC Common Stock and Expedia Common Stock issuable and the type of consideration issuable upon conversion of the Jeeves Notes in the event of certain transactions, including extraordinary distributions on either or both of New IAC Common Stock and/or Expedia Common Stock, a reclassification of either or both of the New IAC Common Stock or Expedia Common Stock and a merger of either IAC or Expedia with another entity. If and to the extent that Expedia undertakes any action, or any event shall occur, pursuant to which holders of Jeeves Notes shall be entitled upon conversion of such Jeeves Notes to receive additional shares of Expedia Common Stock or to receive another form of consideration in lieu of Expedia Common Stock under the terms of the Indenture, prior to such action or event Expedia shall provide written notice to IAC of such action or event, including a (i) description of such action or event, (ii) the expected timing of the record date in respect of such action or event and the expected timing of its completion and (iii) an estimate of the number of additional shares of Expedia Common Stock (or the type and amount of any other form of consideration, as applicable) issuable upon conversion of the Jeeves Notes on account of such action or event, including a certificate signed on behalf of Expedia by a senior executive officer to the effect that such estimate is reasonable and was made in good faith. In the event that such action or event results in the distribution of capital stock or other securities, evidences of indebtedness or other non-cash assets, Expedia shall also include in its notice a good faith estimate of the fair market value of such securities, evidences of indebtedness or other non-cash assets as of the record date of such distribution.

(c) Pursuant to the terms of the Indenture, IAC may, at its option, settle the conversion of Jeeves Notes in whole or in part in cash. IAC hereby extends to Expedia the option, upon Expedia's timely election pursuant to the terms hereof, of delivering cash in lieu of Expedia Common Stock in respect of the portion of any Jeeves Notes that would have otherwise been settled in Expedia Common Stock upon conversion of such Jeeves Notes (such portion, the "Expedia Conversion Obligations"). Expedia shall be entitled to deliver written election notices pursuant to this Section 5.04(c) on a quarterly basis, beginning on September 30, 2005, and on each December 30, March 31, June 30 and September 30, thereafter. The election indicated by Expedia in such notice shall specify the proportion of the Expedia Conversion Obligations to be settled in cash and the proportion to be settled in Expedia Common Stock and such election shall govern until such time as Expedia makes an alternative election in accordance with this Section 5.04(c). If at any time Expedia elects to settle the Expedia Conversion Obligations in cash in lieu of shares of Expedia Common Stock (whether in whole or in part), then Expedia shall, at IAC's direction from time to time, promptly deposit into the Expedia Common Stock Escrow Account cash in amounts sufficient to satisfy such settlement obligations. Absent any affirmative election on the part of Expedia pursuant to the terms hereof to settle the Expedia Conversion Obligations in cash in lieu of shares of Expedia Common Stock, or if Expedia shall fail to timely deposit cash in respect of such settlement in accordance with the immediately preceding sentence, IAC is expressly permitted to settle any Expedia Conversion Obligations with shares of Expedia Common Stock from the Expedia Common Stock Escrow Account.

(d) Notwithstanding the foregoing, in lieu of issuing fractional shares of Expedia Common Stock upon the exercise of a New IAC Integrated Warrant or conversion of a Jeeves Note, Expedia shall promptly deposit into the Expedia Common Stock Escrow Account cash in lieu of such fractional shares in an amount computed in accordance with the terms of such New IAC Integrated Warrant or Jeeves Note, as applicable.

5.05. Cash Balance True-Up. In the event that, after review and reconciliation, the amount of cash and cash equivalents reflected on the Expedia Opening Balance Sheet plus the balance as of the Effective Time of any note or notes of any member of the IAC Group held by any member of the Expedia Group less the balance as of the Effective Time of any note or notes of any member of the Expedia Group held by any member of the IAC Group (the “Effective Date Cash Balance”) is greater than \$100,000,000.00, Expedia shall make one or more payments to IAC as promptly as practicable after the Effective Date, but in no event more than ninety (90) days after the Effective Date, totaling an amount equal to the excess of the Effective Date Cash Balance over \$100,000,000.00. In the event that, after review and reconciliation, the Effective Date Cash Balance is less than \$100,000,000.00, IAC shall make one or more payments to Expedia as promptly as practicable after the Effective Date, but in no event more than ninety (90) days after the Effective Date, totaling an amount equal to the excess of \$100,000,000.00 over the Effective Date Cash Balance. Notwithstanding Section 14.08, payments pursuant to this Section 5.05 shall not bear any interest. For the avoidance of doubt, for purposes of determining the Effective Date Cash Balance, the Parties shall not take into account cash and/or cash equivalents that belong to eLong, Inc. or its Subsidiaries, even if such amounts are reflected on the Expedia Group Balance Sheet.

ARTICLE VI

CONDITIONS

6.01. Actions Prior to the Completion of the Separation. (a) In addition to, and without in any way limiting, IAC’s rights under Section 13.1, completion of the Separation and the Reclassification is subject to the fulfillment of each of the following conditions:

- (i) no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened by the SEC;
- (ii) the Expedia Common Stock, Expedia Series A Preferred Stock and the Expedia Warrants to be distributed pursuant to the Reclassification and related transactions shall have been accepted for listing on the Nasdaq or such other securities exchange or inter-dealer quotation system as is reasonably acceptable to IAC subject to compliance with applicable listing requirements;
- (iii) the Nasdaq shall have confirmed that the New IAC Common Stock and New IAC Unitary Warrants will continue trading in the same manner as the Old IAC Common Stock and Old IAC Severable Warrants, respectively, following the Effective Date;

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- (iv) no Order or other legal restraint or prohibition preventing the consummation of the Separation, the Reclassification or any of the transactions contemplated by this Agreement or any Ancillary Agreement shall be threatened, pending or in effect;
- (v) any Consents and Governmental Authorizations necessary to complete the Separation and the Reclassification shall have been obtained and be in full force and effect;
- (vi) the IAC Board shall have approved the Separation and Reclassification and shall not have abandoned, deferred or modified the Separation or the Reclassification at any time prior to the Effective Date;
- (vii) each of the Ancillary Agreements shall have been duly executed and delivered by the parties thereto and shall be in effect;
- (viii) the IAC Board shall have received a written solvency opinion in a form acceptable to the IAC Board from Duff & Phelps, LLC regarding the Separation and other transactions contemplated hereby, which opinion shall not have been withdrawn or modified;
- (ix) the IAC Board shall have received an opinion of Wachtell, Lipton, Rosen & Katz, in form and substance satisfactory to the IAC Board, to the effect that the Separation and the Reclassification will qualify as transactions that are generally tax free under Sections 355 and 368(a)(1)(D) of the Code;
- (x) the IAC Board shall have received such other opinions or reports as the IAC Board may reasonably request in form and substance reasonably satisfactory to the IAC Board; and
- (xi) this Agreement will not have been terminated as provided herein.

(b) The foregoing conditions are for the sole benefit of IAC and shall not give rise to or create any duty on the part of IAC or the IAC Board to waive or not to waive such conditions or in any way limit IAC’s right to terminate this Agreement as set forth in Article XIII or alter the consequences of any such termination from those specified in such Article XIII. Any determination made by IAC prior to the Separation and the Reclassification concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 6.01 shall be final and conclusive.

ARTICLE VII

MUTUAL RELEASES; INDEMNIFICATION

7.01. Release of Pre-Separation Claims. (a) Except as provided in Section 7.01(c), effective as of the Effective Time, Expedia does hereby, on behalf of itself and each other member of Expedia Group, their respective Affiliates (other than any member of IAC Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been

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stockholders (other than any member of IAC Group), directors, officers, agents or employees of any member of Expedia Group (in each case, in their respective capacities as such) (the "Expedia Releasers"), unequivocally, unconditionally and irrevocably release and discharge each of IAC, the other members of IAC Group, their respective Affiliates (other than any member of Expedia Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of IAC Group (in each case, in their respective capacities as such), and their respective heirs, executors, trustees, administrators, successors and assigns (the "IAC Parties"), from any and all Actions, causes of action, choses in action, cases, claims, suits, debts, dues, damages, judgments and liabilities, of any nature whatsoever, in law, at equity or otherwise, whether direct, derivative or otherwise, which have been asserted against an IAC Party or which, whether currently known or unknown, suspected or unsuspected, fixed or contingent, and whether or not concealed or hidden, the Expedia Releasers ever could have asserted or ever could assert, in any capacity, whether as partner, employer, agent or otherwise, either for itself or as an assignee, heir, executor, trustee, administrator, successor or otherwise for or on behalf of any other Person, against the IAC Parties, relating to any claims or transactions or occurrences whatsoever, up to but excluding the Effective Time, including in connection with the transactions and all activities to implement the Separation and the Reclassification (the "Expedia Claims"); and the Expedia Releasers hereby unequivocally, unconditionally and irrevocably agree not to initiate proceedings with respect to, or institute, assert or threaten to assert, any Expedia Claim.

(b) Except as provided in Section 7.01(c), effective as of the Effective Time, IAC does hereby, on behalf of itself and each other member of IAC Group, their respective Affiliates (other than any member of Expedia Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of IAC Group (in each case, in their respective capacities as such) (the "IAC Releasers"), unequivocally, unconditionally and irrevocably release and discharge each of Expedia, the other members of Expedia Group, their respective Affiliates (other than any member of IAC Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been stockholders (other than any member of IAC Group), directors, officers, agents or employees of any member of Expedia Group (in each case, in their respective capacities as such), and their respective heirs, executors, trustees, administrators, successors and assigns (the "Expedia Parties"), from any and all Actions, causes of action, choses in action, cases, claims, suits, debts, dues, damages, judgments and liabilities, of any nature whatsoever, in law, at equity or otherwise, whether direct, derivative or otherwise, which have been asserted against an Expedia Party or which, whether currently known or unknown, suspected or unsuspected, fixed or contingent, and whether or not concealed or hidden, the IAC Releasers ever could have asserted or ever could assert, in any capacity, whether as partner, employer, agent or otherwise, either for itself or as an assignee, heir, executor, trustee, administrator, successor or otherwise for or on behalf of any other Person, against the Expedia Parties, relating to any claims or transactions or occurrences whatsoever, up to but excluding the Effective Time including in connection with the transactions and all activities to implement the Separation and the Reclassification (the "IAC Claims"); and the IAC Releasers hereby unequivocally, unconditionally and irrevocably agree not to initiate proceedings with respect to, or institute, assert or threaten to assert, any IAC Claim.

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(c) Nothing contained in Section 7.01(a) or 7.01(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement, any agreement, arrangement, commitment or understanding that is contemplated by Section 2.08 or any other agreement, arrangement, commitment or understanding that is entered into after the Effective Date between any member of the Expedia Group, on the one hand, and any member of the IAC Group, on the other hand, nor shall anything contained in those sections be interpreted as terminating as of the Effective Time any rights under any such agreements, contracts, commitments or understandings. For purposes of clarification, nothing contained in Section 7.01(a) or 7.01(b) shall release any Person from:

(i) any Liability provided in or resulting from this Agreement or any of the Ancillary Agreements;

(ii) any Liability provided in or resulting from any agreement among any members of IAC Group or Expedia Group that is contemplated by Section 2.08 (including for greater certainty, any Liability resulting or flowing from any breaches of such agreements that arose prior to the Effective Time);

(iii) any Liability provided in or resulting from any other agreement, arrangement, commitment or understanding that is entered into after the Effective Date between any member of the Expedia Group, on the one hand, and any member of the IAC Group, on the other hand;

(iv) (A) with respect to Expedia, any Assumed Liability and (B) with respect to IAC, any Retained Liability;

(v) any Liability that the Parties may have with respect to indemnification or contribution pursuant to Article III of this Agreement or this Article VII for Third Party Claims;

(vi) any Liability for unpaid Intercompany Accounts; or

(vii) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 7.01.

In addition, nothing contained in Section 7.01(a) or (b) hereof shall release any Party from honoring its existing obligations to indemnify any director, officer or employee of either Group who was a director, officer or employee of such Party on or prior to the Effective Time, to the extent that such director, officer or employee becomes a named defendant in any litigation involving such Party and was entitled to such indemnification pursuant to then existing obligations.

(d) Expedia shall not make, and shall not permit any other member of Expedia Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against IAC or any member of the IAC Group or any other Person released pursuant to Section 7.01(a), with respect to any Liabilities released pursuant to Section 7.01(a). IAC shall not make, and shall not permit any other member of IAC Group to make, any claim or demand, or commence any Action asserting

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any claim or demand, including any claim of contribution or any indemnification, against Expedia or any other member of Expedia Group or any other Person released pursuant to Section 7.01(b), with respect to any Liabilities released pursuant to Section 7.01(b).

7.02. Indemnification by Expedia. Except as provided in Sections 7.04 and 7.05 and subject to Section 14.01, Expedia shall, and shall cause the other members of Expedia Group to, fully indemnify, defend and hold harmless IAC, each other member of IAC Group and each of their respective current and former directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assigns of any of the foregoing (collectively, the “IAC Indemnified Parties”), from and against any and all Liabilities of the IAC Indemnified Parties relating to, arising out of or resulting from any of the following items (without duplication):

- (a) any Separated Business, any Separated Entity, any Separated Asset, any Assumed Liability or, subject to Article III, any Deferred Separated Asset;
- (b) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of, this Agreement or any of the Ancillary Agreements, by Expedia or any other member of Expedia Group; and
- (c) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent relating to the Expedia Group contained in the Registration Statement or any other filings made with the SEC in connection with the Separation.

7.03. Indemnification by IAC. Except as provided in Sections 7.04 and 7.05 and subject to Section 14.01, IAC shall indemnify, defend and hold harmless Expedia, each other member of Expedia Group and each of their respective current and former directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assigns of any of the foregoing (collectively, the “Expedia Indemnified Parties”), from and against any and all Liabilities of the Expedia Indemnified Parties relating to, arising out of or resulting from any of the following items (without duplication):

- (a) any Remaining IAC Business or any Retained Liability;
- (b) any breach of, or failure to perform or comply with, any covenant, undertaking or obligation of, this Agreement or any of the Ancillary Agreements, by IAC or any other member of IAC Group; and
- (c) except to the extent set forth in Section 7.02(c), any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading contained in the Registration Statement.

7.04. Procedures for Indemnification of Third Party Claims. (a) All claims for indemnification relating to a Third Party Claim by any indemnified party (an “Indemnified Party”) hereunder shall be asserted and resolved as set forth in this Section 7.04.

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(b) In the event that any written claim or demand for which an indemnifying party (an “Indemnifying Party”) may have liability to any Indemnified Party hereunder, is asserted against or sought to be collected from any Indemnified Party by a Third Party (a “Third Party Claim”), such Indemnified Party shall promptly, but in no event more than ten (10) days following such Indemnified Party’s receipt of a Third Party Claim, notify the Indemnifying Party in writing of such Third Party Claim, the amount or the estimated amount of damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Third Party Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, and any other material details pertaining thereto (a “Claim Notice”); provided, however, that the failure to timely give a Claim Notice shall affect the rights of an Indemnified Party hereunder only to the extent that such failure has a material prejudicial effect on the defenses or other rights available to the Indemnifying Party with respect to such Third Party Claim. The Indemnifying Party shall have thirty (30) days (or such lesser number of days set forth in the Claim Notice as may be required by court proceeding in the event of a litigated matter) after receipt of the Claim Notice (the “Notice Period”) to notify the Indemnified Party whether it desires to defend the Indemnified Party against such Third Party Claim.

(c) In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against a Third Party Claim, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and shall have the sole power to direct and control such defense, with counsel reasonably satisfactory to the Indemnified Party at its expense. Once the Indemnifying Party has duly assumed the defense of a Third Party Claim, the Indemnified Party shall have the right, but not the obligation, to participate in any such defense and to employ separate counsel of its choosing. The Indemnified Party shall participate in any such defense at its expense unless (i) the Indemnifying Party and the Indemnified Party are both named parties to the proceedings and the Indemnified Party shall have reasonably concluded that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, or (ii) the Indemnified Party assumes the defense of a Third Party Claim after the Indemnifying Party has failed to diligently defend a Third Party Claim it has assumed the defense of, as provided in the first sentence of this Section 7.04(c). The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any Third Party Claim on a basis that would result in (i) the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or any of its Affiliates, (ii) a finding or admission of a violation of Applicable Law or violation of the rights of any Person by the Indemnified Party or any of its Affiliates or (iii) a finding or admission that would have an adverse effect on other claims made or threatened against the Indemnified Party or any of its Affiliates.

(d) If the Indemnifying Party (i) elects not to defend the Indemnified Party against a Third Party Claim, whether by not giving the Indemnified Party timely notice of its desire to so defend or otherwise or (ii) after assuming the defense of a Third Party Claim, fails to take reasonable steps necessary to defend diligently such Third Party Claim within ten (10) days after receiving written notice from the Indemnified Party to the effect that the Indemnifying Party has so failed, the Indemnified Party shall have the right but not the obligation to assume its own defense; it being understood that the Indemnified Party’s right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim.

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The Indemnified Party shall not settle a Third Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(e) The Indemnified Party and the Indemnifying Party shall cooperate in order to ensure the proper and adequate defense of a Third Party Claim, including by providing access to each other’s relevant business records and other documents, and employees; it being understood that the reasonable costs and expenses of the Indemnified Party relating thereto shall be Liabilities, subject to indemnification.

(f) The Indemnified Party and the Indemnifying Party shall use commercially reasonable efforts to avoid production of confidential information (consistent with Applicable Law), and to cause all communications among employees, counsel and others representing any party to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privileges.

7.05. Procedures for Indemnification of Direct Claims. Any claim for indemnification made directly by the Indemnified Party against the Indemnifying Party that does not result from a Third Party Claim shall be asserted by written notice from the Indemnified Party to the Indemnifying Party specifically claiming indemnification hereunder. Such Indemnifying Party shall have a period of 45 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 45-day period, such Indemnifying Party shall be deemed to have accepted responsibility to make payment and shall have no further right to contest the validity of such claim. If such Indemnifying Party does respond within such 45-day period and rejects such claim in whole or in part, such Indemnified Party shall be free to pursue resolution as provided in Article X.

7.06. Adjustments to Liabilities. (a) If an Indemnified Party receives any payment from an Indemnifying Party in respect of any Liabilities and the Indemnified Party could have recovered all or a part of such Liabilities from a Third Party (a "Potential Contributor") based on the underlying claim or demand asserted against such Indemnifying Party, such Indemnified Party shall, to the extent permitted by Applicable Law, assign such of its rights to proceed against the Potential Contributor as are necessary to permit such Indemnifying Party to recover from the Potential Contributor the amount of such payment.

(b) If notwithstanding Section 7.06(a) an Indemnified Party receives an amount from a Third Party in respect of a Liability that is the subject of indemnification hereunder after all or a portion of such Liability has been paid by an Indemnifying Party pursuant to this Agreement, the Indemnified Party shall promptly remit to the Indemnifying Party the excess (if any) of (i) the amount paid by the Indemnifying Party in respect of such Liability, plus the amount received from the Third Party in respect thereof, over (ii) the full amount of the Liability.

(c) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other Third Party shall be entitled to a "wind-fall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof.

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7.07. Payments. The Indemnifying Party shall pay all amounts payable pursuant to this Article VII by wire transfer of immediately available funds, promptly following receipt from an Indemnified Party of a bill, together with all accompanying reasonably detailed backup documentation, for a Liability that is the subject of indemnification hereunder, unless the Indemnifying Party in good faith disputes the Liability, in which event it shall so notify the Indemnified Party. In any event, the Indemnifying Party shall pay to the Indemnified Party, by wire transfer of immediately available funds, the amount of any Liability for which it is liable hereunder no later than three (3) days following any final determination of such Liability and the Indemnifying Party's liability therefor. A "final determination" shall exist when (a) the parties to the dispute have reached an agreement in writing, (b) a court of competent jurisdiction shall have entered a final and non-appealable order or judgment, or (c) an arbitration or like panel shall have rendered a final non-appealable determination with respect to disputes the parties have agreed to submit thereto.

7.08. Contribution. If the indemnification provided for in this Article VII shall, for any reason, be unavailable or insufficient to hold harmless the Indemnified Party hereunder in respect of any Liability, then each Indemnifying Party shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such Liability, in such proportion as shall be sufficient to place the Indemnified Party in the same position as if such Indemnified Party were indemnified hereunder, the Parties intending that their respective contributions hereunder be as close as possible to the indemnification under Sections 7.02 and 7.03. If the contribution provided for in the previous sentence shall, for any reason, be unavailable or insufficient to put the Indemnified Party in the same position as if it were indemnified under Section 7.02 or 7.03, as the case may be, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liability, in such proportion as shall be appropriate to reflect the relative benefits received by and the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand with respect to the matter giving rise to the Liability.

7.09. Remedies Cumulative. The remedies provided in this Article VII shall be cumulative and, subject to the provisions of Article X, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

7.10. Survival of Indemnities. The rights and obligations of each of IAC and Expedia and their respective Indemnified Parties under this Article VII shall survive the distribution, sale or other transfer by any Party of any Assets or the delegation or assignment by it of any Liabilities.

7.11. Shared Litigation Liabilities. Notwithstanding anything to the contrary contained in this Agreement:

(a) In order to facilitate the defense of any Shared Litigation Liability, the Parties agree that (i) the Parties shall cooperate in the defense of any Shared Litigation Liability; (ii) each Party shall be responsible for the costs of its own in-house counsel and other internal personnel in the defense of any Shared Litigation Liability; (iii) IAC shall be entitled to control the defense and/or settlement of any Shared Litigation Liability, although Expedia shall be

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entitled to observe with counsel of its own selection and at its own expense; provided, however, that after the Effective Time IAC shall not settle all or any portion of any Shared Litigation Liability unless any remaining Liability of Expedia and its Affiliates and their respective current and former officers and directors relating to the Shared Litigation Liability will be fully released as a result of such settlement.

(b) The Parties agree to act in good faith and to use their reasonable best efforts to preserve and maximize the insurance benefits due to be provided under all policies of insurance and to cooperate with one another as necessary to permit each other to access or obtain the benefits under those policies; provided, however, that nothing hereunder shall be construed to prevent any party or any other Person from asserting claims for insurance benefits or accepting insurance benefits provided by the policies. The Parties agree to exchange information upon reasonable request of the other Party regarding requests that they have made for insurance benefits, notices of claims, occurrences and circumstances that they have submitted to the insurance companies or other entities

managing the policies, responses they have received from those insurance companies or entities, including any payments they have received from the insurance companies and any agreements by the insurance companies to make payments, and any other information that the Parties may need to determine the status of the insurance policies and the continued availability of benefits thereunder.

(c) If any Party receives notice or otherwise learns of the assertion by any person or entity (including a Governmental Authority) of a Shared Litigation Liability, that Party shall give the other Party written notice of such Shared Litigation Liability, providing notice of such Shared Litigation Liability in reasonable detail. The failure to give notice under this subsection shall not relieve any Party of its Liability for any Shared Litigation Liability except to the extent the Party is actually prejudiced by the failure to give such notice. IAC and Expedia shall be deemed to be on notice of any Shared Litigation Liability pending prior to the Effective Time.

ARTICLE VIII

INSURANCE

8.01. Insurance Matters. (a) Expedia does hereby, for itself and each other member of Expedia Group, agree that no member of IAC Group or any IAC Indemnified Party shall have any liability whatsoever as a result of the insurance policies and practices of IAC and its Affiliates as in effect at any time prior to the Effective Time, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

(b) IAC agrees to use its reasonable best efforts to cause the interest and rights of Expedia and the other members of Expedia Group as of the Effective Time as insureds or beneficiaries or in any other capacity under occurrence-based insurance policies and programs (and under claims-made policies and programs to the extent a claim has been submitted prior to the Effective Time) of IAC or any other member of IAC Group in respect of periods prior to the Effective Time to survive the Effective Time for the period for which such interests and rights would have survived without regard to the transactions contemplated hereby to the extent

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permitted by such policies, and IAC shall continue to administer such policies and programs on behalf of Expedia and the other members of Expedia Group, subject to Expedia's reimbursement to IAC and the other relevant members of IAC Group for the actual out-of-pocket costs of such ongoing administration and the internal costs (based on the proportion of the amount of time actually spent on such matter to such employee's normal working time) of any employee or agent of IAC of any other relevant member of IAC Group who will be required to spend at least ten percent of his or her normal working time over any ten (10) Business Days working with respect to any such matter. Any proceeds received by IAC or any other member of IAC Group after the Effective Time under such policies and programs in respect of Expedia and the other members of Expedia Group shall be for the benefit of Expedia and the other members of Expedia Group.

(c) This Agreement is not intended as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of IAC Group in respect of any insurance policy or any other contract or policy of insurance.

(d) Nothing in this Agreement shall be deemed to restrict any member of Expedia Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.

ARTICLE IX

EXCHANGE OF INFORMATION; CONFIDENTIALITY

9.01. Agreement for Exchange of Information; Archives. (a) Without limiting any rights or obligations under any Ancillary Agreement between the Parties and/or any other member of their respective Groups relating to confidentiality, each of IAC and Expedia agrees to provide, and to cause its Representatives, its Group members and its respective Group members' Representatives to provide, to the other Group and any member thereof (a "Requesting Party"), at any time before, on or after the Effective Date, subject to the provisions of Section 9.04 and as soon as reasonably practicable after written request therefor, any Information within the possession or under the control of such Party or one of such Persons which the Requesting Party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the Requesting Party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the Requesting Party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or similar requirements of the Requesting Party, in each case other than claims or allegations that one Party to this Agreement or any of its Group members has or brings against the other Party or any of its Group members, or (iii) subject to the foregoing clause (ii) above, to comply with its obligations under this Agreement or any Ancillary Agreement; provided, however, that in the event that any Party determines that any such provision of Information could be commercially detrimental, violate any Applicable Law or agreement, or waive any attorney-client privilege, the Parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence. More particularly, and without limitation to the generality of the foregoing sentence, the Parties agree

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that the provisions of the Tax Sharing Agreement shall govern with respect to the sharing of Information relating to Tax.

(b) After the Effective Time, Expedia and the other members of Expedia Group shall have access during regular business hours (as in effect from time to time), and upon reasonable advance notice, to the documents and objects of historic significance that relate to the Separated Businesses, the Separated Assets or the Separated Entities and that are located in archives retained or maintained by IAC or any other member of IAC Group. Expedia and the other members of Expedia Group may obtain copies (but not originals) of documents for bona fide business purposes and may obtain objects for exhibition purposes for commercially reasonable periods of time if required for bona fide business purposes, provided that Expedia shall cause any such objects to be returned promptly, at Expedia's expense, in the same condition in which they were delivered to Expedia or any other member of Expedia Group and Expedia and the other members of Expedia Group shall comply with any rules, procedures or other requirements, and shall be subject to any restrictions (including prohibitions on removal of specified objects), that are then applicable to IAC or such other member of IAC Group. In any event, the foregoing shall not be deemed to restrict the access of IAC or any other member of IAC Group to any such documents or objects. Nothing herein shall be deemed to impose any Liability on IAC or any other

member of IAC Group if documents or objects referred to in this Section 9.01 are not maintained or preserved by IAC or any other member of IAC Group. Alternatively, IAC, acting reasonably, may request from Expedia and any other member of Expedia Group that they provide it, with reasonable advance notice, with a list of the requested Information that relates to the Separated Businesses, the Separated Assets or the Separated Entities and IAC shall use, and shall cause the other members of IAC Group who are in possession of the Information requested to use, commercially reasonable efforts to locate all requested Information that is owned or possessed by IAC or any of its Group members or Representatives. IAC will make available all such Information for inspection by Expedia or any other relevant member of Expedia Group during normal business hours at the place of business reasonably designated by IAC. Subject to such confidentiality or security obligations as IAC or the other relevant members of its Group may reasonably deem necessary, Expedia and the other relevant members of Expedia Group may have all requested Information duplicated. Alternatively, IAC or the other relevant members of IAC Group may choose to deliver to Expedia, at Expedia's expense, all requested Information in the form reasonably requested by Expedia or any other member of Expedia Group. At IAC's request, Expedia shall cause such Information when no longer needed to be returned to IAC at Expedia's expense.

9.02. Ownership of Information. Any Information owned by a Party or any of its Group members and that is provided to a Requesting Party pursuant to Section 9.01 shall be deemed to remain the property of the providing party. Unless specifically set forth herein or in any Ancillary Agreement, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

9.03. Compensation for Providing Information. The Party requesting Information agrees to reimburse the other Party for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the Requesting Party. Except as may be otherwise specifically provided elsewhere in this Agreement, in the Ancillary Agreements, or in any other agreement between the Parties, such

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costs shall be computed in accordance with the providing Party's standard methodology and procedures.

9.04. Record Retention. To facilitate the possible exchange of Information pursuant to this Article IX and other provisions of this Agreement after the Effective Time, the Parties agree to use commercially reasonable efforts to retain, and to cause the members of their respective Group to retain, all Information in their respective possession or control on the Effective Date in accordance with the policies of IAC Group as in effect on the Effective Date or such other policies as may be reasonably adopted by the appropriate Party after the Effective Date. No Party will destroy, or permit any member of its Group to destroy, any Information which the other Party or any member of its Group may have the right to obtain pursuant to this Agreement prior to the fifth (5th) anniversary of the Effective Date without first using commercially reasonable efforts to notify the other Party of the proposed destruction and giving the other Party the opportunity to take possession of such Information prior to such destruction.

9.05. Other Agreements Providing for Exchange of Information. The rights and obligations granted or created under this Article IX are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Ancillary Agreement.

9.06. Production of Witnesses; Records; Cooperation. (a) After the Effective Time, but only with respect to a Third Party Claim, each Party hereto shall use commercially reasonable efforts to, and shall cause the other relevant members of its Group to use commercially reasonable efforts to, make available to the other Party or any member of the Group to which the other Party belongs, upon written request, its then former and current Representatives (and the former and current Representatives of its respective Group members) as witnesses and any books, records or other documents within its control (or that of its respective Group members) or which it (or its respective Group members) otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such Representatives) or books, records or other documents may reasonably be required in connection with any Action in which the Requesting Party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The Requesting Party shall bear all costs and expenses in connection therewith.

(b) If a Party, being entitled to do so under this Agreement, chooses to defend or to seek to settle or compromise any Third Party Claim, the other Party shall use commercially reasonable efforts to make available to such Party, upon written request, its then former and current Representatives and those of its respective Group members as witnesses and any books, records or other documents within its control (or that of its respective Group members) or which it (or its respective Group members) otherwise has the ability to make available, to the extent that any such Person (giving consideration to business demands of such Representatives) or books, records or other documents may reasonably be required in connection with such defense, settlement or compromise, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, as the case may be.

(c) Without limiting the foregoing, the Parties shall cooperate and consult, and shall cause their respective Group members to cooperate and consult, to the extent reasonably

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necessary with respect to any Actions (except in the case of an Action by one Party against the other).

(d) The obligation of the Parties to provide witnesses pursuant to this Section 9.06 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses inventors and other employees without regard to whether the witness or the employer of the witness could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 9.06(a)).

(e) In connection with any matter contemplated by this Section 9.06, the Parties will enter into, and shall cause all other relevant members of their respective Groups to enter into, a mutually acceptable joint defense agreement so as to maintain to the extent practicable any applicable attorney-client privilege or work-product privileges of any member of any Group.

9.07. Confidentiality. (a) Subject to Section 9.08, each of IAC and Expedia shall hold, and shall cause its respective Group members and its respective Affiliates (whether now an Affiliate or hereafter becoming an Affiliate) and its Representatives to hold, in strict confidence, with at least the same degree of care that applies to IAC's confidential and proprietary Information pursuant to policies in effect as of the Effective Date, all confidential and proprietary Information concerning the other Group (or any member thereof) that is either in its possession (including Information in its possession prior to the date hereof) or furnished by the other Group (or any member thereof) or by any of its Affiliates (whether now an Affiliate or hereafter becoming an Affiliate) or their respective Representatives at any time pursuant to this Agreement or any Ancillary Agreement or the transactions contemplated hereby or

thereby (any such Information referred to herein as “Confidential Information”), and shall not use, and shall cause its respective Group members, Affiliates and Representatives not to use, any such Confidential Information other than for such purposes as shall be expressly permitted hereunder or thereunder.

Notwithstanding the foregoing, Confidential Information shall not include Information that is or was (i) in the public domain other than by the breach of this Agreement or by breach of any other agreement relating to confidentiality between or among the Parties and/or their respective Group members, their respective Affiliates or Representatives, (ii) lawfully acquired by such Party (or any member of the Group to which such Party belongs or any of such Party’s Affiliates) from a Third Party not bound by a confidentiality obligation, or (iii) independently generated or developed by Persons who do not have access to, or descriptions of, any such confidential or proprietary Information of the other Party (or any member of the Group to which such Party belongs).

(b) Each Party shall maintain, and shall cause its respective Group members to maintain, policies and procedures, and develop such further policies and procedures as will from time to time become necessary or appropriate, to ensure compliance with Section 9.07(a).

(c) Each Party agrees not to release or disclose, or permit to be released or disclosed, any Confidential Information to any other Person, except its Representatives who need to know such Confidential Information (who shall be advised of their obligations hereunder with respect to such Confidential Information), except in compliance with Section 9.08. Without limiting the foregoing, when any Information furnished by the other Party after the Effective Time pursuant to this Agreement or any Ancillary Agreement is no longer needed for the purposes

contemplated by this Agreement or any Ancillary Agreement, each Party will promptly, after request of the other Party and at the election of the Party receiving such request, return to the other Party all such Information in a printed or otherwise tangible form (including all copies thereof and all notes, extracts or summaries based thereon) and destroy all Information in an electronic or otherwise intangible form and certify to the other Party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon). Notwithstanding the foregoing, the Parties agree that to the extent some Information to be destroyed or returned is retained as data or records for the purpose of business continuity planning or is otherwise not accessible in the Ordinary Course of Business, such data or records shall be destroyed in the Ordinary Course of Business in accordance, if applicable, with the business continuity plan of the applicable Party.

9.08. Protective Arrangements. In the event that any Party or any member of its Group or any Affiliate of such Party or any of their respective Representatives either determines that it is required to disclose any Confidential Information (the “Disclosing Party”) pursuant to Applicable Law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Confidential Information of the other Party (or any member of the Group to which such Party belongs) (the “Providing Party”), the Disclosing Party shall, to the extent permitted by Applicable Law, promptly notify the other Party prior to the Disclosing Party disclosing or providing such Confidential Information and shall use commercially reasonable efforts to cooperate with the Providing Party so that the Providing Party may seek any reasonable protective arrangements or other appropriate remedy and/or waive compliance with this Section 9.08. All expenses reasonably incurred by the Disclosing Party in seeking a protective order or other remedy will be borne by the Providing Party. Subject to the foregoing, the Disclosing Party may thereafter disclose or provide such Confidential Information to the extent (but only to the extent) required by such Applicable Law (as so advised by legal counsel) or by lawful process or by such Governmental Authority and shall promptly provide the Providing Party with a copy of the Confidential Information so disclosed, in the same form and format as disclosed, together with a list of all Persons to whom such Confidential Information was disclosed.

9.09. Disclosure of Third Party Information. Expedia acknowledges that it and the other members of Expedia Group may have in its or their possession confidential or proprietary Information of Third Parties that was received under confidentiality or non disclosure agreements with such Third Party while part of IAC Group. Expedia will hold, and will cause the other members of its Group and its and their respective Representatives to hold, in strict confidence the confidential and proprietary Information of Third Parties to which Expedia or any other member of Expedia Group has access, in accordance with the terms of any agreements entered into prior to the Effective Time between one or more members of IAC Group (whether acting through, on behalf of, or in connection with, the Separated Businesses) and such Third Parties.

ARTICLE X

DISPUTE RESOLUTION

10.01. Agreement to Resolve Disputes. Except as otherwise specifically provided in any Ancillary Agreement, the procedures for discussion, negotiation and dispute resolution set forth

in this Article X shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the Parties relating hereto or thereto, between or among any member of IAC Group on the one hand and Expedia Group on the other hand. Each Party agrees on behalf of itself and each member of its respective Group that the procedures set forth in this Article X shall be the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any Action in or before any Governmental Authority, except as otherwise required by Applicable Law.

10.02. Dispute Resolution; Mediation.

(a) Either Party may commence the dispute resolution process of this Section 10.02 by giving the other Party written notice (a “Dispute Notice”) of any controversy, claim or dispute of whatever nature arising out of or relating to this Agreement or the breach, termination, enforceability or validity thereof (a “Dispute”) which has not been resolved in the normal course of business. The Parties shall attempt in good faith to resolve any Dispute by negotiation between executives of each Party hereto (“Senior Party Representatives”) who have authority to settle the Dispute and who are at a higher level of management than the persons who have direct responsibility for the administration of this Agreement. Within 15 days after delivery of the Dispute Notice, the receiving Party shall submit to the other a written response (the “Response”). The Dispute Notice and the Response shall include (i) a statement setting forth the position of the Party giving such notice and a summary of arguments supporting such position and (ii) the name and title of such Party’s Senior Party Representative and any other persons who will accompany the Senior Party Representative at the meeting at which the Parties will attempt to settle the Dispute. Within 30 days after the

delivery of the Dispute Notice, the Senior Party Representatives of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. The Parties shall cooperate in good faith with respect to any reasonable requests for exchanges of information regarding the Dispute or a Response thereto.

(b) If the Dispute has not been resolved within 60 days after delivery of the Dispute Notice, or if the Parties fail to meet within 30 days after delivery of the Dispute Notice as hereinabove provided, the Parties shall make a good faith attempt to settle the Dispute by mediation pursuant to the provisions of this Section 10.02 before resorting to arbitration contemplated by Section 10.03 or any other dispute resolution procedure that may be agreed by the Parties.

(c) All negotiations, conferences and discussions pursuant to this Section 10.02 shall be confidential and shall be treated as compromise and settlement negotiations. Nothing said or disclosed, nor any document produced, in the course of such negotiations, conferences and discussions that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future arbitration.

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(d) Unless the Parties agree otherwise, the mediation shall be conducted in accordance with the CPR Institute for Dispute Resolution Model Procedure for Mediation of Business Disputes in effect on the date of this Agreement by a mediator mutually selected by the Parties.

(e) Within 30 days after the mediator has been selected as provided above, both Parties and their respective attorneys shall meet with the mediator for one mediation session of at least four hours, it being agreed that each Party representative attending such mediation session shall be a Senior Party Representative with authority to settle the Dispute. If the Dispute cannot be settled at such mediation session or at any mutually agreed continuation thereof, either Party may give the other and the mediator a written notice declaring the mediation process at an end.

10.03. Arbitration. If the Dispute has not been resolved by the dispute resolution process described in Section 10.02, the Parties agree that any such Dispute shall be settled by binding arbitration before the American Arbitration Association (“AAA”) in Wilmington, Delaware pursuant to the Commercial Rules of the AAA. Any arbitrator(s) selected to resolve the Dispute shall be bound exclusively by the laws of the State of Delaware without regard to its choice of law rules. Any decisions of award of the arbitrator(s) will be final and binding upon the Parties and may be entered as a judgment by the Parties hereto. Any rights to appeal or review such award by any court or tribunal are hereby waived to the extent permitted by law.

10.04. Costs. The costs of any mediation or arbitration pursuant to this Article X shall be shared equally between the Parties.

10.05. Continuity of Service and Performance. Unless otherwise agreed in writing, the Parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article X with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE XI

FURTHER ASSURANCES

11.01. Further Assurances. (a) Except as provided in Section 13.1, each Party covenants with and in favor of the other Party as follows:

(i) prior to, on and after the Effective Time, each Party hereto shall, and shall cause the other relevant members of its Group to, cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party, to execute, acknowledge and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, assurances or documents, including instruments of conveyance, assignments and transfers, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Authorizations), and to take all such other actions as such Party may reasonably be requested to take by the other Party hereto (or any member of its Group) from time to time, consistent with the terms of this Agreement and the Ancillary

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Agreements, in order to give effect to the provisions, obligations and purposes of this Agreement and the Ancillary Agreements and the transfers of the Separated Businesses and of the Separated Assets and the assignment and assumption of the Assumed Liabilities and the other transactions contemplated hereby and thereby; and

(ii) to the extent that IAC or Expedia discovers at any time following the Effective Time any Asset that was intended to be transferred to Expedia or any other member of Expedia Group pursuant to this Agreement was not so transferred at the Effective Time, IAC shall, or shall cause the other relevant members of its Group to promptly, assign and transfer to Expedia or any other member of Expedia Group reasonably designated by Expedia such Asset and all right, title and interest therein in a manner and on the terms consistent with the relevant provisions of this Agreement, including, without limitation, Section 2.13(b). Similarly, to the extent that IAC or Expedia discovers at any time following the Effective Time any Asset that was intended to be retained by IAC or any other member of IAC Group was not so retained at the Effective Time, Expedia shall, or shall cause the other relevant members of its Group to promptly to, assign and transfer to IAC or any other member of IAC Group reasonably designated by IAC such Asset and all right, title and interest therein in a manner and on the terms consistent with the relevant provisions of this Agreement, including, without limitation, Section 2.13(b). For the avoidance of doubt, the transfer of any Assets under this paragraph (a) shall be effected without any additional consideration by either Party hereunder (such deferred transfers being referred to as “Deferred Transactions”).

(b) On or prior to the Effective Time, IAC and Expedia, in their respective capacities as direct and indirect parent companies of the members of their respective Groups, shall each approve or ratify any actions of the members of their respective Groups as may be necessary or desirable to give effect to the transactions contemplated by this Agreement and the Ancillary Agreements.

(c) Prior to the Effective Time, if a Party identifies any commercial or other service that is needed to assure a smooth and orderly transition of the businesses in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Agreement

or any Ancillary Agreement, the Parties will cooperate in determining whether there is a mutually acceptable arms' length basis on which the other Party can provide such service.

ARTICLE XII

CERTAIN OTHER MATTERS

12.01. Auditors and Audits; Annual and Quarterly Financial Statements and Accounting. Each Party agrees that during the one hundred and eighty (180) days following the Effective Time and in any event solely with respect to the preparation and audit of each of IAC's and Expedia's financial statements for the year ended December 31, 2005, the printing, filing and public dissemination of such financial statements, the audit of IAC's internal control over financial reporting and management's assessment thereof and management's assessment of IAC's disclosure controls and procedures, in each case made as of December 31, 2005:

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(a) Date of Auditors' Opinion. Expedia shall use commercially reasonable efforts to enable Expedia's auditors ("Expedia's Auditors") to complete their audit such that they will date their opinion on Expedia's audited annual financial statements on the same date that IAC's auditors ("IAC's Auditors") date their opinion on IAC's audited annual financial statements, and to enable IAC to meet its timetable for the printing, filing and public dissemination of IAC's annual financial statements.

(b) Annual Financial Statements. Each Party shall provide to the other Party on a timely basis all Information reasonably required to meet its schedule for the preparation, printing, filing, and public dissemination of its annual financial statements and for management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K and its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the SEC's and Public Company Accounting Oversight Board's rules and auditing standards thereunder (such assessments and audit being referred to as the "2005 Internal Control Audit And Management Assessments"). Without limiting the generality of the foregoing, Expedia will provide all required financial and other Information with respect to Expedia and its Subsidiaries to Expedia's Auditors in a sufficient and reasonable time and in sufficient detail to permit Expedia's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to IAC's Auditors with respect to Information to be included or contained in IAC's annual financial statements and to permit IAC's Auditors and IAC's management to complete the 2005 Internal Control Audit and Management Assessments. Similarly, IAC shall provide to Expedia on a timely basis all Information that Expedia reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of Expedia's annual financial statements. Without limiting the generality of the foregoing, IAC will provide all required financial Information with respect to IAC and its Subsidiaries to IAC's Auditors in a sufficient and reasonable time and in sufficient detail to permit IAC's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Expedia's Auditors with respect to Information to be included or contained in Expedia's annual financial statements.

(c) Access to Personnel and Books and Records. Expedia shall authorize Expedia's Auditors to make available to IAC's Auditors both the personnel who performed or are performing the annual audits of Expedia and work papers related to the annual audits of Expedia, in all cases within a reasonable time prior to Expedia's Auditors' opinion date, so that IAC's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Expedia's Auditors as it relates to IAC's Auditors' report on IAC's financial statements, all within sufficient time to enable IAC to meet its timetable for the printing, filing and public dissemination of IAC's annual financial statements. Similarly, IAC shall authorize IAC's Auditors to make available to Expedia's Auditors both the personnel who performed or are performing the annual audits of IAC and work papers related to the annual audits of IAC, in all cases within a reasonable time prior to IAC's Auditors' opinion date, so that Expedia's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of IAC's Auditors as it relates to Expedia's Auditors' report on Expedia's financial statements, all within sufficient time to enable Expedia to meet its timetable for the printing, filing and public dissemination of Expedia's annual financial statements. Expedia shall make available to IAC's Auditors and IAC's management Expedia's personnel and Expedia books and records in a

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reasonable time prior to IAC's Auditors' opinion date and IAC's management's assessment date so that IAC's Auditors and IAC's management are able to perform the procedures they consider necessary to conduct the 2005 Internal Control Audit and Management Assessments.

(d) Expedia Annual Report. Expedia will deliver to IAC a substantially final draft, as soon as the same is prepared, of the first report to be filed with the SEC that includes Expedia's audited financial statements for the year ended December 31, 2005 (the "Expedia Annual Report"); provided, however, that Expedia may continue to revise such Expedia Annual Report prior to the filing thereof, which changes will be delivered to IAC as soon as reasonably practicable; provided, further, that IAC's and Expedia's personnel will actively consult with each other regarding any changes which Expedia may consider making to the Expedia Annual Report and related disclosures prior to the anticipated filing with the SEC, with particular focus on any changes which would have an effect upon IAC's financial statements or related disclosures.

Nothing in this Section 12.01 shall require either party to violate any agreement with any Third Party regarding the confidentiality of confidential and proprietary Information relating to that Third Party or its business; provided, however, that in the event that a Party is required under this Section 12.01 to disclose any such Information, such Party shall use commercially reasonable efforts to seek to obtain such Third Party Consent to the disclosure of such Information.

ARTICLE XIII

SOLE DISCRETION OF IAC; TERMINATION

13.01. Sole Discretion of IAC. Notwithstanding any other provision of this Agreement, until the occurrence of the Effective Time, IAC shall have the sole and absolute discretion:

(a) to determine whether to proceed with all or any part of the Separation or the Reclassification, and to determine the timing of and any and all conditions to the completion of the Separation and the Reclassification or any part thereof or of any other transaction contemplated by this Agreement; and

(b) to amend or otherwise change, delete or supplement, from time to time, any term or element of the Separation or the Reclassification or any other transaction contemplated by this Agreement.

13.02. **Termination.** This Agreement and all Ancillary Agreements may be terminated and the transactions contemplated hereby may be amended, supplemented, modified or abandoned at any time prior to the Effective Date by and in the sole and absolute discretion of IAC without the approval of Expedia or of the stockholders of IAC. In the event of such termination, no Party shall have any liability of any kind to the other Party or any other Person. After the Effective Date, this Agreement may not be terminated except by an agreement in writing signed by the Parties.

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ARTICLE XIV

MISCELLANEOUS

14.01. **Limitation of Liability.** In no event shall any member of IAC Group or Expedia Group be liable to any member of the other Group for any special, consequential, indirect, collateral, incidental or punitive damages or lost profits or failure to realize expected savings or other commercial or economic loss of any kind, however caused and on any theory of liability (including negligence) arising in any way out of this Agreement, whether or not such Person has been advised of the possibility of any such damages; provided, however, that the foregoing limitations shall not limit either Party's indemnification obligations for Liabilities with respect to Third Party Claims as set forth in Article VII. The provisions of Article X shall be the Parties' sole recourse for any breach hereof or any breach of the Ancillary Agreements.

14.02. **Counterparts.** This Agreement and each Ancillary 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 thereto and delivered to the other party or parties.

14.03. **Entire Agreement.** This Agreement, the Ancillary Agreements, and the Schedules and Exhibits hereto and thereto and the specific agreements contemplated hereby or thereby contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements, oral or written, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter. No agreements or understandings exist between the Parties other than those set forth or referred to herein or therein.

14.04. **Construction.** In this Agreement and each of the Ancillary Agreements, unless a clear contrary intention appears:

- (a) the singular number includes the plural number and vice versa;
- (b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement or the relevant Ancillary Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;
- (c) reference to any gender includes each other gender;
- (d) reference to any agreement, document or instrument means such agreement, document or instrument as amended, modified, supplemented or restated, and in effect from time to time in accordance with the terms thereof subject to compliance with the requirements set forth herein or in the relevant Ancillary Agreement;
- (e) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time

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in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

- (f) "herein," "hereby," "hereunder," "hereof," "hereto" and words of similar import shall be deemed references to this Agreement or to the relevant Ancillary Agreement as a whole and not to any particular article, section or other provision hereof or thereof;
- (g) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;
- (h) the Table of Contents and headings are for convenience of reference only and shall not affect the construction or interpretation hereof or thereof;
- (i) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding;" and
- (j) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

14.05. **Signatures.** Each Party acknowledges that it and the other Party (and the other members of their respective Groups) may execute certain of the Ancillary Agreements by facsimile, stamp or mechanical signature. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature made in its respective name (or that of the applicable member of its Group) as if it were a manual signature, agrees that it will not assert that any such signature is not adequate to bind such Party to the same extent as if it were signed manually and agrees that at the reasonable request of the other Party at any time it will as promptly as reasonably practicable cause each such Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof).

14.06. Assignability. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the Parties hereto and thereto, respectively, and their respective successors and assigns; provided, however, that except as specifically provided in any Ancillary Agreement, no Party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

14.07. Third Party Beneficiaries. Except for the indemnification rights under this Agreement of any IAC Indemnified Party or any Expedia Indemnified Party in their respective capacities as such and for the release under Section 7.01 of any Person provided therein and except as specifically provided in any Ancillary Agreement, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the parties hereto and thereto and their respective successors and permitted assigns and are not intended to confer upon any Person, except the parties hereto and thereto and their respective successors and permitted assigns, any rights or remedies hereunder and (b) there are no third party beneficiaries of this Agreement or any Ancillary Agreement; and neither this Agreement nor any Ancillary Agreement shall provide any Third Party with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

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14.08. Payment Terms. (a) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount to be paid or reimbursed by one Party to the other under this Agreement shall be paid or reimbursed hereunder within thirty (30) days after presentation of an invoice or a written demand therefor and setting forth, or accompanied by, reasonable documentation or other reasonable explanation supporting such amount.

(b) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement (and any amount billed or otherwise invoiced or demanded and properly payable that is not paid within thirty (30) days of such bill, invoice or other demand) shall bear interest at a rate per annum equal to the Prime Rate plus 2% (or the maximum legal rate, whichever is lower), calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment.

14.09. Governing Law. Except as set forth in Article X, this Agreement and each Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the internal laws of the State of Delaware, irrespective of the choice of laws principles of the State of Delaware, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

14.10. Notices. All notices or other communications under this Agreement and, unless expressly provided therein, each Ancillary Agreement, shall be in writing and shall be deemed to be duly given when delivered in person or successfully transmitted by facsimile, addressed as follows:

If to IAC, to:

IAC/InterActiveCorp
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Telecopier: (212) 632-9642

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: Pamela S. Seymon, Esq.
Telecopier: (212) 403-2000

If to Expedia, to:

Expedia, Inc.
3150 139th Avenue SE
Bellevue, WA 98005
Attention: General Counsel
Telecopier: (425) 679-7251

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Any Party may, by notice to the other Party as set forth herein, change the address or fax number to which such notices are to be given.

14.11. Severability. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions 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, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party hereto or thereto. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

14.12. Publicity. Prior to the Effective Date, IAC shall be responsible for issuing any press releases or otherwise making public statements with respect to this Agreement, the Separation, the Reclassification or any of the other transactions contemplated hereby and thereby, and Expedia shall not make such statements without the prior written consent of IAC. Prior to the Effective Date, IAC and Expedia shall each consult with the other prior to making any filings with any Governmental Authority with respect thereto.

14.13. Survival of Covenants. Except as expressly set forth in this Agreement or any Ancillary Agreement, any covenants, representations or warranties contained in this Agreement and each Ancillary Agreement shall survive the Separation and Reclassification and shall remain in full force and effect.

14.14. Waivers of Default; Conflicts. (a) Waiver by any Party of any default by the other Party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) Each Party acknowledges that each of the Parties and each member of their respective Group are all currently represented by members of IAC's legal department and IAC's outside counsel. Each of IAC (on behalf of itself and every member of its Group), on the one hand, and Expedia (on behalf of itself and every member of its Group), on the other hand, waives any conflict with respect to such common representation that may arise before, at or after the Effective Date.

14.15. Amendments. This Agreement may be amended, supplemented, modified or abandoned at any time prior to the Effective Date by and in the sole and absolute discretion of IAC without the approval of Expedia or of the stockholders of IAC. After the Effective Time, no provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any Party, unless such waiver, amendment, supplement or

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modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

14.16. Controlling Documents. To the extent that the provisions of the Employee Matters Agreement, Tax Sharing Agreement or Transition Services Agreement conflict with the provisions of this Agreement, the provisions of such other agreement or agreements shall govern.

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IN WITNESS WHEREOF, the Parties have caused this Separation Agreement to be executed by their duly authorized representatives.

IAC/INTERACTIVECORP

By: /s/ Gregory R. Blatt
Name: Gregory R. Blatt
Title: Executive Vice President

EXPEDIA, INC.

By: /s/ Keenan M. Conder
Name: Keenan M. Conder
Title: Senior Vice President

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**AMENDED AND RESTATED
GOVERNANCE AGREEMENT**

among

**IAC/INTERACTIVECORP,
LIBERTY MEDIA CORPORATION,**

and

BARRY DILLER

DATED AS OF AUGUST 9, 2005

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Section 6.14.	Interpretation
Section 6.15.	Headings

EXECUTION COPY

Amended and Restated Governance Agreement

Amended and Restated Governance Agreement, dated as of August 9, 2005, among IAC/InterActiveCorp, a Delaware corporation (“IAC,” or the “Company”), Liberty Media Corporation, for itself and on behalf of the members of its Stockholder Group (“Liberty”) and Mr. Barry Diller (“Mr. Diller”) for himself and on behalf of the members of his Stockholder Group.

WHEREAS, the parties hereto have agreed that the Company, Liberty and Mr. Diller shall enter into this Agreement in order to amend and restate in its entirety the respective rights and obligations of the parties set forth in the Amended and Restated Governance Agreement, dated as of December 16, 2001 (the “2001 Governance Agreement”).

WHEREAS, the Company, Liberty and Mr. Diller desire to establish in this Agreement certain provisions concerning Liberty’s and Mr. Diller’s relationships with the Company.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the Company, Liberty and Mr. Diller hereby agree as follows:

ARTICLE I

TRANSFEREES

No Third Party Transferee shall have any rights or obligations under this Agreement, except as specifically provided for in this Agreement and except that if such Third Party Transferee shall acquire Beneficial Ownership of more than 5% of the outstanding Total Equity Securities upon consummation of any Transfer or series of related Transfers from a Stockholder, to the extent such Stockholder has the right to Transfer a Demand Registration and assigns such right in connection with a Transfer, such Third Party Transferee shall have the right to initiate one or more Demand Registrations pursuant to Section 6.07 or any registration rights agreement that replaces or supersedes Section 6.07 (and shall be entitled to such other rights that a Stockholder would have applicable to such Demand Registration), subject to the obligations of such Stockholder applicable to such demand (and the number of Demand Registrations to which such Stockholder is entitled under Section 6.07 hereof shall be correspondingly decreased).

ARTICLE II

BOARD OF DIRECTORS AND RELATED MATTERS

Section 2.01. Board of Directors.

(a) Liberty shall have the right to nominate up to two Liberty Directors so long as Liberty Beneficially Owns at least 33,651,963 Equity Securities (so long as the Ownership Percentage of Liberty is at least equal to 15% of the Total Equity Securities. Liberty shall have the right to nominate one Liberty Director so long as Liberty Beneficially Owns at least 22,434,642 Equity Securities (so long as Liberty's Ownership Percentage is at least equal to 5% of the Total Equity Securities).

(b) The Company shall cause each Liberty Director to be included in the slate of nominees recommended by the Board of Directors to the Company's stockholders for election as directors at each annual meeting of the stockholders of the Company and shall use all reasonable efforts to cause the election of each Liberty Director, including soliciting proxies in favor of the election of such persons.

(c) Within a reasonable time prior to the filing with the Commission of its proxy statement or information statement with respect to each meeting of stockholders at which directors are to be elected, the Company shall, to the extent Liberty is entitled to representation on the Company's Board of Directors in accordance with this Agreement, provide Liberty with the opportunity to review and comment on the information contained in such proxy or information statement applicable to the director nominees designated by Liberty.

(d) In the event that a vacancy is created at any time by the death, disability, retirement, resignation or removal (with or without cause) of any Liberty Director, Liberty shall have the right to designate a replacement Liberty Director to fill such vacancy, and the Company agrees to use its best efforts to cause such vacancy to be filled with the replacement Liberty Director so designated. Upon the written request of Liberty, each Stockholder shall vote (and cause each of the members of its Stockholder Group to vote, if applicable), or act by written consent with respect to, all Equity Securities Beneficially Owned by it and otherwise take or cause to be taken all actions necessary to remove the director designated by Liberty and to elect any replacement director designated by Liberty as provided in the first sentence of this Section 2.01(d). The parties hereto hereby acknowledge that as of the date of this Agreement there exist two vacancies with respect to which Liberty has the right to designate Liberty Directors in accordance with the terms of this Agreement and that, upon Liberty's designation of Liberty Directors to fill such vacancies, the Company will use its best efforts to cause such vacancies to be filled within a reasonable period of time by such Liberty Directors so designated.

Section 2.02. Management of the Business. Except as indicated in Section 2.03 below or as required by Delaware law or the Certificate of Incorporation of the Company and the By-Laws and the agreements contemplated thereby, Mr. Diller, so long as he is CEO and has not become Disabled, will continue to have full authority to operate the day-to-day business affairs of the Company to the same extent as prior to the date hereof. The Company shall use its reasonable best efforts to cause one Liberty Director designated by Liberty for such purpose to be appointed as a member of a committee of the Board of Directors and, to the extent such person qualifies under applicable law (including stock exchange or NASDAQ requirements, as applicable, and tax laws) and Section 16(b) under the Exchange Act or other similar requirements, all committees and subcommittees of the Board of Directors that make determinations relating to the compensation of executives of the Company.

Section 2.03. Contingent Matters. So long as Liberty or Mr. Diller Beneficially Owns, in the case of Liberty, at least 29,912,856 Equity Securities (including all Equity Securities held by the BDTV Entities) (so long as such Ownership Percentage equals at least 5% of the Total Equity Securities), or, in the case of Mr. Diller, at least five million Company Common Shares with respect to which he has a pecuniary interest and the CEO Termination Date (as defined in the Amended and Restated Stockholders Agreement and not as defined in this Agreement) has not occurred and Mr. Diller has not become Disabled, neither the Company nor any Subsidiary

shall take any of the following actions (any such action, a "Contingent Matter") without the prior approval of Mr. Diller and/or Liberty, whichever (or both) satisfy the foregoing Beneficial Ownership requirements:

(a) 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, that will result in, or will have a reasonable likelihood of resulting in, Liberty or Mr. Diller or any Affiliate thereof being required under law to divest itself of all or any part of its Beneficial Ownership of Company Common Shares, or interests therein, or any other material assets of such Person, or that will render such Person's continued ownership of such securities, shares, interests or assets illegal or subject to the imposition of a fine or penalty or that will impose material additional restrictions or limitations on such Person's full rights of ownership (including, without limitation, voting) thereof or therein. This Contingent Matter will be applied based only on the Beneficial Ownership of Company Common Shares, interests therein or other material assets of Liberty or Mr. Diller or any Affiliate thereof as of the date hereof; or

(b) if the Total Debt Ratio continuously equals or exceeds 4:1 over a twelve-month period, then, for so long as the Total Debt Ratio continues to equal or exceed 4:1:

(i) any 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), the grant or issuance of any debt or equity securities of the Company or any of its Subsidiaries (other than, in the case of any of the foregoing, as contemplated by Section 3.01 of this Agreement), the redemption, repurchase or reacquisition of any debt or equity securities of the Company or any of its Subsidiaries, 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 at the time of such transaction, provided that the prepayment, redemption, repurchase or conversion of prepayable, callable, redeemable or convertible securities in accordance with the terms thereof shall not be a transaction subject to this paragraph;

(ii) voluntarily commencing any liquidation, dissolution or winding up of the Company or any material Subsidiary;

(iii) any material amendments to the Certificate of Incorporation or Bylaws of the Company (including the issuance of preferred stock pursuant to the “blank check” authorization in the Certificate of Incorporation, having super voting rights (more than 1 vote per share) or entitled to vote as a class on any matter (except to the extent such class vote is required by Delaware law or to the extent the holder of such preferred stock may have the right to elect directors upon the occurrence of a default in payment of dividends or redemption price));

(iv) engagement by the Company in any line of business other than media, communications and entertainment products, services and programming,

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and electronic retailing and commerce, or other businesses engaged in by the Company as of the date of determination of the Total Debt Ratio;

(v) adopting any stockholder rights plan (or any other plan or arrangement that could reasonably be expected to disadvantage any stockholder on the basis of the size or voting power of its shareholding) that would adversely affect Liberty or Mr. Diller; and

(vi) entering into any agreement with any holder of Equity Securities in such stockholder’s capacity as such, which grants such stockholder approval rights similar in type and magnitude to those set forth in this Section 2.03.

Section 2.04. Notice of Events. In the event that (a) the Company intends to engage in a transaction of a type that is described in Section 2.03, and (b) the Company does not intend to seek consent from Liberty and/or Mr. Diller, whichever (or both) are required to consent to a Contingent Matter (a “Consenting Party”) due to the Company’s good faith belief that the specific provisions of Section 2.03 do not require such consent but that reasonable people acting in good faith could differ as to whether consent is required pursuant to such Section, the Company shall notify the Consenting Parties as to the material terms of the transaction (including the Company’s estimate of the timing thereof) by written notice (including a statement of the Total Debt Ratio) delivered as far in advance of engaging in such transaction as is reasonably practicable unless such transaction was previously publicly disclosed.

ARTICLE III

PREEMPTIVE RIGHTS

Section 3.01. Liberty Preemptive Rights. (a) In the event that after the date hereof, the Company issues or proposes to issue (other than to the Company and its Affiliates or Liberty and its Affiliates, and other than pursuant to an Excluded Issuance) any Company Common Shares (including Company Common Shares issued upon exercise, conversion or exchange of options, warrants and convertible securities (other than shares of Company Common Stock issued upon conversion of shares of Company Class B Stock) and such issuance, together with any prior issuances aggregating less than 1% with respect to which Liberty’s preemptive right has not become exercisable (including issuances prior to the date hereof which would be included for purposes of calculating the 1% threshold that have not previously been taken into account in connection with the preemptive right last preceding the date of this Agreement pursuant to the 2001 Governance Agreement), shall be in excess of 1% of the total number of Company Common Shares outstanding after giving effect to such issuance (an “Additional Issuance”), the Company shall give written notice to Liberty not later than five business days after the issuance, specifying the number of Company Common Shares issued or to be issued and the Issue Price (if known) per share. Liberty shall have the right (but not the obligation) to purchase or cause one or more of the Liberty Holdcos to purchase for cash a number (but not less than such number) of Company Common Shares (allocated between Company Common Stock and Company Class B Stock in the same proportion as the issuance or issuances giving rise to the preemptive right hereunder, except to the extent that Liberty opts to receive Company Common Stock in lieu of

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Company Class B Common Stock), so that Liberty and the Liberty Holdcos shall collectively maintain the identical percentage equity Beneficial Ownership interest in the Company that Liberty and the Liberty Holdcos collectively owned immediately prior to the notice from the Company to Liberty described in the first sentence of this paragraph (but not in excess of 20.01% of the outstanding Total Equity Securities) after giving effect to such Additional Issuance and to shares of Company Common Stock that are to be issued to Liberty and the Liberty Holdcos pursuant to this Section 3.01 by sending an irrevocable written notice to the Company not later than fifteen business days after receipt of such notice (or, if later, two business days following the determination of the Issue Price) from the Company that it elects to purchase or to cause one or more of the Liberty Holdcos to purchase all of such Company Common Shares (the “Additional Shares”). The closing of the purchase of Additional Shares shall be the later of ten business days after the delivery of the notice of election by Liberty and five business days after receipt of any necessary regulatory approvals.

(b) The purchase or redemption of any Company Common Shares by the Company or any of its Affiliates shall not result in an increase in the percentage of Company equity that Liberty may be entitled to acquire pursuant to the preemptive right in paragraph 3.01(a) above.

Section 3.02. Investment Agreement. Section 1.7 and Section 1.8 of the Investment Agreement shall be of no further force or effect and Liberty shall cease to have any preemptive rights with respect to Equity Securities, except as otherwise provided with respect to Liberty in Section 3.01 of this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations and Warranties of the Company. The Company represents and warrants to Mr. Diller and Liberty that (a) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly 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 any of the transactions contemplated

hereby, (c) this Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, and, assuming this Agreement constitutes a valid and binding obligation of each Stockholder, is enforceable against the Company in accordance with its terms, (d) neither the execution, delivery or performance of this Agreement by the Company constitutes a breach or violation of or conflicts with the Company's Certificate of Incorporation or By-laws or any material agreement to which the Company is a party and (e) none of such material agreements would impair in any material respect the ability of the Company to perform its obligations hereunder.

Section 4.02. Representations and Warranties of the Stockholders. Each Stockholder, severally as to itself (and, in the case of Mr. Diller, as applicable), represents and warrants to the

Company and the other Stockholder that (a) it is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and he or it, as the case may be, has the power and authority (corporate or otherwise) to enter into this Agreement and to carry out his or its obligations hereunder, (b) the execution and delivery of this Agreement by such Stockholder and the consummation by such Stockholder of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Stockholder and no other proceedings on the part of such Stockholder are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) this Agreement has been duly executed and delivered by such Stockholder and constitutes a valid and binding obligation of such Stockholder, and, assuming this Agreement constitutes a valid and binding obligation of the Company, is enforceable against such Stockholder in accordance with its terms, (d) neither the execution, delivery or performance of this Agreement by such Stockholder constitutes a breach or violation of or conflicts with its certificate of incorporation or by-laws (or similar governing documents) or any material agreement to which such Stockholder is a party and (e) none of such material agreements would impair in any material respect the ability of such Stockholder to perform its obligations hereunder.

ARTICLE V

DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

Section 5.01. "2001 Governance Agreement" shall have the meaning set forth in the Recitals to this Agreement.

Section 5.02. "Affiliate" shall have the meaning set forth in Rule 12b-2 under the Exchange Act (as in effect on the date of this Agreement). For purposes of this definition, (i) natural persons shall not be deemed to be Affiliates of each other, (ii) none of Mr. Diller, Liberty or any of their respective Affiliates shall be deemed to be an Affiliate of the Company or its Affiliates, (iii) none of the Company, Liberty or any of their respective Affiliates shall be deemed to be an Affiliate of Mr. Diller or his Affiliates, (iv) none of the Company, Mr. Diller or any of their respective Affiliates shall be deemed to be an Affiliate of Liberty or its Affiliates, and (v) the Company shall not be deemed to be an Affiliate of Expedia, Inc. based upon the common control of the Company and Expedia, Inc. by the Stockholders.

Section 5.03. "Amended and Restated Stockholders Agreement" shall mean the stockholders agreement dated as of the date hereof between Liberty and Mr. Diller.

Section 5.04. "BDTV Entities" shall have the meaning specified in the Amended and Restated Stockholders Agreement.

Section 5.05. "Beneficial Ownership" or "Beneficially Own" shall have the meaning given such term in Rule 13d-3 under the Exchange Act and a Person's Beneficial Ownership of Company Common Shares shall be calculated in accordance with the provisions of such Rule; provided, however, that for purposes of Beneficial Ownership, (a) a Person shall be deemed to be the Beneficial Owner of any Equity Securities which may be acquired by such Person

(disregarding any legal impediments to such Beneficial Ownership), whether within 60 days or thereafter, upon the conversion, exchange or exercise of any warrants, options (which options held by Mr. Diller shall be deemed to be exercisable), rights or other securities issued by the Company or any Subsidiary thereof, (b) no Person shall be deemed to Beneficially Own any Equity Securities solely as a result of such Person's execution of this Agreement (including by virtue of holding a proxy with respect to any Equity Securities), or the Amended and Restated Stockholders Agreement, or with respect to which such Person does not have a pecuniary interest, and (c) Liberty shall be deemed to be the Beneficial Owner of all of the Company Common Shares held by each BDTV Entity.

Section 5.06. "CEO" shall mean the Chief Executive Officer of the Company or any successor entity.

Section 5.07. "CEO Termination Date" shall mean the date that Mr. Diller no longer serves as CEO.

Section 5.08. "Commission" shall mean the Securities and Exchange Commission.

Section 5.09. "Company" shall have the meaning set forth in the Recitals to this Agreement.

Section 5.10. "Company Common Shares" shall mean shares of Company Common Stock and Company Class B Stock.

Section 5.11. "Company Class B Stock" shall mean class B common stock, \$0.001 par value per share, of the Company.

Section 5.12. "Company Common Stock" shall mean common stock, \$0.001 par value per share, of the Company.

Section 5.13. "Consenting Party" shall have the meaning set forth in Section 2.03 of this Agreement.

Section 5.14. "Demand Registration" shall have the meaning set forth in Section 6.07(b) of this Agreement.

Section 5.15. “Disabled” shall mean the disability of Mr. Diller after the expiration of more than 180 consecutive days after its commencement which is determined to be total and permanent by a physician selected by Liberty and reasonably acceptable to Mr. Diller, his spouse or a personal representative designated by Mr. Diller; provided that Mr. Diller shall be deemed to be disabled only following the expiration of 90 days following receipt of a written notice from the Company and such physician specifying that a disability has occurred if within such 90-day period he fails to return to managing the business affairs of the Company. Total disability shall mean mental or physical incapacity that prevents Mr. Diller from managing the business affairs of the Company.

Section 5.16. “EBITDA” shall mean, for any period, for the Company and its Subsidiaries, on a combined consolidated basis: net income plus (to the extent reflected in the

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determination of net income) (i) provision for income taxes, (ii) minority interest, (iii) interest income and expense, (iv) depreciation and amortization, (v) amortization of cable distribution fees, and (vi) amortization of non-cash distribution and marketing expense and non-cash compensation expense.

Section 5.17. “Equity Securities” shall mean the equity securities of the Company calculated on a Company Common Stock equivalent basis, including the Company Common Shares and those shares issuable upon exercise, conversion or redemption of other securities of the Company not otherwise included in this definition.

Section 5.18. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

Section 5.19. “Excluded Issuance” shall mean any issuance of Company Common Shares (i) in a Sale Transaction, or (ii) which is “restricted stock” or the ownership of which is otherwise subject to forfeiture (“Restricted Stock”), provided that for purposes of this definition and Section 3.01 of this Agreement any stock covered by the provisions of clause (ii) shall be deemed to have been issued for purposes of Section 3.01 of this Agreement on the date (the “Lapse Date”) the restrictions on such stock lapse or on which the stock is no longer subject to forfeiture.

Section 5.20. “Fair Market Value” for a security publicly traded in the over-the-counter market (on either NASDAQ-NMS or NASDAQ) or on a recognized exchange shall be the average closing price of such security for the three trading days ending on the applicable day (or, if such day is not a trading day, the trading day immediately preceding the applicable day), and for all other securities or property “Fair Market Value” shall be determined, by a nationally recognized investment banking firm which has not been engaged by the Company or Liberty or their respective Affiliates (including, with respect to the Company, for so long as Mr. Diller is Chairman of the Board of Expedia, Inc., Expedia, Inc.) for the prior three years, selected by (i) the Company and (ii) Liberty; provided that, if the Company and Liberty cannot agree on such an investment banking firm within 10 business days, such investment banking firm shall be selected by a panel designated in accordance with the rules of the American Arbitration Association. The fees, costs and expenses of the American Arbitration Association and the investment banking firm so selected shall be borne equally by the Company and Liberty.

Section 5.21. “IAC” shall have the meaning set forth in the Recitals to this Agreement.

Section 5.22. “Issue Price” shall mean the price per share equal to (i) in connection with an underwritten offering of Company Common Shares, the initial price at which the stock is offered to the public or other investors, (ii) in connection with other sales of Company Common Shares for cash, the cash price paid for such stock, (iii) in connection with the deemed issuances of Restricted Stock, the Fair Market Value of the stock on the Lapse Date (as defined in the definition of “Excluded Issuance” above), (iv) in connection with the issuance of Company Common Shares as consideration in an acquisition by the Company, the average of the Fair Market Value of the stock for the five trading days ending on the third trading day immediately preceding (a) the date upon which definitive agreements with respect to such acquisition were entered into if the number of Company Common Shares issuable in such transaction is fixed on

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that date, or (b) such later date on which the consideration, or remaining portion thereof, issuable in such transaction becomes fixed, (v) in connection with a compensatory issuance of shares of Company Common Stock, the Fair Market Value of the Company Common Stock, and (vi) in all other cases, including, without limitation, in connection with the issuance of Company Common Shares pursuant to an option, warrant or convertible security (other than in connection with issuances described in clause (v) above), the Fair Market Value of the Company Common Shares on the date of issuance.

Section 5.23. “Liberty Director” shall mean (a) any executive officer or director of Liberty designated by Liberty to serve on the Company’s Board of Directors, provided that the Company’s Board of Directors is not unable, in the exercise of its fiduciary responsibilities, to recommend that the Company’s stockholders elect such individual to serve on the Company’s Board of Directors, or (b) any other Person designated by Liberty who is reasonably acceptable to the Company.

Section 5.24. “Liberty Holdco” shall mean any holding company wholly owned by Liberty and reasonably acceptable to the Company, formed solely for the purpose of acquiring and holding an equity interest in the Company.

Section 5.25. “Ownership Percentage” means, with respect to any Stockholder, at any time, the ratio, expressed as a percentage, of (i) the Equity Securities Beneficially Owned by such Stockholder (disregarding any legal impediments to such Beneficial Ownership) and its Affiliates to (ii) the sum of (x) the Total Equity Securities and (y) with respect to such Stockholder, any Company Common Shares included in clause (i) that are issuable upon conversion, exchange or exercise of Equity Securities that are not included in clause (x).

Section 5.26. “Permitted Transferee” shall mean Liberty or Mr. Diller and the members of their respective Stockholder Groups.

Section 5.27. “Person” shall mean any individual, partnership, joint venture, corporation, limited liability company, trust, unincorporated organization, government or department or agency of a government.

Section 5.28. “Sale Transaction” shall mean the consummation of a merger, consolidation or amalgamation between the Company and another entity (other than an Affiliate of the Company) in which the Company is acquired by such other entity or a Person who controls such entity, or a sale of all or substantially all of the assets of the Company to another entity, other than a Subsidiary of the Company.

Section 5.29. “Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

Section 5.30. “Stockholders” shall mean Liberty and Mr. Diller.

Section 5.31. “Stockholder Group” shall mean (a) in respect of Liberty, the Liberty Stockholder Group (as defined in the Amended and Restated Stockholders Agreement) and (b) in respect of Mr. Diller, the Diller Stockholder Group (as defined in the Amended and Restated Stockholders Agreement).

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Section 5.32. “Subsidiary” shall mean, as to any Person, any corporation or other Person at least a majority of the shares of stock or other ownership interests of which having general voting power under ordinary circumstances to elect a majority of the Board of Directors or similar governing body of such corporation or other entity (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency) is, at the time as of which the determination is being made, owned by such Person, or one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries.

Section 5.33. “Third Party Transferee” shall have the meaning ascribed to such term in the Amended and Restated Stockholders Agreement.

Section 5.34. “Total Debt” shall mean all obligations of the Company and its Subsidiaries for money borrowed, at such time (including all long-term senior and subordinated indebtedness, all short-term indebtedness, the stated amount of all letters of credit issued for the account of the Company or any of its Subsidiaries and (without duplication) all unreimbursed draws thereunder (but excluding trade letters of credit)), net of cash (other than working capital) or cash equivalent securities, as shown on the consolidated quarterly or annual financial statements, including the notes thereto, of the Company and its Subsidiaries included in the Company’s filings under the Exchange Act for such period, determined in accordance with GAAP, provided, however, that Total Debt shall not include hedging, pledging, securitization or similar transactions involving securities owned by the Company or its Subsidiaries to monetize the underlying securities, to the extent such securities are the sole means of satisfying such obligations and otherwise the fair value thereof.

Section 5.35. “Total Debt Ratio” shall mean, at any time, the ratio of (i) Total Debt of the Company and its Subsidiaries on a combined consolidated basis as of such time to (ii) EBITDA for the four fiscal quarter period ending as of the last day of the most recently ended fiscal quarter as of such time.

Section 5.36. “Total Equity Securities” at any time shall mean, subject to the next sentence, the total number of the Company’s outstanding equity securities calculated on a Company Common Stock equivalent basis. Any Equity Securities Beneficially Owned by a Person that are not outstanding Voting Securities but that, upon exercise, conversion or exchange, would become Voting Securities, shall be deemed to be outstanding for the purpose of computing Total Equity Securities and the percentage of Equity Securities owned by such Person but shall not be deemed to be outstanding for the purpose of computing Total Equity Securities and the percentage of the Equity Securities owned by any other Person.

Section 5.37. “Transfer” shall mean, directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of, any Company Common Shares Beneficially Owned by such Stockholder or any interest in any Company Common Shares Beneficially Owned by such Stockholder, provided, however, that, a merger or consolidation in which a Stockholder is a constituent corporation shall not be deemed to be the Transfer of any Company Common Shares Beneficially Owned by such Stockholder

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(provided, that a significant purpose of any such transaction is not to avoid the provisions of this Agreement). For purposes of this Agreement, the conversion of Company Class B Stock into Company Common Stock shall not be deemed to be a Transfer.

Section 5.38. “Voting Securities” shall mean at any particular time the shares of any class of capital stock of the Company which are then entitled to vote generally in the election of directors.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy) and shall be given, if to Liberty Media Corporation, to:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attention: General Counsel
Facsimile: (720) 875-5382

with a copy to:

Baker Botts L.L.P.
30 Rockefeller Plaza
44th Floor

New York, New York 10112
Attention: Frederick H. McGrath
Facsimile: (212) 408-2501

if to Mr. Diller, to:

Barry Diller
Chairman and Chief Executive Officer
IAC/InterActiveCorp
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Facsimile: (212) 632-9642

with a copy to:

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IAC/InterActiveCorp
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Attention: General Counsel
Facsimile: (212) 632-9642

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Pamela S. Seymon
Andrew J. Nussbaum
Facsimile: (212) 403-2000

if to the Company, to:

IAC/InterActiveCorp
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Attention: General Counsel
Facsimile: (212) 632-9642

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Pamela S. Seymon
Andrew J. Nussbaum
Facsimile: (212) 403-2000

or such address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective when delivered personally, telegraphed, or teletyped, or, if mailed, five business days after the date of the mailing.

Section 6.02. Amendments; No Waivers. (a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the party whose rights or obligations hereunder are affected by such amendment, or in the case of a waiver, by the party or parties against whom the waiver is to be effective. Any amendment or waiver by the Company shall be authorized by a majority of the Board of Directors (excluding for this purpose any director who is a Liberty Director as provided for in this Agreement).

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(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 6.03. Successors And Assigns. Except as provided in Article I, neither this Agreement nor any of the rights or obligations under this Agreement shall be assigned, in whole or in part (except by operation of law pursuant to a merger of Liberty with another Person a significant purpose of which is not to avoid the provisions of this Agreement), by any party without the prior written consent of the other parties hereto. Subject to the foregoing, the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 6.04. Governing Law; Consent To Jurisdiction. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Delaware, without giving effect to the principles of conflicts of laws. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the non-exclusive jurisdiction of the courts of the State of Delaware, for any action, proceeding or investigation in any court or before any governmental authority ("Litigation") arising out of or relating to this Agreement and the transactions contemplated hereby and further agrees that service of any process, summons, notice or document by U.S. mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Delaware, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Litigation brought in any such court has been brought in an inconvenient forum. Each of the parties irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in connection with any Litigation arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 6.05. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 6.06. Specific Performance. The Company, Mr. Diller and Liberty each acknowledges and agrees that the parties' respective remedies at law for a breach or threatened breach of any of the provisions of this Agreement would be inadequate and, in recognition of that fact, agrees that, in the event of a breach or threatened breach by the Company or Liberty of the provisions of this Agreement, in addition to any remedies at law, Mr. Diller, Liberty and the Company, respectively, without posting any bond shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

Section 6.07. Registration Rights. (a) Liberty and Mr. Diller shall be entitled to customary registration rights relating to Company Common Stock owned by them as of the date

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hereof or acquired from the Company (including upon conversion of Company Class B Stock) in the future (including the ability to transfer registration rights as set forth in this Agreement in connection with the sale or other disposition of Company Common Stock).

(b) If requested by a Stockholder, the Company shall be required promptly to cause the Company Common Stock owned by such Stockholder or its Affiliates to be registered under the Securities Act in order to permit such Stockholder or such Affiliate to sell such shares in one or more (but not more than (i) in the case of Liberty, four and (ii) in the case of Mr. Diller, three) registered public offerings (each, a "Demand Registration"). Each Stockholder shall also be entitled to customary piggyback registration rights. If the amount of shares sought to be registered by a Stockholder and its Affiliates pursuant to any Demand Registration is reduced by more than 25% pursuant to any underwriters' cutback, then such Stockholder may elect to request the Company to withdraw such registration, in which case, such registration shall not count as one of such Stockholder's Demand Registrations. If a Stockholder requests that any Demand Registration be an underwritten offering, then such Stockholder shall select the underwriter(s) to administer the offering, provided that such underwriter(s) shall be reasonably satisfactory to the Company. If a Demand Registration is an underwritten offering and the managing underwriter advises the Stockholder initiating the Demand Registration in writing that in its opinion the total number or dollar amount of securities proposed to be sold in such offering is such as to materially and adversely affect the success of such offering, then the Company will include in such registration, first, the securities of the initiating Stockholder, and, thereafter, any securities to be sold for the account of others who are participating in such registration (as determined on a fair and equitable basis by the Company). In connection with any Demand Registration or inclusion of a Stockholder's or its Affiliate's shares in a piggyback registration, the Company, such Stockholder and/or its Affiliates shall enter into an agreement containing terms (including representations, covenants and indemnities by the Company and such Stockholder), and shall be subject to limitations, conditions, and blackout periods, customary for a secondary offering by a selling stockholder. The costs of the registration (other than underwriting discounts, fees and commissions) shall be paid by the Company. The Company shall not be required to register such shares if a Stockholder would be permitted to sell the Company Common Stock in the quantities proposed to be sold at such time in one transaction under Rule 144 of the Securities Act or under another comparable exemption therefrom.

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

Section 6.08. Termination. Except as otherwise provided in this Agreement, this Agreement shall terminate (a) as to Liberty, at such time that Liberty Beneficially Owns Equity Securities representing less than 5% of the Total Equity Securities and (b) as to Mr. Diller, at such time that the CEO Termination Date has occurred or at such time as he becomes Disabled. In respect of "Contingent Matters," such provisions shall terminate as to Mr. Diller and Liberty as set forth therein.

Section 6.09. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the

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remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated, provided that the parties hereto shall negotiate in good faith to attempt to place the parties in the same position as they would have been in had such provision not been held to be invalid, void or unenforceable.

Section 6.10. Cooperation. Each of Liberty and Mr. Diller covenants and agrees with the other to use its reasonable best efforts to cause the Company to fulfill the Company's obligations under this Agreement.

Section 6.11. Adjustment Of Share Numbers and Prices. If, after the effective time of this Agreement, there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the shares of capital stock referred to in this Agreement, then, in any such event, the numbers and types of shares of such capital stock referred to in this Agreement and, if applicable, the prices of such shares, shall be adjusted to the number and types of shares of such capital stock that a holder of such number of shares of such capital stock would own or be entitled to receive as a result of

such event if such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event and the prices for such shares shall be similarly adjusted.

Section 6.12. Effective Time. This Agreement shall become effective immediately following the effective time of the Company's spin off of Expedia, Inc.

Section 6.13. Entire Agreement. Except as otherwise expressly set forth herein, this Agreement, the Amended and Restated Stockholders Agreement, and as provided in Section 5.1 of the Amended and Restated Stockholders Agreement, the 1997 Stockholders Agreement embody the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way (including, without limitation, effective upon the date hereof, all stockholders agreements relating to the Company (other than the Amended and Restated Stockholders Agreement) between Liberty and Mr. Diller). Effective upon the effective time of this Agreement, the 2001 Governance Agreement shall terminate and shall be superseded by this Agreement.

Section 6.14. Interpretation. References in this Agreement to Articles and Sections shall be deemed to be references to Articles and Sections of this Agreement unless the context shall otherwise require. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "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 such agreement or instrument.

Section 6.15. Headings. The titles of Articles and Sections of this Agreement are for convenience only and shall not be interpreted to limit or otherwise affect the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Governance Agreement to be duly executed as of the day and year first above written.

IAC/INTERACTIVECORP

By /s/ Gregory R. Blatt

Name: Gregory R. Blatt

Title: Executive Vice President

LIBERTY MEDIA CORPORATION

By /s/ Authorized Representative

Name:

Title:

/s/ Barry Diller

BARRY DILLER

[SIGNATURE PAGE TO AMENDED AND RESTATED GOVERNANCE AGREEMENT]

**AMENDED AND RESTATED
STOCKHOLDERS AGREEMENT**

between

LIBERTY MEDIA CORPORATION

and

BARRY DILLER

Dated as of August 9, 2005

IAC/INTERACTIVECORP

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AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, dated as of August 9, 2005, between Liberty Media Corporation, a Delaware corporation (“Liberty”), for itself and on behalf of the members of the Liberty Stockholder Group and Mr. Barry Diller (“Diller”), for himself and on behalf of the members of the Diller Stockholder Group.

WHEREAS, the parties hereto have agreed that Liberty and Diller shall enter into this Agreement in order to amend and restate in its entirety the respective rights and obligations of the parties set forth in the Amended and Restated Stockholders Agreement, dated as of December 16, 2001 (the “2001 Stockholders Agreement”); and

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and obligations hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Certain Defined Terms. As used herein, the following terms shall have the following meanings:

“1997 Stockholders Agreement” means the Stockholders Agreement, dated as of October 19, 1997, among Universal Studios, Inc., Liberty, Diller and The Seagram Company Ltd., as in effect as of such date and without giving effect to any termination of such agreement (including in connection with the execution of any agreement intended to supersede such agreement).

“Affiliate” means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such specified Person, for so long as such Person remains so associated to the specified Person. For purposes of this definition, natural persons shall not be deemed to be Affiliates of each other, and none of Liberty, Diller or the Company shall be deemed to be Affiliates of any of the others. In addition, for purposes of this definition, Expedia, Inc. and the Company shall not be deemed Affiliates of one another as a result of such entities being under the common control of the Stockholders.

“Agreement” means this Amended and Restated Stockholders Agreement as it may be amended, supplemented, restated or modified from time to time.

“BDTV I” means BDTV, Inc., a Delaware corporation.

“BDTV II” means BDTV II, Inc., a Delaware corporation.

“BDTV III” means BDTV III, Inc., a Delaware corporation.

“BDTV IV” means BDTV IV, Inc., a Delaware corporation.

“BDTV Entities” means, collectively, the BDTV Limited Entities and the BDTV Unrestricted Entities.

“BDTV Limited Entities” means, collectively, BDTV I and BDTV II.

“BDTV Unrestricted Entities” means BDTV III, BDTV IV and each other BDTV Entity that may be formed subsequent to the date hereof; provided that each of Liberty and Diller acknowledges and agrees that any corporation, partnership, limited liability company or other business association hereafter formed by Diller and Liberty to hold Common Shares will be a BDTV Unrestricted Entity and will be a corporation, partnership, limited liability company or other business association having a capital structure and governance rights substantially similar to that of BDTV III.

“beneficial owner” or “beneficially own” has the meaning given such term in Rule 13d-3 under the Exchange Act and a Person’s beneficial ownership of Common Shares or Voting Securities shall be calculated in accordance with the provisions of such Rule; provided, however, that for purposes of determining beneficial ownership, (i) a Person shall be deemed to be the beneficial owner of any Equity which may be acquired by such Person (disregarding any legal impediments to such beneficial ownership), whether within 60 days or thereafter, upon the conversion, exchange or exercise of any warrants, options (which options held by Diller shall be deemed to be exercisable), rights or other securities issued by the Company, (ii) no Person shall be deemed to beneficially own any Equity solely as a result of such Person’s execution of this Agreement (including by virtue of holding a proxy with respect to any shares) or the Governance Agreement, and (iii) Liberty shall be deemed to be the beneficial owner of all of the Common Shares owned by each BDTV Entity, other than for purposes of Articles III and V of this Agreement. Notwithstanding the foregoing, for purposes of calculating the Minimum Stockholder Amount, a Person shall be deemed to be the beneficial owner only of Common Shares which are issued and outstanding.

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

“Business Day” shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the City of New York.

“Capital Stock” means, with respect to any Person at any time, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of capital stock, partnership interests (whether general or limited) or equivalent ownership interests in or issued by such Person.

“Cause” means (i) the conviction of, or pleading guilty to, any felony, or (ii) the willful, continued and complete failure to attend to managing the business affairs of the Company, after written notice of such failure from the Board and reasonable opportunity to cure.

“CEO” means the Chief Executive Officer of the Company.

“CEO Termination Date” means the later of (i) such time as Diller no longer serves as CEO and (ii) such time as Diller no longer holds the Liberty Proxy (other than suspension of such proxy pursuant to Section 3.3(e)).

“Class B Common Stock” means the Class B common stock, par value \$0.001 per share, of the Company and any securities of the Company issued in respect thereof, or in substitution

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therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization (other than Common Stock issued upon conversion of Class B Common Stock).

“Commission” means the Securities and Exchange Commission, and any successor commission or agency having similar powers.

“Common Shares” means, collectively, the Common Stock and the Class B Common Stock.

“Common Stock” means the common stock, par value \$0.001 per share, of the Company and any securities of the Company issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization.

“Company” means IAC/InterActiveCorp, a Delaware corporation, and any successor by merger, consolidation, or other business combination.

“Contingent Matters” shall have the meaning ascribed to such term in the Governance Agreement.

“control” (including the terms “controlled by” and “under common control with”), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise.

“Daily Hedging Limit” means a number of shares of Common Stock not to exceed on any single day 25% of the average daily trading volume of the Common Stock during the three full calendar months preceding the date of determination (disregarding any sales by Liberty).

“Diller Interest Purchase Price” means the cash amount (or cash value of Equity) contributed by Diller to a BDTV Entity plus interest on such amount, from the date of such contribution to the date of purchase of Diller’s Interest in such BDTV Entity by a member of the Liberty Stockholder Group, at the rate of interest per annum in effect from time to time and publicly announced by The Bank of New York as its prime rate of interest, compounded annually. For purposes of BDTV I, BDTV II, BDTV III and BDTV IV, the cash amount (or cash value of Equity) initially contributed by Diller was \$100 in each such BDTV Entity.

“Diller Stockholder Group” means (i) Diller and (ii) any Affiliate of Diller which (A) Diller controls and (B) in which Diller owns, directly or indirectly, 90% or more of the outstanding Capital Stock or other ownership interests, which such Affiliate holds Equity subject to this Agreement.

“Director” means any member of the Board.

“Disabled” means the disability of Diller after the expiration of more than 180 consecutive days after its commencement which is determined to be total and permanent by a

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physician selected by Liberty and reasonably acceptable to Diller, his spouse or a personal representative designated by Diller; provided that Diller shall be deemed to be disabled only following the expiration of 90 days following receipt of a written notice from the Company and such physician specifying that a disability has occurred if within such 90-day period he fails to return to managing the business affairs of the Company. A total disability shall mean mental or physical incapacity that prevents Diller from managing the business affairs of the Company.

“Eligible Stockholder Amount” means, in the case of Diller, the equivalent of 2,200,000 Common Shares and, in the case of Liberty (including, in the case of Liberty, all of the Common Shares owned by the BDTV Entities), 2,000,000 shares of Common Stock, in each case determined on a fully diluted basis (taking into account, in the case of Diller, all unexercised Options, whether or not then exercisable).

“Equity” means any and all shares of Capital Stock of the Company, securities of the Company convertible into, or exchangeable for, such shares, and options, warrants or other rights to acquire such shares.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” means, as to any securities or other property, the cash price at which a willing seller would sell and a willing buyer would buy such securities or property in an arm’s-length negotiated transaction without time constraints.

“FCC” means the Federal Communications Commission or its successor.

“FCC Regulations” means, as of any date, all federal communications statutes and all rules, regulations, orders, decrees and policies of the FCC as then in effect, and any interpretations or waivers thereof or modifications thereto.

“Governance Agreement” means the Amended and Restated Governance Agreement, among the Company, Diller and Liberty, of even date herewith, as it may be amended, supplemented, restated or modified from time to time hereafter.

“Group” shall have the meaning assigned to it in Section 13(d)(3) of the Exchange Act.

“Hedging Transaction” means any (i) short sale, (ii) any purchase, sale or grant of any right (including, without limitation, any put or call option), or (iii) any forward sale (whether for a fixed or variable number of shares or at a fixed or variable price) of or with respect to, or any non-recourse loan secured by, Common Stock or any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from Common Stock, and such term includes (a) the pledge of Common Stock in connection with any of the foregoing to secure the obligations of the pledgor under a Hedging Transaction and (b) the pledge of a Hedging Transaction itself to secure any extension of credit to a party based, in whole or part, on the value thereof.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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“Independent Investment Banking Firm” means an investment banking firm of nationally recognized standing that is, in the reasonable judgment of the Person engaging such firm, qualified to perform the task for which it has been engaged.

“Liberty Stockholder Group” means Liberty and those Subsidiaries of Liberty that, from time to time, hold Equity subject to this Agreement.

“Market Sale” means a “brokers’ transaction” within the meaning of Section 4(4) of the Securities Act.

“Minimum Stockholder Amount” means Common Shares representing at least 50.1% of the outstanding voting power of the outstanding Common Shares.

“Options” means options to acquire Capital Stock of the Company granted by the Company to Diller and outstanding from time to time.

“Permitted Designee” means any Person designated by a Stockholder, who shall be reasonably acceptable to the other Stockholder, to exercise such Stockholder’s rights pursuant to Section 4.3.

“Permitted Transferee” means (i) with respect to Liberty, any member of the Liberty Stockholder Group, and (ii) with respect to Diller, any member of the Diller Stockholder Group. In addition, each of Liberty and Diller shall be a Permitted Transferee of its respective Permitted Transferees.

“Person” means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivisions thereof or any Group comprised of two or more of the foregoing.

“Public Stockholder” means any Person that, together with its Affiliates (a) has sole or shared voting power with respect to Voting Securities representing no more than 10% of the voting power of the outstanding Voting Securities or (b) has sole or shared power to dispose of Equity representing no more than 10% of the Equity to be tendered or exchanged in any applicable tender or exchange offer, as the case may be.

“Reference Rate” means, for any day, a fixed rate per annum equal to the yield, expressed as a percentage per annum, obtained at the official auction of 90-day United States Treasury Bills most recently preceding the date thereof plus 100 basis points.

“Related Hedging Transactions” means a series of Hedging Transactions between members of the Liberty Stockholder Group on the one hand, and the same counterparty or its Affiliates, on the other hand, which Hedging Transactions each have specified maturity dates occurring within a period of thirty days.

“Securities Act” means the Securities Act of 1933, as amended.

“Stockholder” means each of Liberty and Diller.

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“Stockholder Group” means one or more of the Diller Stockholder Group and the Liberty Stockholder Group. For purposes of this Agreement, (i) prior to the time that Liberty acquires Diller’s interest in a BDTV Entity, each BDTV Entity shall be deemed to be a member of the Liberty Stockholder Group except as otherwise expressly set forth herein and (ii) a Stockholder’s Permitted Designee shall be deemed to be a member of the designating Stockholder’s Stockholder Group (other than for purposes of Section 4.1(a)(w)).

“Subsidiary” means, with respect to any Person, any corporation or other entity of which at least a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

“Third Party Transferee” means any Person to whom a Stockholder (including a Third Party Transferee subject to this Agreement pursuant to Sections 4.5(b) and 4.5(c)) or a Permitted Transferee Transfers Common Shares, other than a Permitted Transferee of such Stockholder or a member of another Stockholder Group.

“Transfer” means, directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of, any Common Shares beneficially owned by a Stockholder or any interest in any Common Shares beneficially owned by a Stockholder, provided, however, that a merger or consolidation in which a Stockholder is a constituent corporation shall not be deemed to be the Transfer

of any Common Shares beneficially owned by such Stockholder (provided, that a significant purpose of any such transaction is not to avoid the provisions of this Agreement).

“Voting Securities” means at any time shares of any class of Capital Stock of the Company which are then entitled to vote generally in the election of Directors.

Section 1.2. Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

<u>Term</u>	<u>Section</u>
Appraisal	Section 4.3(c)
Diller	Preamble
Diller Termination Date	Section 6.2(b)
Exchange Notice	Section 4.4(a)
Expedia Shares	Section 5.2
Initiating Party	Section 4.2(a)
L/D Offer Notice	Section 4.3(b)
L/D Offer Price	Section 4.3(c)
L/D Other Party	Section 4.3(b)
L/D Transferring Party	Section 4.3(a)
Liberty	Preamble
Liberty Lending Limit	Section 4.3(f)
Liberty Proxy	Section 3.3(a)
Liberty Proxy Shares	Section 3.3(a)

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<u>Term</u>	<u>Section</u>
Liberty Termination Date	Section 6.2(a)
Litigation	Section 6.14
Non-Transferring Stockholder	Section 4.4(a)
Settlement Threshold	Section 4.3(e)
Stock Lending Transaction	Section 4.2(f)
Tag-Along Notice	Section 4.2(a)
Tag-Along Sale	Section 4.2(a)
Tag-Along Shares	Section 4.2(a)
Tag Party	Section 4.2(a)
Transferring Stockholders	Section 4.4(a)

Section 1.3. Other Definitional Provisions. (a) 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, and Article and Section references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) For purposes of calculating the amount of outstanding Common Shares or Equity as of any date and the number of Common Shares or Equity beneficially owned by any Person as of any date, any Common Shares held in the Company’s treasury or owned by any Subsidiaries of the Company shall be disregarded.

ARTICLE II

RESERVED

ARTICLE III

CORPORATE GOVERNANCE

Section 3.1. Voting on Certain Matters. (a) In the event that Section 2.03 of the Governance Agreement is applicable, in connection with any vote or action by written consent of the stockholders of the Company relating to any matter that constitutes a Contingent Matter, Liberty and Diller agree (and each agrees to cause each member of its Stockholder Group, if applicable), with respect to any Common Shares with respect to which it or he has the power to vote (whether by proxy, the ownership of voting securities of a BDTV Entity or otherwise) (including all Common Shares held by any BDTV Entity), (x) to vote against (and not act by written consent to approve) such Contingent Matter (including causing each BDTV Entity to vote all Common Shares held by it against approval of such Contingent Matter and not executing any written consents with respect to such Common Shares held by any BDTV Entity) unless Liberty and Diller (or, if either such Stockholder’s consent is no longer required pursuant to the Governance Agreement, the Stockholder whose consent is then required) have

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consented to such Contingent Matter in accordance with the provisions of the Governance Agreement and (y) to take or cause to be taken all other reasonable actions required, to the extent permitted by law, to prevent the taking of any action by the Company with respect to a Contingent Matter without the consent of Liberty and/or Diller (as applicable).

(b) Each Stockholder agrees to vote (and cause each member of its or his Stockholder Group to vote, if applicable), or act by written consent with respect to, any Common Shares with respect to which it or he has the power to vote (whether by proxy, the ownership of voting securities of a BDTV Entity or otherwise) (including all Common Shares held by any BDTV Entity) in favor of each of the Director designees of Liberty which Liberty has a right to designate pursuant to the Governance Agreement.

(c) Upon the written request of Liberty, Diller, in his capacity as a stockholder only, agrees to vote (and cause each member of the Diller Stockholder Group to vote, if applicable), or act by written consent, with respect to any Common Shares with respect to which it or he has the power to vote (whether by proxy, the ownership of voting securities of a BDTV Entity or otherwise) (including all shares held by any BDTV Entity) and otherwise take or cause to be taken all actions necessary to remove any Director designated by Liberty and to elect any replacement Director designated by Liberty as provided in the Governance Agreement. Unless Liberty and Diller otherwise agree, neither Diller nor any member of the Diller Stockholder Group, shall take any action to cause the removal of any Director designated by Liberty except upon the written request of Liberty.

(d) Liberty will not be deemed to be in violation of paragraphs (a), (b) or (c) of this Section 3.1 as a result of any action by Diller (including actions taken by a BDTV Entity as a result of an action by Diller) that is not within Liberty's control.

Section 3.2. Restrictions on Other Agreements. No Stockholder or any of its or his Permitted Transferees shall enter into or agree to be bound by any stockholder agreements or arrangements of any kind with any Person with respect to any Equity (including, without limitation, the deposit of any Common Shares in a voting trust or forming, joining or in any way participating in or assisting in the formation of a Group with respect to any Common Shares, other than any such Group consisting exclusively of Liberty and Diller and any of their respective Affiliates, Permitted Designees and Permitted Transferees and, to the extent contemplated by Section 4.5, any Third Party Transferee) and no Stockholder (other than Liberty or any of its Permitted Transferees) or any of its or his Permitted Transferees shall enter into or agree to be bound by any agreements or arrangements of any kind with any Person to incur indebtedness for purposes of purchasing Equity (other than to exercise Options or to purchase Common Shares pursuant to Section 4.3 of this Agreement), except (i) for such agreements or arrangements as are now in effect, (ii) in connection with a proposed sale of BDTV Entity securities or Common Shares otherwise permitted hereunder, (iii) for such agreements or arrangements with a Permitted Designee as are reasonably acceptable to the other Stockholder and not inconsistent with or for the purpose of evading the terms of this Agreement, (iv) agreements between a Stockholder and its Permitted Transferee that are reasonably acceptable to the other Stockholder and not inconsistent with this Agreement or (iv) for Hedging Transactions as contemplated by Section 4.2(e).

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Section 3.3. Irrevocable Proxy of Liberty. (a) Subject to paragraphs (b) and (c) below, until the earlier of the date that (x) Diller is no longer CEO or (y) Diller is Disabled, Diller shall be entitled to exercise voting authority and authority to act by written consent over all Common Shares beneficially owned by each member of the Liberty Stockholder Group (the "Liberty Proxy Shares"), on all matters submitted to a vote of the Company's stockholders or by which the Company's stockholders may act by written consent, pursuant to a conditional proxy (which proxy is irrevocable and coupled with an interest for purposes of Section 212 of the Delaware General Corporation Law) (the "Liberty Proxy"); provided, that in the event that Diller is removed by the Board as CEO for any reason other than Cause, Diller shall be deemed to continue to be CEO for purposes of this Agreement and shall be entitled to the Liberty Proxy set forth herein until the earlier of (A) such time as he has abandoned efforts to cause his reinstatement as CEO and (B) the next stockholders meeting of the Company at which he had an adequate opportunity to nominate and elect his slate of directors (unless at such stockholders meeting Diller's slate of directors is elected and Diller is promptly thereafter reinstated as CEO).

(b) Notwithstanding the foregoing, the Liberty Proxy shall not be valid with respect to any of the Liberty Proxy Shares (and Diller will have no right to vote the Liberty Proxy Shares) in connection with any vote on (or consent to approve) any matter that is a Contingent Matter with respect to which Liberty's consent is required pursuant to the terms of the Governance Agreement with respect to which Liberty has not consented.

(c) The Liberty Proxy shall terminate as provided for in Section 3.3(a) or, if earlier, (i) immediately upon a material breach by Diller of the terms of Section 3.1(a), Section 3.1(b), Section 3.1(c) or Section 3.3(b) of this Agreement, (ii) at such time as Diller has been convicted of, or has pleaded guilty to, any felony involving moral turpitude or (iii) at such time as Diller ceases to beneficially own 5,000,000 Common Shares with respect to which he has a pecuniary interest; provided, in the case of clauses (ii) and (iii) above, that Liberty sends notice of such termination to Diller within 30 days after receiving notice of the event giving rise to such termination, in which case the Liberty Proxy shall terminate immediately upon the receipt of such notice.

(d) Notwithstanding anything to the contrary set forth herein, the Liberty Proxy is personal to Diller and may not be assigned by Diller by operation of law or otherwise and shall not inure to Diller's successors without the prior written consent of Liberty.

(e) Notwithstanding the foregoing, and without affecting the termination of the Liberty Proxy pursuant to Section 3.3 hereof, the Liberty Proxy will be suspended during any period in which Diller has suffered a mental or physical disability preventing Diller from voting or acting by written consent with respect to the Liberty Proxy Shares, and during such period of disability, Liberty will be entitled to vote or consent in writing with respect to all Liberty Proxy Shares. The Liberty Proxy will be reinstated (unless sooner terminated in accordance with Section 3.3) upon Diller ceasing to be so disabled.

Section 3.4. Cooperation. Each Stockholder shall vote (or act or not act by written consent with respect to) all of its Common Shares (and any Common Shares with respect to which it has the power to vote (whether by proxy or otherwise) and shall, as necessary or desirable, attend all meetings in person or by proxy for purposes of obtaining a quorum, and

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execute all written consents in lieu of meetings, as applicable, to effectuate the provisions of this Article III.

ARTICLE IV

TRANSFER OF COMMON SHARES

Section 4.1. Restrictions on Transfer by Liberty and Diller. (a) Until the CEO Termination Date or such time as Diller becomes Disabled, subject to the other provisions of this Agreement, neither Liberty nor Diller shall Transfer or otherwise dispose of (including pledges), directly or indirectly, any

Common Shares beneficially owned by its Stockholder Group other than (v) Transfers of Common Shares by Diller in order to pay taxes arising from the granting, vesting and/or exercise of the Options, (w) Transfers of Common Shares by Liberty to members of the Liberty Stockholder Group or by Diller to members of the Diller Stockholder Group, (x) a pledge or grant of a security interest in vested Common Shares (other than the pledge of certain Common Shares pursuant to prior arrangements between Diller and the Company) or pledges by a member of the Liberty Stockholder Group of securities of a BDTV Entity that Liberty is entitled to Transfer under (b)(ii) below in connection with bona fide indebtedness in which the pledgee of the applicable Common Shares (or securities of such BDTV Entity) agrees that, upon any default or exercise of its rights under such pledge or security arrangement, it will offer to sell the pledged Common Shares (or securities of such BDTV Entity) to the non-pledging Stockholder (or its or his designee) for an amount equal to the lesser of the applicable amount of such indebtedness and the fair market value of such pledged Common Shares (or securities of such BDTV Entity), (y) Transfers of Options or Common Shares to the Company by Diller or his Affiliates in connection with a “cashless” exercise of the Options (including Options granted to Diller heretofore or in the future), and (z) Transfers of Common Shares made pursuant to Sections 4.2, 4.3 and 4.4. The restrictions on Transfer by Liberty provided in this Section 4.1 shall be for the sole benefit of Diller and the restrictions on Transfer by Diller provided in this Section 4.1 shall be for the sole benefit of Liberty.

(b) Notwithstanding the restrictions contained in subsection (a) above (and in addition to the foregoing exceptions, but subject to the right of first refusal described in Section 4.3 on behalf of Diller (or his designee) with respect to Transfers by members of the Liberty Stockholder Group and to a right of first refusal on behalf of Liberty (or its designee) with respect to Transfers by members of the Diller Stockholder Group (which rights shall be assignable)): (i) either Liberty or Diller may Transfer all or any portion of the Common Shares beneficially owned by its Stockholder Group (and, in the case of Liberty only, its entire interest in the BDTV Entities) to an unaffiliated third party, provided, however, that a Transfer by either Liberty or Diller of Common Shares to a third party shall be subject to the tag-along right pursuant to Section 4.2, after, in the case of any Transfer of Class B Common Stock, compliance with the right of first refusal described in Section 4.3 and the swap provisions described in Section 4.4, and (ii) either Liberty or Diller may Transfer any portion of the Common Shares (including, in the case of Liberty, all or a portion of a BDTV Entity interest) held by its Stockholder Group to an unaffiliated third party; provided that, (a) following such Transfer such Stockholder Group retains its Eligible Stockholder Amount of Common Shares and (b) in the case of the Transfer of an interest in or Common Shares held by a BDTV Limited Entity as of the date hereof, following such Transfer, the Liberty Stockholder Group and the Diller

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Stockholder Group collectively beneficially own the Minimum Stockholder Amount. Notwithstanding the previous sentence and the restrictions contained in paragraph (a) above and subject to the requirement, with respect to a Transfer by Liberty of an interest in or Common Shares held by a BDTV Limited Entity as of the date hereof, that the Stockholders and their respective Stockholder Groups collectively beneficially own the Minimum Stockholder Amount, either Liberty or Diller may transfer any of its Common Shares in one or more transactions that comply with the requirements of Rule 144 or 145 (as applicable) under the Securities Act.

Section 4.2. Tag-Along for Diller and Liberty for Transfers by the Other. (a) If either Diller or Liberty shall desire to Transfer to any unaffiliated third party any of the Common Shares beneficially owned by him or it or any member of his or its Stockholder Group (other than the Transfers referred to in paragraphs (e) and (f) below), in one transaction or a series of related transactions (the “Tag-Along Sale”), Diller or Liberty, as applicable (the “Initiating Party”), shall give prior written notice to the other (the “Tag Party”) of such intended Transfer. Such notice (the “Tag-Along Notice”) shall set forth the terms and conditions of such proposed Transfer, including the number of Common Shares proposed to be Transferred (the “Tag-Along Shares”), the purchase price per Common Share proposed to be paid therefor and the payment terms and type of Transfer to be effectuated.

(b) Within ten days after delivery of the Tag-Along Notice, the Tag Party will have the opportunity and right (exercisable by such Tag Party by written notice to the Initiating Party not later than the end of such ten day period) to sell to the acquiring Person in such proposed Tag-Along Sale (upon the same terms and conditions as the Initiating Party), subject to the following sentence, up to that number of Common Shares beneficially owned by it (including, in the case of Liberty, all of the Common Shares held by the BDTV Entities) as shall equal the product of (x) a fraction, the numerator of which is the number of Tag-Along Shares and the denominator of which is the aggregate number of Common Shares beneficially owned as of the date of the Tag-Along Notice by the Initiating Party (including all of the Common Shares held by the BDTV Entities if Liberty is the Initiating Party), multiplied by (y) the number of Common Shares beneficially owned by the Tag Party (including all of the Common Shares held by the BDTV Entities if Liberty is the Tag Party) as of the date of the Tag-Along Notice. The number of Common Shares that Diller or Liberty may sell to an unaffiliated third party pursuant to Section 4.2(a) shall be determined by multiplying the maximum number of Tag-Along Shares that such third party is willing to purchase on the terms set forth in the Tag-Along Notice by a fraction, the numerator of which is the number of Common Shares that such Stockholder proposes to sell hereunder (subject to the maximum amount for Diller or Liberty, as applicable, calculated pursuant to the preceding sentence) and the denominator of which is the aggregate number of Common Shares that Diller and Liberty propose to sell hereunder.

(c) At the closing of any proposed Transfer in respect of which a Tag-Along Notice has been delivered, the Tag Party shall deliver, free and clear of all liens (other than liens caused by the acquiring Person in the Tag-Along Sale), to such third party certificates evidencing the Common Shares to be sold thereto duly endorsed with Transfer powers and shall receive in exchange therefore the consideration to be paid by such third party in respect of such Common Shares as described in the Tag-Along Notice. No transferee shall be required to purchase shares of a BDTV Entity in connection with the Tag-Along Sale and each of Liberty and Diller shall

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cooperate so that any transferee will be able to purchase directly any Common Shares held by a BDTV Entity and not the shares of any BDTV Entity.

(d) Neither Diller and the members of his Stockholder Group, on the one hand, nor Liberty and the members of its Stockholder Group, on the other hand, shall effect any Transfer or Transfers constituting a Tag-Along Sale absent compliance with this Section 4.2.

(e) This Section 4.2 shall not be applicable to the Transfer by Diller or any member of his Stockholder Group (i) of an aggregate of not more than 2,000,000 Common Shares within any rolling twelve-month period, (ii) pursuant to Section 4.1(a)(v) or 4.1(a)(y), (iii) in a Market Sale, or (iv) following such time as Diller is no longer CEO other than any Transfer made in connection with Diller ceasing to be CEO. This Section 4.2 shall not be applicable to (i) the Transfer of Common Stock by the Liberty Stockholder Group in a Market Sale, provided that the total volume of sales effected on any single day shall not exceed the Daily Hedging Limit, or (ii) the entry into, maintenance of, performance of obligations under and unwinding of Hedging Transactions effected by the Liberty Stockholder Group, including, without limitation, the Transfer of Common Stock in connection therewith through the delivery of Common

Stock to a third party in connection with the settlement or satisfaction of a Hedging Transaction or the foreclosure and sale by a secured party of any Common Stock pledged to secure the obligations of a party under a Hedging Transaction or in respect of any extension of credit to a party based, in whole or part, on the value of such Hedging Transaction; provided, that: (A) no Hedging Transaction shall, prior to the settlement of such Hedging Transaction, impair Diller's right to vote any shares of the Common Stock pursuant to Section 3.3 (it being understood that a settlement of a Hedging Transaction may result in a disposition of the shares subject to such Hedging Transaction and that, upon such disposition, Diller will not have the right to vote such shares); provided, that such right shall not be deemed to be impaired to the extent that a counterparty to a Hedging Transaction to whom Common Stock has been pledged has obtained the right to vote or take consensual action with respect to the Common Stock so pledged as a result of an event of default or termination event with respect to the Liberty Stockholder Group under the Hedging Transaction; provided, further, that the terms of such pledging arrangement shall permit the Liberty Stockholder Group to exercise voting rights and to take consensual action with respect to the Common Stock so pledged in circumstances where no event of default or termination event has occurred; (B) a significant purpose of Liberty's engaging in the Hedging Transaction shall not be the circumvention of Diller's tag along rights under Section 4.2 of this Agreement (and there shall be a rebuttable presumption that no such purpose exists if the Hedging Transaction is effected with a financial institution and neither Liberty nor its Affiliates have any oral or written understanding or agreement with the financial institution relating to the subsequent Transfer to any Person or group, if any, of the shares of Common Stock subject to the Hedging Transaction); (C) if pursuant to a Hedging Transaction or Related Hedging Transactions, a number of shares of Common Stock representing 5% or more of the outstanding shares of such class (determined as of the date the Hedging Transaction or the date of the initial Hedging Transaction in any series of Related Hedging Transactions is effected) (such 5% amount, the "Settlement Threshold"), could be Transferred by the Liberty Stockholder Group to such counterparty in

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connection with the settlement of such Hedging Transaction or Related Hedging Transactions, then Liberty shall cause such members of the Liberty Stockholder Group to settle or satisfy the obligations with respect to such Hedging Transaction or Related Hedging Transactions in such a manner so that the number of shares delivered to such counterparty in connection with the settlement of such Hedging Transaction or Related Hedging Transactions does not exceed the Settlement Threshold unless the counterparty has indicated to Liberty and Diller (if requested by Diller) that it will utilize such shares of Common Stock to fill a preexisting short position in the shares of Common Stock; (D) for each twelve-month period beginning on the date hereof and each anniversary of the date hereof, Liberty shall ensure that the Liberty Stockholder Group shall not enter into Hedging Transactions with respect to more than one third (1/3) of the shares of Common Stock that the Liberty Stockholder Group owns (including all shares of Common Stock owned by the BDTV Entities) on the first day of such twelve-month period; (E) Liberty will advise Diller (which may be oral) that it is contemplating entering into a Hedging Transaction (including a brief description of the general structure of the Hedging Transaction contemplated and the potential timing of such Hedging Transaction) as far in advance as reasonably practicable prior to effecting such Hedging Transaction, but in no event more than ten Business Days prior to effecting such Hedging Transaction, and, if Diller (i) has determined in good faith that such Hedging Transaction would adversely affect a contemplated significant corporate transaction (including financing) of the Company, and uses his reasonable best efforts to make such a determination as soon as practicable (but in no event later than 10:00 a.m. New York City time on the second Business Day immediately following the date of the giving of such notice by Liberty) and requests that the Liberty Stockholder Group delay any such Hedging Transaction because of the matters referred to in clause (i) above, then Liberty shall cause the Liberty Stockholder Group to delay such Hedging Transaction for a period not to exceed ten Business Days commencing on the Business Day after the date Diller has been advised that Liberty is contemplating a Hedging Transaction, and after such ten Business Day period, if any, Liberty shall be entitled to effect such Hedging Transaction; and (F) Liberty shall ensure that all sales or short sales in connection with establishing the initial hedge with respect to one or more Hedging Transactions shall not, taking all such sales or short sales during a particular day in the aggregate, exceed the Daily Hedging Limit.

(f) During the term of this Agreement, the Liberty Stockholder Group will be entitled to engage in Stock Lending Transactions from time to time (which Stock Lending Transactions will be deemed not to impair the proxy granted pursuant to Section 3.3) with respect to the Common Stock subject to the following limitations: (i) the maximum number of shares of Common Stock Beneficially Owned by the Liberty Stockholder Group which may be lent at any one time to others in Stock Lending Transactions during the period from the date hereof to the first anniversary of this Agreement may not exceed an aggregate of 15,000,000 shares of Common Stock (subject to adjustment pursuant to Section 6.13 hereof) (the "Liberty Lending Limit"); and (ii) following such first anniversary the Liberty Lending Limit will be increased to an aggregate of 16,250,000 shares of Common Stock (subject to adjustment as aforesaid). For purposes hereof, a "Stock Lending Transaction" shall mean a transaction effected in connection with any Hedging Transaction whereby the Liberty Stockholder Group lends shares of Common Stock to a third party or permits a third party to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business such shares of Common Stock.

(g) Upon written request made from time to time by Liberty, Diller will use reasonable efforts to cause the Company to deliver to Liberty and Diller a written statement specifying the number of shares of Company Common Stock, Company Class B Common Stock and other Voting Securities issued and outstanding as of the most recent practicable date.

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Liberty and Diller will, in connection with any applicable calculations hereunder or under the Governance Agreement, be entitled to rely upon the information set forth in such statement. In the event such statement is not delivered to Liberty within five Business Days following Liberty's request therefor, Liberty and Diller (and their respective successors and permitted assigns) shall be entitled to rely for purposes of such calculations on the number of shares of Company Common Stock, Company Class B Common Stock and other Voting Securities listed as issued and outstanding in the Company's most recent quarterly or annual report publicly filed with the Commission or the most recent statement from the Company.

Section 4.3. Right of First Refusal Between Liberty and Diller. (a) Any Transfer of shares of Class B Common Stock by a member of the Liberty Stockholder Group or a member of the Diller Stockholder Group (the "L/D Transferring Party") will be subject to the right of first refusal provisions of this Section 4.3, other than a Transfer by a member of the Liberty Stockholder Group or the Diller Stockholder Group permitted by Section 4.1(a) hereof or a Transfer that is a sale described in clause (i) of the first or second sentence of Section 4.2(e).

(b) Prior to effecting any Transfer referred to in Section 4.3(a), the L/D Transferring Party shall deliver written notice (the "L/D Offer Notice") to Diller, if the L/D Transferring Party is a member of the Liberty Stockholder Group, or to Liberty, if the L/D Transferring Party is a member of the Diller Stockholder Group (the recipient of such notice, the "L/D Other Party"), which L/D Offer Notice shall specify (i) the Person to whom the L/D Transferring Party proposes to make such Transfer, (ii) the number or amount of the shares of Class B Common Stock to be Transferred, (iii) the L/D Offer Price (as defined below), and (iv) all other material terms and conditions of the proposed Transfer, including a description of any non-cash consideration sufficiently detailed to permit valuation thereof, and which L/D Offer Notice shall be accompanied by any written offer from the prospective transferee to purchase such shares of Class B Common Stock, if available and permitted pursuant to the terms thereof. The L/D Offer Notice shall constitute an

irrevocable offer to the L/D Other Party, for the period of time described below, to purchase all (but not less than all) of such shares of Class B Common Stock.

(c) For purposes of this Section 4.3, "L/D Offer Price" shall mean the purchase price per share of Class B Common Stock to be paid to the L/D Transferring Party in the proposed transaction (as it may be adjusted in order to determine the net economic value thereof). In the event that the consideration payable to the L/D Transferring Party in a proposed transaction consists of securities, the purchase price per share shall equal the fair market value of such securities divided by the number of shares of Class B Common Stock to be Transferred. Such fair market value shall be the market price of any publicly traded security and, if such security is not publicly traded, the fair market value shall be equal to the Fair Market Value of such security determined as follows: Each of Liberty and Diller shall select an Independent Investment Banking Firm each of which shall promptly make a determination (each such determination, an "Appraisal") of the Fair Market Value of such security. If the higher of such Appraisals is less than or equal to 110% of the lower of such Appraisals, then the Fair Market Value shall be equal to the average of such Appraisals. If the higher of such Appraisals is greater than 110% of the lower of such Appraisals, then a third Independent Investment Banking Firm (which shall be an Independent Investment Banking Firm that shall not have been engaged by the Company, Expedia, Inc. (but only for so long as Diller is Chairman of the Board of Directors of Expedia, Inc.) Liberty or Diller in any significant matter for the three years prior to the date of such

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selection) shall be selected by the first two Independent Investment Banking Firms, which third Independent Investment Banking Firm shall promptly make a determination of the Fair Market Value. The Fair Market Value shall equal the average of the two of such three Appraisals closest in value (or if there are no such two, then of all three Appraisals).

(d) If the L/D Other Party elects to purchase the offered shares of Class B Common Stock, it shall give notice to the L/D Transferring Party within ten Business Days after receipt of the L/D Offer Notice of its election (or in the case of a third party tender offer or exchange offer, at least five Business Days prior to the expiration date of such offer, provided that all conditions to such offer that need to be satisfied prior to acceptance for payment (other than with respect to the number of shares of Class B Common Stock tendered) shall have been satisfied or waived and the L/D Offer Notice shall have been provided at least ten Business Days prior to the expiration date of such offer), which shall constitute a binding obligation, subject to standard terms and conditions for a stock purchase contract between two significant stockholders of an issuer (provided that the L/D Transferring Party shall not be required to make any representations or warranties regarding the business of the Company), to purchase the offered shares of Class B Common Stock, which notice shall include the date set for the closing of such purchase, which date shall be at least 20 Business Days following the delivery of such election notice, or, if later, five Business Days after receipt of all required regulatory approvals; provided that the closing shall only be delayed pending receipt of required regulatory approvals if (i) the L/D Other Party is using reasonable efforts to obtain the required regulatory approvals, (ii) there is a reasonable prospect of receiving such regulatory approvals and (iii) if such closing is delayed more than 90 days after the date of the L/D Other Party's notice of election to purchase, then the L/D Other Party agrees to pay interest on the aggregate L/D Offer Price at the Reference Rate to the L/D Transferring Party from such date to the closing date. Notwithstanding the foregoing, such time periods shall not be deemed to commence with respect to any purported notice that does not comply in all material respects with the requirements of this Section 4.3(d). Liberty and Diller may assign their respective rights to purchase under this Section 4.3 to any Person who is a Permitted Designee.

(e) If the L/D Other Party does not respond to the L/D Offer Notice within the required response time period or elects not to purchase the offered shares of Class B Common Stock, the L/D Transferring Party shall be free to complete the proposed Transfer (to the same proposed transferee, in the case of a privately-negotiated transaction) on terms no less favorable to the L/D Transferring Party or its Affiliate, as the case may be, than those set forth in the L/D Offer Notice, provided that (x) such Transfer is closed within (I) 90 days after the latest of (A) the expiration of the applicable period for the L/D Other Party to accept the offer from the L/D Transferring Party, or (B) the receipt by the L/D Transferring Party of notice declining the offer to purchase the shares of Class B Common Stock or, in the case of (A) or (B), if later, five Business Days following receipt of all required regulatory approvals; provided that the closing shall only be delayed pending receipt of required regulatory approvals if (i) the L/D Transferring Party is using reasonable efforts to obtain the required regulatory approvals and (ii) there is a reasonable prospect of receiving such regulatory approvals, or (II) in the case of a public offering, within 20 days of the declaration by the Commission of the effectiveness of a registration statement filed with the Commission pursuant to this Agreement, and (y) the price at which the shares of Class B Common Stock are transferred must be equal to or higher than the L/D Offer Price (except in the case of a public offering, in which case the price at which the

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shares of Class B Common Stock are sold (before deducting underwriting discounts and commissions) shall be equal to at least 90% of the L/D Offer Price).

(f) If the L/D Other Party elects to exercise its right of first refusal under this Section 4.3, the L/D Other Party shall pay the L/D Offer Price in cash (by wire transfer of immediately available funds) or by the delivery of marketable securities having an aggregate fair market value equal to the L/D Offer Price, provided, that if the securities to be so delivered by the L/D Other Party would not, in the L/D Transferring Party's possession, have at least the same general degree of liquidity as the securities the L/D Transferring Party was to receive in such proposed transaction (determined by reference to the L/D Transferring Party's ability to dispose of such securities (including, without limitation, the trading volume of such securities and the L/D Other Party's percentage ownership of the issuer of such securities)), then the L/D Other Party shall be required to deliver securities having an appraised value (calculated in accordance with the method described in Section 4.3(c)) equal to the L/D Offer Price. If the L/D Other Party delivers securities in payment of the L/D Offer Price, it will cause the issuer of such securities to provide the L/D Transferring Party with customary registration rights related thereto (if, in the other transaction, the L/D Transferring Party would have received cash, cash equivalents, registered securities or registration rights). Each of Diller and Liberty agrees to use his or its commercially reasonable efforts (but not to expend any money) to preserve for the other Stockholder, to the extent possible, the tax benefits available to it in such proposed transaction, and to otherwise seek to structure such transaction in the most tax efficient method available. Notwithstanding the foregoing, if Diller pays the L/D Offer Price in securities, such securities must be securities that Liberty is permitted to own under applicable FCC Regulations.

(g) Notwithstanding anything to the contrary contained in this Section 4.3, the time periods applicable to an election by the L/D Other Party to purchase the offered securities shall not be deemed to commence until the Fair Market Value has been determined, provided that, in the case of a third party tender offer or exchange offer, in no event shall any such election be permitted within five Business Days prior to the latest time by which shares of Class B Common Stock shall be tendered in such offer if all conditions to such offer that need to be satisfied prior to acceptance for payment (other than the number

of shares tendered) have been satisfied or waived. Each of Diller and Liberty agrees to use his and its best efforts to cause the Fair Market Value to be determined as promptly as practicable, but in no event later than ten Business Days after the receipt by the L/D Other Party of the L/D Offer Notice.

Section 4.4. Transfers of Class B Shares. (a) Subject to the rights of first refusal pursuant to Section 4.3 and subject to paragraph (c) below, in the event that any Stockholder or any members of its Stockholder Group (the “Transferring Stockholder”) proposes to Transfer any shares of Class B Common Stock, such Transferring Stockholder shall send a written notice (which obligation may be satisfied by the delivery of the applicable L/D Offer Notice) (the “Exchange Notice,” which term will include any corresponding L/D Offer Notice) to Diller, if the Transferring Stockholder is Liberty or a member of the Liberty Stockholder Group, or to Liberty, if the Transferring Stockholder is Diller or a member of the Diller Stockholder Group (the recipient of such notice, the “Non-Transferring Stockholder”), that such Transferring Stockholder intends to Transfer shares of Class B Common Stock, including the number of such shares proposed to be Transferred. The Non-Transferring Stockholder shall give notice to the Transferring Stockholder within 10 Business Days of its receipt of the Exchange Notice of its

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desire to exchange some or all of such shares of Class B Common Stock proposed to be Transferred for an equivalent number of shares of Common Stock or its election to purchase all such offered shares of Class B Common Stock pursuant to Section 4.3. If the Non-Transferring Stockholder desires to exchange some or all of such shares rather than exercise its right of first refusal pursuant to Section 4.3, such shares of Class B Common Stock shall be exchanged. Except to the extent necessary to avoid liability under Section 16(b) of the Exchange Act and subject to applicable law, any such exchange shall be consummated immediately prior to the consummation of any such Transfer.

(b) If any shares of Class B Common Stock proposed to be Transferred are not exchanged pursuant to the provisions of paragraph (a) above, prior to any such Transfer, the Transferring Stockholder shall convert, or cause to be converted, such shares of Class B Common Stock into shares of Common Stock (or such other securities of the Company into which such shares are then convertible).

(c) The provisions of Section 4.4(a) and 4.4(b) shall not be applicable to any Transfers (i) to a member of such Stockholder’s Stockholder Group, (ii) pursuant to a pledge or grant of a security interest in compliance with clause (x) of Section 4.1(a), or (iii) from Liberty, Diller or their respective Stockholder Group to the other Stockholder or its or his Stockholder Group subject to the terms of this Agreement.

Section 4.5. Transferees. (a) Any Permitted Transferee or Permitted Designee of a Stockholder shall be subject to the terms and conditions of this Agreement as if such Permitted Transferee or Permitted Designee were Liberty (if Liberty or a Permitted Transferee of Liberty is the transferor) or Diller (if Diller or a Permitted Transferee of Diller is the transferor). Prior to the initial acquisition of beneficial ownership of any Common Shares by any Permitted Transferee (or a Permitted Designee), and as a condition thereto, each Stockholder agrees (i) to cause its respective Permitted Transferees or Permitted Designees to agree in writing with the other parties hereto to be bound by the terms and conditions of this Agreement to the extent described in the preceding sentence and (ii) that such Stockholder shall remain directly liable for the performance by its respective Permitted Transferees or Permitted Designees of all obligations of such Permitted Transferees or Permitted Designees under this Agreement. Except as otherwise contemplated by this Agreement (including the terms of Sections 4.2, 4.3 and 4.4), (i) each of Diller and Liberty agrees not to cause or permit any of its respective Permitted Transferees to cease to qualify as a member of such Stockholder’s Stockholder Group so long as such Permitted Transferee beneficially owns any Common Shares, and if any such Permitted Transferee shall cease to be so qualified, such Permitted Transferee shall automatically upon the occurrence of such event cease to be a “Permitted Transferee” for any purpose under this Agreement and (ii) each Stockholder agrees not to Transfer any Common Shares to any Affiliate other than a Permitted Transferee of such Stockholder.

(b) No Third Party Transferee shall have any rights or obligations under this Agreement, except:

(i) in the case of a Third Party Transferee of Liberty (or any member of the Liberty Stockholder Group) who acquires shares of Common Stock and who (together with its Affiliates) would not be a Public Stockholder, such Third Party Transferee shall

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be subject to the obligations of Liberty (but subject to the other terms and conditions of this Agreement) pursuant to Section 3.1(a) (but shall not have the right to consent to any Contingent Matters), Section 3.1(b), Section 3.1(c), Section 3.2, Section 3.4, this Section 4.5 and Article VI; provided that such Third Party Transferee shall only be subject to such obligations for so long as it would not be a Public Stockholder; and

(ii) in the case of a Third Party Transferee of Diller (or any member of the Diller Stockholder Group) who (together with its Affiliates) upon consummation of any Transfer would not be a Public Stockholder, such Third Party Transferee shall be subject to the obligations of Diller (but subject to the other terms and conditions of this Agreement) pursuant to Section 3.1(a) (but shall not have the right to consent to any Contingent Matters), 3.1(b), Section 3.1(c), Section 3.4, this Section 4.5 and Article VI; provided that such Third Party Transferee shall only be subject to such obligations for so long as it would not be a Public Stockholder.

(c) Prior to the consummation of a Transfer described in Section 4.5(b) to the extent rights and obligations are to be assigned, and as a condition thereto, the applicable Third Party Transferee shall agree in writing with the other parties hereto to be bound by the terms and conditions of this Agreement to the extent described in Section 4.5(b). To the extent the Third Party Transferee is not an “ultimate parent entity” (as defined in the HSR Act), the ultimate parent entity of such Third Party Transferee shall agree in writing to be directly liable for the performance of the Third Party Transferee to the same extent Liberty would be liable for the performance of its Permitted Transferees.

Section 4.6. Notice of Transfer. In addition to any other notices required by this Agreement, to the extent any Stockholder and its Permitted Transferees Transfer any Common Shares, such Stockholder shall, within three Business Days following consummation of such Transfer, deliver notice thereof to the Company and the other Stockholder, provided, however, that no such notice shall be required to be delivered unless the aggregate Common Shares transferred by such Stockholder and its Permitted Transferees since the date of the last notice delivered by such Stockholder pursuant to this Section 4.6 exceeds 1% of the outstanding Common Shares.

Section 4.7. Compliance with Transfer Provisions. Any Transfer or attempted Transfer of Common Shares in violation of any provision of this Agreement shall be void.

ARTICLE V

BDTV ENTITY ARRANGEMENTS

Section 5.1. Management. The business and affairs of each BDTV Entity will be managed by a Board of Directors elected by the holders of a majority of the voting equity interests in such BDTV Entity. Notwithstanding the foregoing, the taking of any action by a BDTV Entity with respect to (i) to the extent permitted by applicable law, any matter that would have constituted a Fundamental Change under the 1997 Stockholders Agreement (as applied to such BDTV Entity and to the Common Shares, mutatis mutandis) or (ii) any acquisition or disposition (including pledges) of any Common Shares held by such BDTV Entity, in either

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case, will require the unanimous approval of the holders of all voting and non-voting equity interests in such BDTV Entity.

Section 5.2. Changes to BDTV Structures. Liberty and Diller agree, subject to applicable law and FCC Regulations, to take such actions as may be reasonably necessary, including but not limited to amending the certificate of incorporation of each BDTV Entity, in order to provide Liberty with the ability to transfer, directly or indirectly, such amounts of Common Shares as Liberty is permitted to sell hereunder, and, if requested by Liberty, Diller agrees, subject to applicable law and at Liberty's sole cost and expense to take actions as are reasonably necessary to permit each BDTV Entity to hold separately shares of capital stock of Expedia, Inc. ("Expedia Shares") to be held by it immediately following the effective time of the Company's spin off of Expedia, Inc., to sell such Expedia Shares, directly or indirectly, separately from a sale of the Common Shares (but only as permitted by the agreements between Liberty and Diller with respect to the Expedia Shares), to reorganize the assets of any or all of the BDTV Entities to reflect ownership of the Expedia Shares, including, without limitation, to transfer Common Shares and/or Expedia Shares to a Subsidiary of a BDTV Entity (and any such Subsidiary of a BDTV Entity that holds Common Shares or other entity holding Common Shares as a result of such reorganization shall be deemed a BDTV Unrestricted Entity or BDTV Limited Entity, as applicable) or otherwise to enable Liberty to exercise its rights hereunder with respect to Common Shares and under the agreements between Liberty and Diller with respect to the Expedia Shares.

Section 5.3. Transfers of BDTV Interests. Except as otherwise specifically provided in this Agreement (including Section 4.1(b)), no transfers or other dispositions (including pledges), directly or indirectly, of any interest in (a) any BDTV Limited Entity by Liberty or (b) any BDTV Entity by Diller will be permitted without the consent of the other; provided (i) Liberty shall be entitled to transfer all or part of its interest in a BDTV Entity to members of the Liberty Stockholder Group, (ii) at such time Liberty becomes the owner of any voting securities of any BDTV Limited Entity, such BDTV Limited Entity shall be deemed to be a BDTV Unrestricted Entity, and (iii) in connection with any sale by Diller entitling Liberty to a right pursuant to Section 4.2, Liberty and Diller shall take such reasonable action as may be required in order for Liberty's interest in a BDTV Limited Entity to be sold in any such transaction. Without the prior written consent of Liberty, Diller shall not Transfer any interest in a BDTV Entity (other than to Liberty or, subject to Liberty's reasonable consent, a member of the Diller Stockholder Group).

For purposes of determining whether Liberty is permitted to transfer the Common Shares held by a BDTV Unrestricted Entity, (i) such BDTV Unrestricted Entity shall be deemed to be a member of the Liberty Stockholder Group and the restrictions on transfers of interests in BDTV Entities shall not apply to Liberty (subject, however, to the other restrictions on transfer of Common Shares set forth herein, including the Right of First Refusal applicable to the Class B Common Stock) and (ii) in connection with any proposed sale by any member of the Liberty Stockholder Group of the Common Shares held by a BDTV Entity (or its equity interest in such BDTV Entity), such member of the Liberty Stockholder Group shall be entitled to purchase Diller's entire interest in such BDTV Entity for an amount in cash equal to the Diller Interest Purchase Price or, at such purchaser's election, require Diller to sell his interest in such BDTV Entity to any such transferee for a pro rata portion of the consideration to be paid by the applicable transferee in such transaction.

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At such time as (i) the CEO Termination Date has occurred or Diller becomes Disabled or (ii) the Diller Stockholder Group ceases to own its Eligible Stockholder Amount of Common Shares, Diller shall be required to sell his entire interest in the BDTV Entities to Liberty (or Liberty's designee) at a price equal to the Diller Interest Purchase Price.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Conflicting Agreements. Each of the parties hereto represents and warrants that such party has not granted and is not a party to any proxy, voting trust or other agreement that is inconsistent with or conflicts with any provision of this Agreement.

Section 6.2. Duration of Agreement. Except as otherwise provided in this Agreement, the rights and obligations of a Stockholder under this Agreement shall terminate as follows:

(a) Each of Liberty and Diller shall cease to be entitled to exercise any rights and shall cease to have any obligations under this Agreement as of the date that its Stockholder Group collectively ceases to own its Eligible Stockholder Amount of Common Shares; provided that Liberty shall cease to be entitled to exercise any rights and shall cease to have any obligations under Section 4.2 at such time as the Liberty Stockholder Group ceases to beneficially own at least 5% of the outstanding Common Shares (the "Liberty Termination Date").

(b) Diller and each member of his Stockholder Group shall cease to be entitled to exercise any rights under this Agreement if the CEO Termination Date has occurred or Diller has become Disabled (the "Diller Termination Date").

In addition, at such time as the CEO Termination Date has occurred or Diller has become Disabled, neither the Diller Stockholder Group nor the Liberty Stockholder Group shall have any obligation under this Agreement with respect to the matters covered under Sections 3.3, 4.1 and 4.3.

Section 6.3. Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

Section 6.4. Amendment and Waiver. This Agreement may not be amended, modified, or waived except in a written instrument executed by the parties. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

Section 6.5. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any

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applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 6.6. Effective Time. This Agreement shall become effective immediately following the effective time of the Company's spin off of Expedia, Inc.

Section 6.7. Entire Agreement. Except as otherwise expressly set forth herein, (a) this Agreement, (b) the Governance Agreement, (c) as provided in Section 5.1 hereof, the 1997 Stockholders Agreement, and (d) as provided in Section 5.2 hereof, the agreements relating to Expedia, Inc., embody the complete agreement and understanding among the parties hereto with respect to the subject matter hereof or thereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way. Effective upon the effective time of this Agreement, the 2001 Stockholders Agreement shall terminate and shall be superseded by this Agreement.

Section 6.8. Successors and Assigns. Neither this Agreement nor any of the rights or obligations under this Agreement shall be assigned, in whole or in part (except by operation of law pursuant to a merger whose purpose is not to avoid the provisions of this Agreement), by any party without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

Section 6.9. Counterparts. This Agreement may be executed in separate counterparts each of which shall be an original and all of which taken together shall constitute one and the same agreement.

Section 6.10. Liabilities Under Federal Securities Laws. The exercise by any party (or its Affiliates or Stockholder Group, if applicable) (and including, in the case of the Liberty Stockholder Group, its exercise of the preemptive rights under Article III of the Governance Agreement) of any rights under this Agreement shall be subject to such reasonable delay as may be required to prevent any party or its respective Stockholder Group from incurring any liability under the federal securities laws and the parties agree to cooperate in good faith in respect thereof.

Section 6.11. Remedies. (a) Each party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

(b) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the

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exercise or beginning of the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

Section 6.12. Notices. Except as otherwise provided herein, any notice, request, claim, demand or other communication under this Agreement shall be in writing, shall be either personally delivered, delivered by facsimile transmission, or sent by reputable overnight courier service (charges prepaid) to the address for such Person set forth below or such other address as the recipient party has specified by prior written notice to the other parties hereto and shall be deemed to have been given hereunder when receipt is acknowledged for personal delivery or facsimile transmission or one day after deposit with a reputable overnight courier service.

If to Liberty:

Liberty Media Corporation
12300 Liberty Boulevard
Englewood, CO 80112
Attention: General Counsel
Telephone: (720) 875-5400
Facsimile: (720) 875-5382

with a copy to:

Baker Botts LLP
30 Rockefeller Plaza

44th Floor
New York, NY 10112
Attention: Frederick H. McGrath, Esq.
Telephone: (212) 408-2530
Facsimile: (212) 259-2530

If to Diller:

c/o IAC/InterActiveCorp
152 West 57th Street
New York, NY 10112
Attention: General Counsel
Telephone: (212) 314-7274
Facsimile: (212) 632-9642

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: Pamela S. Seymon, Esq.
Andrew J. Nussbaum, Esq.
Telephone: (212) 403-1000
Facsimile: (212) 403-2000

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Section 6.13. Adjustment of Shares Numbers. If, after the effective time of this Agreement, there is a subdivision, split, stock dividend, combination, reclassification or similar event with respect to any of the shares of Capital Stock referred to in this Agreement, then, in any such event, the numbers and types of shares of such Capital Stock referred to in this Agreement (and if applicable, the share prices thereof) shall be adjusted to the number and types of shares of such Capital Stock that a holder of such number of shares of such Capital Stock would own or be entitled to receive as a result of such event if such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

Section 6.14. Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware for any action, proceeding or investigation in any court or before any governmental authority ("Litigation") arising out of or relating to this Agreement and the transactions contemplated hereby and further agrees that service of any process, summons, notice or document by U.S. mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation arising out of this Agreement or the transactions contemplated hereby in the courts of the State of Delaware, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Litigation brought in any such court has been brought in an inconvenient forum. Each of the parties irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in connection with any Litigation arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 6.15. Interpretation. The table of contents and headings contained in this Agreement are for convenience 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".

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

LIBERTY MEDIA CORPORATION

By: /s/ AUTHORIZED REPRESENTATIVE

Name:

Title:

/s/ BARRY DILLER

BARRY DILLER

[SIGNATURE PAGE TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT]

TAX SHARING AGREEMENT

by and between

IAC/INTERACTIVECORP

and

EXPEDIA, INC.Dated as of
August 9, 2005**TAX SHARING AGREEMENT**

This TAX SHARING AGREEMENT (this "Agreement"), dated as of August 9, 2005, by and between IAC/InterActiveCorp, a Delaware corporation ("Parent"), and Expedia, Inc., a Delaware corporation and wholly owned subsidiary of Parent ("SpinCo").

WITNESSETH

WHEREAS, Parent and SpinCo have entered into a Separation Agreement, dated as of August 9, 2005 (the "Separation Agreement"), providing for the Separation of the Parent Group from the SpinCo Group;

WHEREAS, pursuant to the terms of the Separation Agreement, Parent will contribute all of the Separated Assets to SpinCo and its Subsidiaries and will cause SpinCo and its Subsidiaries to assume the Assumed Liabilities;

WHEREAS, for U.S. federal income tax purposes, it is intended that the Contribution and the Spin-Off shall qualify as a tax-free transaction under Sections 355(a) and 368(a)(1)(D) of the Code;

WHEREAS, at the close of business on the Effective Date, the taxable year of SpinCo shall close for U.S. federal income tax purposes; and

WHEREAS, the parties hereto wish to provide for the payment of Income Taxes and Other Taxes and entitlement to refunds thereof, allocate responsibility and provide for cooperation in connection with the filing of returns in respect of Income Taxes and Other Taxes, and provide for certain other matters relating to Income Taxes and Other Taxes.

NOW, THEREFORE, in consideration of the premises and the representations, covenants and agreements herein contained and intending to be legally bound hereby, Parent and SpinCo hereby agree as follows:

1. **Definitions.** Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to them in the Separation Agreement. For purposes of this Agreement, the following terms shall have the meanings set forth below:

"Actually Realized" or "Actually Realizes" shall mean, for purposes of determining the timing of the incurrence of any Spin-Off Tax Liability, Income Tax Liability or Other Tax Liability or the realization of a Refund (or any related Income Tax or Other Tax cost or benefit), whether by receipt or as a credit or other offset to Taxes payable, by a Person in respect of any payment, transaction, occurrence or event, the time at which the amount of Income Taxes or Other Taxes paid (or Refund realized) by such Person is increased above (or reduced below) the amount of Income Taxes or Other Taxes that such Person would have been required to pay (or Refund that such Person would have realized) but for such payment, transaction, occurrence or event.

"Aggregate Spin-Off Tax Liabilities" shall mean the sum of the Spin-Off Tax Liabilities with respect to each Taxing Jurisdiction.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions located in the State of New York are authorized or obligated by law or executive order to close.

"Carryback" shall mean the carryback of a Tax Attribute (including, without limitation, a net operating loss, a net capital loss or a tax credit) by a member of the SpinCo Group from a Post-Distribution Taxable Period to a Pre-Distribution Taxable Period during which such member of the SpinCo Group was included in a Combined Return filed for such Pre-Distribution Taxable Period.

"Cash Acquisition Merger" shall mean a merger of a newly formed Subsidiary of SpinCo with a corporation, limited liability company, limited partnership, general partnership or joint venture (in each case, not previously owned directly or indirectly by SpinCo) solely for cash pursuant to which SpinCo acquires such corporation, limited liability company, limited partnership, general partnership or joint venture and no Equity Securities of SpinCo or any SpinCo Subsidiary are issued, sold, redeemed or acquired, directly or indirectly.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Combined Return” shall mean a consolidated, combined or unitary Income Tax Return or Other Tax Return that actually includes, by election or otherwise, one or more members of the Parent Group together with one or more members of the SpinCo Group.

“Contribution” shall mean those certain capital contributions to SpinCo by Parent made in connection with the Spin-Off.

“Distribution Date” shall mean the date on which the Spin-Off is completed.

“Distribution-Related Proceeding” shall mean any Proceeding in which the IRS, another Tax Authority or any other party asserts a position that could reasonably be expected to adversely affect the Tax-Free Status of any of the Spin-Off-Related Transactions.

“EMA” shall mean the Employee Matters Agreement by and between Parent and SpinCo dated as of August 9, 2005.

“Equity Securities” shall mean any stock or other securities treated as equity for tax purposes, options, warrants, rights, convertible debt, or any other instrument or security that affords any Person the right, whether conditional or otherwise, to acquire stock or to be paid an amount determined by reference to the value of stock.

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“Expedia Service Provider” shall mean any “Expedia Employee” as such term is defined in the EMA or any other provider of services to any member of the SpinCo Group.

“Fifty-Percent or Greater Interest” shall have the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code.

“Final Determination” shall mean the final resolution of liability for any Income Tax or Other Tax, which resolution may be for a specific issue or adjustment or for a taxable period, (a) by IRS Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the taxpayer, or by a comparable form under the laws of a State, local, or foreign taxing jurisdiction, except that a Form 870 or 870-AD or comparable form shall not constitute a Final Determination to the extent that it reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for Refund or the right of the Tax Authority to assert a further deficiency in respect of such issue or adjustment or for such taxable period (as the case may be); (b) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under Sections 7121 or 7122 of the Code, or a comparable agreement under the laws of a State, local, or foreign taxing jurisdiction; (d) by any allowance of a Refund or credit in respect of an overpayment of Income Tax or Other Tax, but only after the expiration of all periods during which such Refund may be recovered (including by way of offset) by the jurisdiction imposing such Income Tax or Other Tax; or (e) by any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the parties.

“IAC Service Provider” shall mean any “IAC Employee” as such term is defined in the EMA or any other provider of services to any member of the Parent Group.

“Income Tax” (a) shall mean (i) any federal, state, local or foreign tax, charge, fee, impost, levy or other assessment that is based upon, measured by, or calculated with respect to (A) net income or profits (including, but not limited to, any capital gains, gross receipts, or minimum tax, and any tax on items of tax preference, but not including sales, use, value added, real property gains, real or personal property, transfer or similar taxes), (B) multiple bases (including, but not limited to, corporate franchise, doing business or occupation taxes), if one or more of the bases upon which such tax may be based, by which it may be measured, or with respect to which it may be calculated is described in clause (a)(i) (A) of this definition, or (C) any net worth, franchise or similar tax, in each case together with (ii) any interest and any penalties, fines, additions to tax or additional amounts imposed by any Tax Authority with respect thereto and (b) shall include any transferee or successor liability in respect of an amount described in clause (a) of this definition.

“Income Tax Benefit” shall mean, with respect to the effect of any Carryback on the Income Tax Liability of Parent or the Parent Group for any taxable period, the excess of (a) the hypothetical Income Tax Liability of Parent or the Parent Group for such taxable period, calculated as if such Carryback had not been utilized but

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with all other facts unchanged over (b) the actual Income Tax Liability of Parent or the Parent Group for such taxable period, calculated taking into account such Carryback (and treating a Refund as a negative Income Tax Liability, for purposes of such calculation).

“Income Tax Liabilities” shall mean all liabilities for Income Taxes.

“Income Tax Return” shall mean any return, report, filing, statement, questionnaire, declaration or other document required to be filed with a Tax Authority in respect of Income Taxes.

“Indemnified Party” shall mean any Person seeking indemnification pursuant to the provisions of this Agreement.

“Indemnifying Party” shall mean any party hereto from which any Indemnified Party is seeking indemnification pursuant to the provisions of this Agreement.

“IRS” shall mean the Internal Revenue Service of the United States.

“Losses” shall mean any and all losses, liabilities, claims, damages, obligations, payments, costs and expenses, matured or unmatured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, known or unknown (including, without limitation, the costs and expenses of any and all Actions, threatened Actions, demands, assessments, judgments, settlements and compromises relating thereto and attorneys’ fees and any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any such Actions or threatened Actions).

“Option” shall have the meaning ascribed to such term in the EMA.

“Other Tax Liabilities” shall mean all liabilities for Other Taxes.

“Other Tax Returns” shall mean any return, report, filing, statement, questionnaire, declaration or other document required to be filed with a Tax Authority in respect of Other Taxes.

“Other Taxes” shall mean all forms of taxation, whenever created or imposed, and whether of the United States of America or elsewhere, and whether imposed by a local, municipal, governmental, State, federation or other body, and without limiting the generality of the foregoing, shall include superfund, sales, use, ad valorem, value added, occupancy, transfer, recording, withholding, payroll, employment, excise, occupation, premium or property taxes (in each case, together with any related interest, penalties and additions to tax, or additional amounts imposed by any Tax Authority thereon); provided, however, that Other Taxes shall not include any Income Taxes.

“Parent Consolidated Group” shall mean the affiliated group of corporations (within the meaning of Section 1504(a) of the Code without regard to the exclusions in Section 1504(b)(1) through (8)) of which Parent is the common parent (and any predecessor or successor to such affiliated group).

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“Parent Group” shall mean (a) Parent and each Person that is a direct or indirect Subsidiary of Parent (including any Subsidiary of Parent that is disregarded for U.S. federal Income Tax purposes (or for purposes of any state, local, or foreign tax law)) immediately after the Spin-Off after giving effect to the Spin-Off-Related Transactions, (b) any corporation (or other Person) that shall have merged or liquidated into Parent or any such Subsidiary and (c) any predecessor or successor to any Person otherwise described in this definition.

“Parent Separate Return” shall mean any Separate Return required to be filed by Parent or any member of the Parent Group.

“Permitted Transaction” shall mean any transaction that satisfies the requirements of Sections 4(c).

“Person” shall mean any individual, partnership, joint venture, limited liability company, corporation, association, joint stock company, trust, unincorporated organization or similar entity or a governmental authority or any department or agency or other unit thereof.

“Post-Distribution Taxable Period” shall mean a taxable period that, to the extent it relates to a member of the SpinCo Group, begins after the Distribution Date.

“Pre-Distribution Taxable Period” shall mean a taxable period that, to the extent it relates to a member of the SpinCo Group, ends on or before the Distribution Date.

“Private Letter Ruling” shall mean (a) any private letter ruling issued by the IRS in connection with any of the Spin-Off-Related Transactions or (b) any similar ruling issued by any other Tax Authority in connection with any of the Spin-Off-Related Transactions.

“Private Letter Ruling Documents” shall mean (a) any Private Letter Ruling, any request for a Private Letter Ruling submitted to the IRS, together with the appendices and exhibits thereto and any supplemental filings or other materials subsequently submitted to the IRS, in connection with the Spin-Off-Related Transactions, or (b) any similar filings submitted to any other Tax Authority in connection with any such request for a Private Letter Ruling.

“Proceeding” shall mean any audit or other examination, or judicial or administrative proceeding relating to liability for, or Refunds or adjustments with respect to, Income Taxes or Other Taxes.

“Refund” shall mean any refund of Income Taxes or Other Taxes, including any reduction in Income Tax Liabilities or Other Tax Liabilities by means of a credit, offset or otherwise.

“Representative” shall mean with respect to a Person, such Person’s officers, directors, employees and other authorized agents.

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“Restriction Period” shall mean the period beginning on the date hereof and ending on the twenty five (25) month anniversary of the Distribution Date.

“Separate Return” shall mean (a) in the case of any Income Tax Return or Other Tax Return required to be filed by any member of the SpinCo Group (including any consolidated, combined or unitary return), any such tax return that does not include any member of the Parent Group and (b) in the case of any Income Tax Return or Other Tax Return required to be filed by any member of the Parent Group (including any consolidated, combined or unitary return), any such tax return that does not include any member of the SpinCo Group.

“Separation Agreement” shall have the meaning set forth in the recitals of this Agreement.

“SpinCo Adjustment” shall mean an adjustment of any item of income, gain, loss, deduction or credit attributable to members of the SpinCo Group (including, in the case of any state or local consolidated, combined or unitary income or franchise taxes, a change in one or more apportionment factors of members of the SpinCo Group) pursuant to a Final Determination for a Pre-Distribution Taxable Period.

“SpinCo Board” shall mean the Board of Directors of SpinCo.

“SpinCo Business” shall mean each trade or business actively conducted (within the meaning of Section 355(b) of the Code) by SpinCo or any member of the SpinCo Group immediately after the Spin-Off, as set forth in the Tax Opinion Documents.

“SpinCo Consolidated Group” shall mean the affiliated group of corporations (within the meaning of Section 1504(a) of the Code without regard to the exclusions in Section 1504(b)(1) through (8)) of which SpinCo is the common parent, determined immediately after the Spin-Off (and any predecessor or successor to such affiliated group other than the Parent Consolidated Group).

“SpinCo Group” shall mean (a) SpinCo and each Person that is a direct or indirect Subsidiary of SpinCo (including any Subsidiary of SpinCo that is disregarded for U.S. federal Income Tax purposes (or for purposes of any State, local, or foreign tax law)) immediately after the Spin-Off after giving effect to the Spin-Off-Related Transactions, (b) any corporation (or other Person) that shall have merged or liquidated into SpinCo or any such Subsidiary and (c) any predecessor or successor to any Person otherwise described in this definition.

“SpinCo Separate Return” shall mean any Separate Return required to be filed by SpinCo or any member of the SpinCo Group, including, without limitation, (a) any U.S. consolidated federal Income Tax Returns of the SpinCo Consolidated Group required to be filed with respect to a Post-Distribution Taxable Period and (b) any U.S. consolidated federal Income Tax Returns for any group of which any member of the SpinCo Group was the common parent.

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“SpinCo Tax Benefit” shall mean, with respect to any Taxing Jurisdiction, any decrease in Income Tax Liability or Other Tax Liability (or increase in a Refund) Actually Realized with respect to a Combined Return that is attributable to a SpinCo Adjustment.

“SpinCo Tax Liability” shall mean, with respect to any Taxing Jurisdiction, any increase in Income Tax Liability or Other Tax Liability (or reduction in a Refund) Actually Realized with respect to a Combined Return that is attributable to a SpinCo Adjustment.

“Spin-Off” shall mean the distribution of Expedia Common Stock, Expedia Class B Common Stock and Expedia Series A Preferred Stock pursuant to the Reclassification.

“Spin-Off-Related Transactions” shall mean the Contribution together with the Spin-Off.

“Spin-Off Tax Liabilities” shall mean, with respect to any Taxing Jurisdiction, the sum of (a) any increase in Income Tax Liability or Other Tax Liability (or reduction in a Refund) Actually Realized as a result of any corporate-level gain or income recognized with respect to the failure of any of the Spin-Off-Related Transactions to qualify for Tax-Free Status under the income tax laws of such Taxing Jurisdiction pursuant to any settlement, Final Determination, judgment, assessment, proposed adjustment or otherwise, (b) interest on such amounts calculated pursuant to such Taxing Jurisdiction’s laws regarding interest on tax liabilities at the highest Underpayment Rate for corporations in such Taxing Jurisdiction from the date such additional gain or income was recognized until full payment with respect thereto is made pursuant to Section 3 hereof (or in the case of a reduction in a Refund, the amount of interest that would have been received on the foregone portion of the Refund but for the failure of any of the Spin-Off-Related Transactions to qualify for Tax-Free Status), and (c) any penalties actually paid to such Taxing Jurisdiction that would not have been paid but for the failure of any of the Spin-Off-Related Transactions to qualify for Tax-Free Status in such Taxing Jurisdiction.

“Tax Attribute” shall mean a consolidated, combined or unitary net operating loss, net capital loss, unused investment credit, unused foreign tax credit, or excess charitable contribution (as such terms are used in Treasury Regulations 1.1502-79 and 1.1502-79A or comparable provisions of foreign, State or local tax law), or a minimum tax credit or general business credit.

“Tax Authority” shall mean a governmental authority (foreign or domestic) or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including, without limitation, the IRS).

“Tax Benefits” shall have the meaning set forth in Section 3(a) hereof.

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“Tax Counsel” shall mean tax counsel of recognized national standing that is acceptable to Parent.

“Tax-Free Status” shall mean the qualification of each of the Spin-Off-Related Transactions, as the case may be, (a) as a transaction described in Sections 355(a) and 368(a)(1)(D) of the Code, (b) as a transaction in which the stock distributed thereby is “qualified property” for purposes of Section 361(c) of the Code, and (c) as a transaction in which Parent, the members of the Parent Group, SpinCo and the members of the SpinCo Group recognize no income or gain other than intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

“Taxing Jurisdiction” shall mean the United States and every other government or governmental unit having jurisdiction to tax Parent or SpinCo or any of their respective Affiliates.

“Tax Opinion” shall mean the tax opinion issued by Tax Counsel in connection with the Spin-Off-Related Transactions.

“Tax Opinion Documents” shall mean the Tax Opinion and the information and representations provided by, or on behalf of, Parent or SpinCo to Tax Counsel in connection therewith.

“Tax-Related Losses” shall mean:

- (a) the Aggregate Spin-Off Tax Liabilities,
- (b) all accounting, legal and other professional fees, and court costs incurred in connection with any settlement, Final Determination, judgment or other determination with respect to such Aggregate Spin-Off Tax Liabilities, and
- (c) all costs, expenses and damages associated with stockholder litigation or controversies and any amount paid by Parent or SpinCo in respect of the liability of shareholders, whether paid to shareholders or to the IRS or any other Tax Authority payable by Parent or SpinCo or their respective Affiliates, in each case, resulting from the failure of any of the Spin-Off-Related Transactions to qualify for Tax-Free Status.

“Underpayment Rate” shall mean the annual rate of interest described in Section 6621(c) of the Code for large corporate underpayments of Income Tax (or similar provision of state, local, or foreign Income Tax law, as applicable), as determined from time to time.

“Unqualified Tax Opinion” shall mean an unqualified opinion of Tax Counsel on which Parent may rely to the effect that a transaction will not disqualify any of the Spin-Off-Related Transactions from Tax-Free Status, assuming that the Spin-Off-Related Transactions would have qualified for Tax-Free Status if such transaction did not occur.

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2. Filing of Tax Returns; Payment of Taxes.

(a) Filing of Tax Returns; Payment of Income Taxes and Other Taxes.

(i) Parent Consolidated Returns; Other Combined Returns. Parent shall prepare and file or cause to be prepared and filed (A) all U.S. consolidated federal Income Tax Returns of the Parent Consolidated Group and (B) all other Combined Returns. Except as provided in Section (2)(a)(ii) hereof, Parent shall pay, or cause to be paid, and shall be responsible for, any and all Income Taxes and Other Taxes due or required to be paid with respect to or required to be reported on any such Income Tax Return or Other Tax Return (in each case, excluding any amounts which are SpinCo Tax Liabilities or otherwise attributable to SpinCo Adjustments).

(ii) SpinCo Adjustments. SpinCo shall pay, or cause to be paid, and shall be responsible for, any SpinCo Tax Liabilities. Other than in connection with the initial filing of Combined Returns and the payment of the tax liability shown as due thereon provided for in Section 2(a)(i) hereof, SpinCo shall be responsible for all SpinCo Tax Liabilities and shall be entitled to all SpinCo Tax Benefits.

(iii) Parent Separate Returns. Parent shall prepare and file or cause to be prepared and filed all Parent Separate Returns. Parent shall pay, or cause to be paid, and shall be responsible for, any and all Income Taxes or Other Taxes due or required to be paid with respect to or required to be reported on any Parent Separate Return (including any increase in such Income Tax Liabilities or Other Tax Liabilities as a result of a Final Determination).

(iv) SpinCo Separate Returns. SpinCo shall prepare and file or cause to be prepared and filed all SpinCo Separate Returns. SpinCo shall pay, or cause to be paid, and shall be responsible for, any and all Income Taxes or Other Taxes due or required to be paid with respect to or required to be reported on any SpinCo Separate Return (including any increase in such Income Tax Liabilities or Other Tax Liabilities as a result of a Final Determination).

(b) Preparation of Tax Returns.

(i) Parent (or its designee) shall determine the entities to be included in any Combined Return and make or revoke any Income Tax elections, adopt or change any accounting methods, and determine any other position taken on or in respect of any Income Tax Return or Other Tax Return required to be prepared and filed by Parent pursuant to Section 2(a)(i). Notwithstanding the immediately preceding sentence, any Income Tax Return or Other Tax Return filed by Parent pursuant to Section 2(a)(i) with respect to any Pre-Closing Taxable Period shall, to the extent relating to SpinCo or the SpinCo Group, be prepared consistent with Parent’s past practice for the filing of such returns and shall not include any tax election relating to SpinCo or the SpinCo Group that is inconsistent with past practice (or, where no such past practice exists, shall not reflect any tax return position or include any tax election that would materially adversely affect SpinCo or the SpinCo Group), except to the extent that SpinCo consents to such tax return position or tax election (such consent not to be unreasonably withheld); provided, however, that, for the avoidance of doubt, the allocation and pro-ration of

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items of income, gain, loss, deduction and credit for the period which includes the Spin-Off shall (to the extent allowable) be determined by Parent in its sole discretion in accordance with Treasury Regulation Section 1.1502-76(b). SpinCo shall, and shall cause each member of the SpinCo Group to, prepare and submit at Parent’s request (but in no event later than 90 days after such request), at SpinCo’s expense, all information that Parent shall reasonably request, in such form as Parent shall reasonably request including any such information requested to enable Parent to prepare any Income Tax Returns or Other Tax Return required to be filed by Parent pursuant to Section 2(a)(i). Parent shall make any such Income Tax Return or Other Tax Return and related workpapers available for review by SpinCo to the extent such return relates to Taxes for which SpinCo would reasonably be expected to be liable or with respect to which SpinCo would reasonably be expected to have a claim. If practicable, Parent shall make such return available for review sufficiently in advance of the due date for filing such return to provide SpinCo an opportunity to analyze and comment on such return. Parent and SpinCo shall attempt in good faith to resolve any issues arising out of the review of such return.

(ii) Except as required by applicable law or as a result of a Final Determination, neither Parent nor SpinCo shall (nor shall cause or permit any members of the Parent Group or SpinCo Group, respectively, to) take any position that is either inconsistent with the treatment of

the Spin-Off-Related Transactions as having Tax-Free Status (or analogous status under State, local or foreign law) or, with respect to a specific item of income, deduction, gain, loss, or credit on an Income Tax Return or Other Tax Return, treat such specific item in a manner which is inconsistent with the manner such specific item is reported on an Income Tax Return or Other Tax Return prepared or filed by Parent pursuant to Section 2(a) hereof (including, without limitation, the claiming of a deduction previously claimed on any such Income Tax Return or Other Tax Return).

3. **Indemnification for Income Taxes and Other Taxes.**

(a) **Indemnification by Parent.** From and after the Distribution Date, except as provided in Section 3(b), Parent and each member of the Parent Group shall jointly and severally indemnify, defend and hold harmless SpinCo and each member of the SpinCo Group and each of their respective Representatives and Affiliates (and the heirs, executors, successors and assigns of any of them) from and against (i) all Spin-Off Tax Liabilities incurred by any member of the Parent Group, (ii) without duplication, all Income Tax Liabilities, and Other Tax Liabilities that any member of the Parent Group is responsible for pursuant to Section 2, and (iii) all Income Taxes and Other Taxes, Spin-Off Tax Liabilities and Tax-Related Losses incurred by any member of the Parent Group or SpinCo Group by reason of the breach by Parent or any member of the Parent Group of any of Parent's representations or covenants hereunder or made in connection with the Tax Opinion and, in each case, any related costs and expenses (including, without limitation, reasonable attorneys' fees and expenses); provided, however, that neither Parent nor any member of the Parent Group shall have any obligation to indemnify, defend or hold harmless any Person pursuant to this Section 3(a) to the extent that such indemnification obligation is otherwise attributable to any breach by SpinCo or any member of the SpinCo Group of any of SpinCo's representations or covenants hereunder (including any representations made in connection with the Tax Opinion). If the indemnification obligation of Parent or any member of the Parent Group under this Section 3(a) (or the adjustment giving rise to such indemnification obligation) results in (i) increased deductions, losses, or credits, or (ii) decreases in income, gains

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or recapture of Tax credits ("Tax Benefits") to SpinCo or any member of the SpinCo Group, which would not, but for the indemnification obligation (or the adjustment giving rise to such indemnification obligation), be allowable, then SpinCo shall pay Parent the amount by which such Tax Benefit actually reduces, in cash, the amount of Tax that SpinCo or any member of the SpinCo Group would have been required to pay and bear (or increases, in cash, the amount of Tax refund to which SpinCo or any member of the SpinCo Group would have been entitled) but for such indemnification obligation (or adjustment giving rise to such indemnification obligation). SpinCo shall pay Parent for such Tax Benefit no later than five days after such Tax Benefit is Actually Realized.

(b) **Indemnification by SpinCo.** From and after the Distribution Date, SpinCo and each member of the SpinCo Group shall jointly and severally indemnify, defend and hold harmless Parent and each member of the Parent Group and each of their respective Representatives and Affiliates (and the heirs, executors, successors and assigns of any of them) from and against (i) all SpinCo Tax Liabilities, Income Tax Liabilities, Other Tax Liabilities, Spin-Off Tax Liabilities and Tax-Related Losses that SpinCo or any member of the SpinCo Group is responsible for under Section 2 or Section 4 (including, without limitation, any Income Tax Liabilities, Other Tax Liabilities or Spin-Off Tax Liabilities or Tax-Related Losses arising with respect to a Permitted Transaction for which SpinCo is liable pursuant to Section 4(e)(i)) and (ii) all Income Taxes, Other Taxes, Spin-Off Tax Liabilities and other Tax-Related Losses incurred by any member of the Parent Group or SpinCo Group by reason of the breach by SpinCo or any member of the SpinCo Group of any of SpinCo's representations or covenants hereunder (including any representations made in connection with the Tax Opinion) and, in each case, any related costs and expenses (including, without limitation, reasonable attorneys' fees and expenses). If the indemnification obligation of SpinCo or any member of the SpinCo Group under this Section 3(b) (or the adjustment giving rise to such indemnification obligation) results in a Tax Benefit to Parent or any member of the Parent Group, which would not, but for the Tax which is the subject of the indemnification obligation (or the adjustment giving rise to such indemnification obligation), be allowable, then Parent shall pay SpinCo the amount by which such Tax Benefit actually reduces, in cash, the amount of Tax that Parent or any member of the Parent Group would have been required to pay and bear (or increases, in cash, the amount of Tax refund to which Parent or any member of the Parent Group would have been entitled) but for such indemnification (or adjustment giving rise to such indemnification obligation). Parent shall pay SpinCo for such Tax Benefit no later than five days after such Tax Benefit is Actually Realized.

(c) **Timing of Indemnification.** Any payment and indemnification made pursuant to this Section 3 (other than a payment for any Tax Benefit, the timing of which is provided in Sections 3(a) and 3(b) above) shall be made by the Indemnifying Party promptly, but, in any event, no later than:

(i) in the case of an indemnification obligation with respect to any SpinCo Tax Liabilities, Spin-Off Tax Liabilities, Income Tax Liabilities or Other Tax Liabilities, the later of (A) five Business Days after the Indemnified Party notifies the Indemnifying Party and (B) five Business Days prior to the date the Indemnified Party is required to make a payment of taxes, interest, or penalties to the applicable Tax Authority (including a payment with respect to an assessment of a tax deficiency by any Taxing

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Jurisdiction or a payment made in settlement of an asserted tax deficiency) or realizes a reduced Refund; and

(ii) in the case of any payment or indemnification of any Losses not otherwise described in clause (i) of this Section 3(c) (including, but not limited to, any Losses described in clause (b) or (c) of the definition of Tax-Related Losses, attorneys' fees and expenses and other indemnifiable Losses), the later of (A) five Business Days after the Indemnified Party notifies the Indemnifying Party and (B) five Business Days prior to the date the Indemnified Party makes a payment thereof.

4. **Spin-Off Related Matters.**

(a) **Representations.**

(i) **Tax Opinion Documents.** SpinCo hereby represents and warrants that (A) it has examined the Tax Opinion Documents (including, without limitation, the representations to the extent that they relate to the plans, proposals, intentions, and policies of SpinCo, its Subsidiaries, the SpinCo Business, or the SpinCo Group) and (B) to the extent in reference to SpinCo, its Subsidiaries, the SpinCo Business, or the SpinCo Group, the facts presented and the representations made therein are true, correct and complete.

(ii) Tax-Free Status. SpinCo hereby represents and warrants that it has no plan or intention of taking any action, or failing to take any action or knows of any circumstance, that could reasonably be expected to (A) cause any of the Spin-Off-Related Transactions not to have Tax-Free Status or (B) cause any representation or factual statement made in this Agreement, the Separation Agreement, the Tax Opinion Documents or any of the Ancillary Agreements to be untrue in a manner that would have an adverse effect on the Tax-Free Status of any of the Spin-Off-Related Transactions.

(iii) Plan or Series of Related Transactions. SpinCo hereby represents and warrants that, to the best knowledge of SpinCo, after due inquiry, none of the Spin-Off-Related Transactions are part of a plan (or series of related transactions) pursuant to which a Person will acquire stock representing a Fifty-Percent or Greater Interest in SpinCo or any successor to SpinCo.

(b) Covenants.

(i) Actions Consistent with Representations and Covenants. Neither Parent nor SpinCo shall take any action or permit any member of the Parent Group or the SpinCo Group, respectively, to take any action, or shall fail to take any action or permit any member of the Parent Group or the SpinCo Group, respectively, to fail to take any action, where such action or failure to act would be inconsistent with or cause to be untrue any material information, covenant or representation in this Agreement, the Separation Agreement, the Tax Opinion Documents or any of the Ancillary Agreements.

(ii) Preservation of Tax-Free Status; SpinCo Business. SpinCo shall not (A) take any action (including, but not limited to, any cessation, transfer or disposition of all or any portion of any SpinCo Business; payment of extraordinary dividends; and

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acquisitions or issuances of stock) or permit any member of the SpinCo Group to take any such action, and SpinCo shall not fail to take any such action or permit any member of the SpinCo Group to fail to take any such action, in each case, unless such action or failure to act could not reasonably be expected to cause any of the Spin-Off-Related Transactions not to have Tax-Free Status or could not require Parent or SpinCo to reflect a liability or reserve with respect to any of the Spin-Off-Related Transactions in its financial statements, and (B) until the first day after the Restriction Period, engage in any transaction (including, without limitation, any cessation, transfer or disposition of all or any portion of any SpinCo Business) that could reasonably be expected to result in it or any member of the SpinCo Group ceasing to be a company engaged in any SpinCo Business.

(iii) Sales, Issuances and Redemptions of Equity Securities. Until the first day after the Restriction Period, none of SpinCo or any member of the SpinCo Group shall, or shall agree to, sell or otherwise issue to any Person, or redeem or otherwise acquire from any Person, any Equity Securities of SpinCo or any member of the SpinCo Group; provided, however, that (A) the adoption by SpinCo of a shareholder rights plan shall not constitute a sale or issuance of such Equity Securities, (B) SpinCo and the members of the SpinCo Group may repurchase such Equity Securities to the extent that such repurchases meet the requirements of Section 4.05(1)(b) of Revenue Procedure 96-30, (C) SpinCo may issue such Equity Securities to the extent such issuances satisfy Safe Harbor VIII (relating to acquisitions in connection with a person's performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulation Section 1.355-7(d), and (D) members of the SpinCo Group may issue or sell Equity Securities to other members of the SpinCo Group, and may redeem or purchase Equity Securities from other members of the SpinCo group, in each case, to the extent not inconsistent with the Tax-Free Status of the Spin-Off-Related Transactions; provided, that, SpinCo shall not be permitted to issue or redeem Equity Securities pursuant to this clause (D).

(iv) Tender Offers; Other Business Transactions. Until the first day after the Restriction Period, none of SpinCo or any member of the SpinCo Group shall (A) solicit any Person to make a tender offer for, or otherwise acquire or sell, the Equity Securities of SpinCo, (B) participate in or support any unsolicited tender offer for, or other acquisition, issuance or disposition of, the Equity Securities of SpinCo or (C) approve or otherwise permit any proposed business combination or any transaction which, in the case of clauses (A), (B) or (C), individually or in the aggregate, together with any transaction occurring within the four-year period beginning on the date which is two years before the Distribution Date and any other transaction which is part of a plan or series of related transactions (within the meaning of Section 355(e) of the Code) that includes the Spin-Off, could result in one or more Persons acquiring (except for acquisitions that otherwise satisfy Safe Harbor VIII (relating to acquisitions in connection with a person's performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulation Section 1.355-7(d)) directly or indirectly stock representing a 40% or greater interest, by vote or value, in SpinCo (or any successor thereto). In addition, none of SpinCo or any member of the SpinCo Group shall at any time, whether before or subsequent to the expiration of the Restriction Period, engage in any action described in clauses (A), (B) or (C) of the preceding sentence if it is pursuant to an arrangement negotiated (in whole or in part) prior to the first anniversary of the Spin-Off, even if at the time of the Spin-Off or thereafter such action is subject to various conditions.

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(v) Dispositions of Assets. Until the first day after the Restriction Period, none of SpinCo or any member of the SpinCo Group shall sell, transfer, or otherwise dispose of or agree to dispose of assets (including, for such purpose, any shares of capital stock of a Subsidiary and any transaction treated for tax purposes as a sale, transfer or disposition) that, in the aggregate, constitute more than 30% of the gross assets of SpinCo, nor shall SpinCo or any member of the SpinCo Group sell, transfer, or otherwise dispose of or agree to dispose of assets (including, for such purpose, any shares of capital stock of a Subsidiary and any transaction treated for tax purposes as a sale, transfer or disposition) that, in the aggregate, constitute more than 30% of the consolidated gross assets of the SpinCo Group. The foregoing sentence shall not apply to (A) sales, transfers, or dispositions of assets in the ordinary course of business, (B) any cash paid to acquire assets from an unrelated Person in an arm's-length transaction, or (C) any assets transferred to a Person that is disregarded as an entity separate from the transferor for federal income tax purposes. The percentages of gross assets or consolidated gross assets of SpinCo or the SpinCo Group, as the case may be, sold, transferred, or otherwise disposed of, shall be based on the fair market value of the gross assets of SpinCo and the members of the SpinCo Group as of the Distribution Date. For purposes of this Section 4(b)(v), a merger of SpinCo or one of its Subsidiaries with and into any Person shall constitute a disposition of all of the assets of SpinCo or such Subsidiary. Notwithstanding anything in this Section 4(b)(v) to the contrary, following the Spin-Off, SpinCo shall be permitted to make certain sales, transfers, and other dispositions of assets, in each case, solely in the manner described on Schedule 4(b) hereto.

(vi) Liquidations, Mergers, Reorganizations. Until the first day after the Restriction Period, neither SpinCo nor any of its Subsidiaries shall, or shall agree to, voluntarily dissolve or liquidate or engage in any transaction involving a merger (except for a Cash Acquisition Merger), consolidation or other reorganization; provided, that, mergers of direct or indirect wholly-owned Subsidiaries of SpinCo solely with and into SpinCo

or with other direct or indirect wholly-owned Subsidiaries of SpinCo, and liquidations of SpinCo's subsidiaries are not subject to this Section 4(b)(vi) to the extent not inconsistent with the Tax-Free Status of the Spin-Off-Related Transactions. Notwithstanding anything in this Section 4(b)(vi) to the contrary, following the Spin-Off, SpinCo shall be permitted to engage in certain transactions involving liquidations or reorganizations, in each case, solely in the manner described on Schedule 4(b) hereto.

(c) Permitted Transactions.

Notwithstanding the restrictions otherwise imposed by Sections 4(b)(iii) through 4(b)(vi), during the Restriction Period, SpinCo may (i) issue, sell, redeem or otherwise acquire (or cause a member of the SpinCo Group to issue, sell, redeem or otherwise acquire) Equity Securities of SpinCo or any member of the SpinCo Group in a transaction that would otherwise breach the covenant set forth in Section 4(b)(iii), (ii) approve, participate in, support or otherwise permit a proposed business combination or transaction that would otherwise breach the covenant set forth in Section 4(b)(iv), (iii) sell or otherwise dispose of the assets of SpinCo or any member of the SpinCo Group in a transaction that would otherwise breach the covenant set forth in Section 4(b)(v), or (iv) merge SpinCo or any

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member of the SpinCo Group with another entity without regard to which party is the surviving entity in a transaction that would otherwise breach the covenant set forth in Section 4(b)(vi), if and only if such transaction would not violate Section 4(b)(i) or Section 4(b)(ii) and prior to entering into any agreement contemplating a transaction described in clauses (i), (ii), (iii) or (iv), and prior to consummating any such transaction: (X) SpinCo shall provide Parent with an Unqualified Tax Opinion in form and substance satisfactory to Parent in its sole and absolute discretion, exercised in good faith (and in determining whether an opinion is satisfactory, Parent may consider, among other factors, the appropriateness of any underlying assumptions and management's representations if used as a basis for the opinion) or (Y) SpinCo shall request that Parent obtain a Private Letter Ruling in accordance with Section 4(d)(ii) of this Agreement to the effect that such transaction will not affect the Tax-Free Status of any of the Spin-Off-Related Transactions and Parent shall have received such a Private Letter Ruling, in form and substance satisfactory to Parent in its discretion, exercised in good faith.

(d) Private Letter Rulings and Restrictions on SpinCo.

(i) Private Letter Ruling at Parent's Request. Parent shall have the right to obtain a Private Letter Ruling in its discretion, exercised in good faith. If Parent determines to obtain a Private Letter Ruling, SpinCo shall (and shall cause each member of the SpinCo Group to) cooperate with Parent and take any and all actions reasonably requested by Parent in connection with obtaining the Private Letter Ruling (including, without limitation, by making any representation or covenant or providing any materials or information requested by any Tax Authority; provided that SpinCo shall not be required to make (or cause any member of the SpinCo Group to make) any representation or covenant that is inconsistent with historical facts or as to future matters or events over which it has no control). In connection with obtaining a Private Letter Ruling pursuant to this Section 4(d)(i), (A) Parent shall, to the extent practicable, consult with SpinCo reasonably in advance of taking any material action in connection therewith; (B) Parent shall (1) reasonably in advance of the submission of any Ruling Documents or Private Letter Ruling Documents, provide SpinCo with a draft copy thereof, (2) reasonably consider SpinCo's comments on such draft copy, and (3) provide SpinCo with a final copy; and (C) Parent shall provide SpinCo with notice reasonably in advance of, and SpinCo shall have the right to attend and participate in, any formally scheduled meetings with any Tax Authority (subject to the approval of the Tax Authority) that relate to such Private Letter Ruling.

(ii) Private Letter Rulings at SpinCo's Request. Parent agrees that at the reasonable request of SpinCo pursuant to Section 4(c), Parent shall (and shall cause each member of the Parent Group to) cooperate with SpinCo and use its reasonable best efforts to seek to obtain, as expeditiously as possible, a Private Letter Ruling from the IRS and/or any other applicable Tax Authority for the purpose of confirming compliance on the part of SpinCo or any member of the SpinCo Group with its obligations under Section 4(b) of this Agreement. Further, in no event shall Parent be required to file any request for a Private Letter Ruling under

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this Section 4(d)(ii) unless SpinCo represents that (A) it has read the request for the Private Letter Ruling and any materials, appendices and exhibits submitted or filed therewith, and (B) all information and representations, if any, relating to any member of the SpinCo Group, contained in the Private Letter Ruling Documents are true, correct and complete in all material respects. SpinCo shall reimburse Parent for all reasonable costs and expenses incurred by the Parent Group in obtaining a Private Letter Ruling requested by SpinCo within 10 Business Days after receiving an invoice from Parent therefor. SpinCo hereby agrees that Parent shall have sole and exclusive control over the process of obtaining a Private Letter Ruling, and that only Parent shall apply for a Private Letter Ruling. In connection with obtaining a Private Letter Ruling pursuant to this Section 4(d)(ii), (A) Parent shall, to the extent practicable, consult with SpinCo reasonably in advance of taking any material action in connection therewith; (B) Parent shall (1) reasonably in advance of the submission of any Private Letter Ruling Documents, provide SpinCo with a draft copy thereof, (2) reasonably consider SpinCo's comments on such draft copy, and (3) provide SpinCo with a final copy; and (C) Parent shall provide SpinCo with notice reasonably in advance of, and SpinCo shall have the right to attend and participate in, any formally scheduled meetings with any Tax Authority (subject to the approval of the Tax Authority) that relate to such Private Letter Ruling.

(iii) Prohibition on SpinCo. SpinCo hereby agrees that, except to the extent permitted by Section 4(d)(ii), neither it nor any member of the SpinCo Group shall seek any guidance from the IRS or any other Tax Authority (whether written, verbal or otherwise) concerning any of the Spin-Off-Related Transactions (or the impact of any transaction on any of the Spin-Off-Related Transactions).

(e) Liability of SpinCo for Undertaking Certain Actions. Notwithstanding anything in this Agreement to the contrary, SpinCo and each member of the SpinCo Group shall be responsible for any and all Tax-Related Losses that are attributable to, or result from:

(i) any act or failure to act by SpinCo or any member of the SpinCo Group, which action or failure to act breaches any of the covenants described in Section 4(b)(i) through 4(b)(vi) of this Agreement (determined without regard to the exceptions or provisos set forth in such provisions or in Section 4(c), so that SpinCo and each member of the SpinCo Group shall be responsible for any and all Tax-Related Losses even if such Tax-Related Losses are attributable to or result from any act or failure to act pursuant to an exception or proviso described in Section 4(b)(i) through 4(b)(vi) or in

Section 4(c)), expressly including, for this purpose, any Permitted Transaction and any act or failure to act that breaches Section 4(b)(i) or 4(b)(ii), regardless of whether such act or failure to act is permitted by Section 4(b)(iii) through 4(b)(vi);

(ii) any acquisition of Equity Securities of SpinCo or any member of the SpinCo Group by any Person or Persons (including, without limitation, as a result of an issuance of SpinCo Equity Securities or a merger of another entity with and into SpinCo or any member of the SpinCo Group) or any acquisition of assets of SpinCo or any member of the SpinCo Group (including, without limitation, as a result of a merger) by any Person or Persons; and

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(iii) Tax Counsel withdrawing all or any portion of the Tax Opinion or any Tax Authority withdrawing all or any portion of a Private Letter Ruling issued to Parent in connection with the Spin-Off-Related Transactions because of a breach by SpinCo or any member of the SpinCo Group of a representation made in this Agreement (or made in connection with the Tax Opinion or any Private Letter Ruling).

(f) Cooperation.

(i) Without limiting the prohibition set forth in Section 4(d)(iii), until the first day after the Restriction Period, SpinCo shall furnish Parent with a copy of any ruling request that any member of the SpinCo Group may file with the IRS or any other Tax Authority and any opinion received that in any respect relates to, or otherwise reasonably could be expected to have any effect on, the Tax-Free Status of any of the Spin-Off-Related Transactions.

(ii) Parent shall reasonably cooperate with SpinCo in connection with any request by SpinCo for an Unqualified Tax Opinion pursuant to Section 4(c).

(iii) Until the first day after the Restriction Period, SpinCo will provide adequate advance notice to Parent in accordance with the terms of Section 4(f)(iv) of any action described in Sections 4(b)(i) through 4(b)(vi) within a period of time sufficient to enable Parent to seek injunctive relief pursuant to Section 4(g) in a court of competent jurisdiction.

(iv) Each notice required by Section 4(f)(iii) shall set forth the terms and conditions of any such proposed transaction, including, without limitation, (A) the nature of any related action proposed to be taken by the board of directors of SpinCo, (B) the approximate number of Equity Securities (and their voting and economic rights) of SpinCo or any member of the SpinCo Group (if any) proposed to be sold or otherwise issued, (C) the approximate value of SpinCo's assets (or assets of any member of the SpinCo Group) proposed to be transferred, and (D) the proposed timetable for such transaction, all with sufficient particularity to enable Parent to seek such injunctive relief. Promptly, but in any event within 30 days, after Parent receives such written notice from SpinCo, Parent shall notify SpinCo in writing of Parent's decision to seek injunctive relief pursuant to Section 4(g).

(v) From and after the date Parent first requests a Private Letter Ruling pursuant to Section 4(d) until the first day after the two-year anniversary of such date that Parent receives such Private Letter Ruling (pursuant to Section 4(d)(i) or 4(d)(ii)), neither SpinCo nor any member of the SpinCo Group shall take (or refrain from taking) any action to the extent that such action or inaction would have caused a representation given by SpinCo in connection with any such request for a Private Letter Ruling to have been untrue as of the relevant representation date, had SpinCo or any member of the SpinCo Group intended to take (or refrain from taking) such action on the relevant representation date.

(g) Enforcement. The parties hereto acknowledge that irreparable harm would occur in the event that any of the provisions of this Section 4 were not performed in accordance with their specific terms or were otherwise breached. The parties hereto agree that, in order to preserve the Tax-Free Status of the Spin-Off-Related Transactions, injunctive relief is

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appropriate to prevent any violation of the foregoing covenants; provided, however, that injunctive relief shall not be the exclusive legal or equitable remedy for any such violation.

5. Refunds. Parent shall be entitled to all Refunds (and any interest thereon received from the applicable Tax Authority) in respect of Income Taxes and Other Taxes paid with respect to any Tax Return filed by Parent or any member of the Parent Group (other than any SpinCo Separate Return filed prior to the Closing Date), except to the extent such Refunds are solely attributable to SpinCo Tax Benefits. SpinCo shall be entitled to all Refunds (and any interest thereon received from the applicable Tax Authority) in respect of Income Taxes and Other Taxes paid with respect to any Tax Return filed by SpinCo or any member of the SpinCo Group (including, without limitation, any SpinCo Separate Return filed before the Closing Date) or which are solely attributable to SpinCo Tax Benefits. A party receiving a Refund to which another party is entitled pursuant to this Section 5 shall pay the amount to which such other party is entitled within fifteen Business Days after such Refund is Actually Realized. Each of Parent and SpinCo shall cooperate with the other party in connection with any claim for Refund in respect of an Income Tax or Other Tax for which any member of the Parent Group or the SpinCo Group, as the case may be, is responsible pursuant to Section 2.

6. Tax Contests.

(a) Notification. Each of Parent and SpinCo shall notify the other party in writing of any communication with respect to any pending or threatened Proceeding in connection with an Income Tax Liability or Other Tax Liability (or any issue related thereto) of Parent or any member of the Parent Group, or SpinCo or any member of the SpinCo Group, respectively, for which a member of the SpinCo Group or the Parent Group, respectively, may be responsible pursuant to this Agreement within ten (10) Business Days of receipt; provided, however, that in the case of any Distribution-Related Proceeding (whether or not SpinCo or Parent may be responsible thereunder), such notice shall be provided no later than ten (10) Business Days after Parent or SpinCo, as the case may be, first receives written notice from the IRS or other Tax Authority of such Distribution-Related Proceeding. Each of Parent and SpinCo shall include with such notification a true, correct and complete copy of any written communication, and an accurate and complete written summary of any oral communication, received by Parent or a member of the Parent Group, or SpinCo or a member of the SpinCo Group, respectively. The failure of Parent or SpinCo timely to forward such notification in accordance with the immediately preceding sentence shall not relieve SpinCo or Parent, respectively, of any obligation to pay such Income Tax Liability or Other Tax Liability or indemnify Parent and the members of the Parent Group, or SpinCo and the

members of the SpinCo Group, respectively, and their respective Representatives, Affiliates, successors and assigns therefor, except to the extent that the failure timely to forward such notification actually prejudices the ability of SpinCo or Parent to contest such Income Tax Liability or Other Tax Liability or increases the amount of such Income Tax Liability or Other Tax Liability.

(b) Representation with Respect to Tax Disputes. Parent (or such member of the Parent Group as Parent shall designate) shall have the sole right to represent the interests of the members of the Parent Group and the members of the SpinCo Group and to employ counsel of its choice at its expense in any Proceeding relating to (i) any U.S. consolidated federal Income Tax Returns of the Parent Consolidated Group, (ii) any other

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Combined Returns and (iii) any Parent Separate Returns. SpinCo (or such member of the SpinCo Group as SpinCo shall designate) shall have the sole right to represent the interests of the members of the SpinCo Group and to employ counsel of its choice at its expense in any Proceeding relating to SpinCo Separate Returns.

(c) Power of Attorney. Each member of the SpinCo Group shall execute and deliver to Parent (or such member of the Parent Group as Parent shall designate) any power of attorney or other document requested by Parent (or such designee) in connection with any Proceeding described in the first sentence of Section 6(b).

(d) Distribution-Related Proceedings, Proceedings with Respect to SpinCo Tax Liabilities.

(i) In the event of any Distribution-Related Proceeding or Proceeding relating to a SpinCo Tax Liability as a result of which SpinCo could reasonably be expected to become liable for Tax or any Tax-Related Losses and with respect to which Parent has the right to represent the interests of the members of the Parent Group and/or the members of the SpinCo Group pursuant to Section 6(b) above, (A) Parent shall consult with SpinCo reasonably in advance of taking any significant action in connection with such Proceeding, (B) Parent shall consult with SpinCo and offer SpinCo a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Proceeding, (C) Parent shall defend such Proceeding diligently and in good faith as if it were the only party in interest in connection with such Proceeding, and (D) Parent shall provide SpinCo copies of any written materials relating to such Proceeding received from the relevant Tax Authority. Notwithstanding anything in the preceding sentence to the contrary, the final determination of the positions taken, including with respect to settlement or other disposition, in (i) any Distribution-Related Proceeding, or (ii) any other Proceeding relating to a SpinCo Tax Liability, which other Proceeding would not reasonably be expected to result in a liability for additional Taxes in an amount exceeding five (5) million dollars for a single tax year, shall be made in the sole discretion of Parent and shall be final and not subject to the dispute resolution provisions of Article 9. With respect to any Proceeding relating to a SpinCo Tax Liability (other than any Distribution-Related Proceeding), which could reasonably be expected to result in a liability for additional Taxes in an amount exceeding five (5) million dollars for a single tax year, SpinCo shall be entitled to participate in such Proceeding, and Parent shall not settle, compromise or abandon any such Proceeding without obtaining the prior written consent of SpinCo, which consent shall not be unreasonably withheld.

(ii) In the event of any Distribution-Related Proceeding with respect to any SpinCo Separate Return, (A) SpinCo shall consult with Parent reasonably in advance of taking any significant action in connection with such Proceeding, (B) SpinCo shall consult with Parent and offer Parent a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Proceeding, (C) SpinCo shall defend such Proceeding diligently and in good faith as if it were the only party in interest in connection with such Proceeding, (D) Parent shall be entitled to participate in such Proceeding and receive copies of any written materials relating to such Proceeding received from the relevant Tax Authority, and (E) SpinCo shall not settle, compromise or abandon any such

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Proceeding without obtaining the prior written consent of Parent, which consent shall not be unreasonably withheld.

7. Apportionment of Tax Attributes; Carrybacks.

(a) Apportionment of Tax Attributes.

(i) If the Parent Consolidated Group has a Tax Attribute, the portion, if any, of such Tax Attribute apportioned to SpinCo or any member of the SpinCo Consolidated Group and treated as a carryover to the first Post-Distribution Taxable Period of SpinCo (or such member) shall be determined by Parent in accordance with Treasury Regulation Sections 1.1502-21, 1.1502-21T, 1.1502-22, 1.1502-79 and, if applicable, 1.1502-79A.

(ii) No Tax Attribute with respect to consolidated U.S. federal Income Tax of the Parent Consolidated Group, other than those described in Section 7(a)(i), and no Tax Attribute with respect to consolidated, combined or unitary State, local, or foreign Income Tax, in each case, arising in respect of a Combined Return shall be apportioned to SpinCo or any member of the SpinCo Group, except as Parent (or such member of the Parent Group as Parent shall designate) determines is otherwise required under applicable law.

(iii) Parent (or its designee) shall determine the portion, if any, of any Tax Attribute which must (absent a Final Determination to the contrary) be apportioned to SpinCo or any member of the SpinCo Group in accordance with this Section 7(a) and applicable law, and the amount of tax basis and earnings and profits to be apportioned to SpinCo or any member of the SpinCo Group in accordance with applicable law, and shall provide written notice of the calculation thereof to SpinCo as soon as practicable after the information necessary to make such calculation becomes available to Parent.

(iv) Except as otherwise required by applicable law or pursuant to a Final Determination, SpinCo shall not take any position (whether on a Tax Return or otherwise) that is inconsistent with the information contained in the written notice delivered by Parent pursuant to Section 7(a)(iii).

(b) Carrybacks. Except to the extent otherwise consented to by Parent or prohibited by applicable law, SpinCo shall elect to relinquish, waive or otherwise forgo all Carrybacks. In the event that SpinCo (or the appropriate member of the SpinCo Group) is prohibited by applicable

law to relinquish, waive or otherwise forgo a Carryback (or Parent consents to a Carryback), (i) Parent shall cooperate with SpinCo, at SpinCo's expense, in seeking from the appropriate Tax Authority such Refund as reasonably would result from such Carryback, and (ii) SpinCo shall be entitled to any Income Tax Benefit Actually Realized by a member of the Parent Group (including any interest thereon received from such Tax Authority), to the extent that such Refund is directly attributable to such Carryback, within 15 Business Days after such Refund is Actually Realized; provided, however, that SpinCo shall indemnify and hold the members of the Parent Group harmless from and against any and all collateral tax consequences resulting from or caused by any such Carryback, including (but not limited to) the loss or postponement of any benefit from the use of tax attributes generated by a member of the Parent Group or an Affiliate thereof if (x) such tax attributes expire unutilized, but would have

been utilized but for such Carryback, or (y) the use of such tax attributes is postponed to a later taxable period than the taxable period in which such tax attributes would have been utilized but for such Carryback. If there is a Final Determination that results in any change to or adjustment of an Income Tax Benefit Actually Realized by a member of the Parent Group that is directly attributable to a Carryback, then Parent (or its designee) shall make a payment to SpinCo, or SpinCo shall make a payment to Parent (or its designee), as may be necessary to adjust the payments between SpinCo and Parent (or its designee) to reflect the payments that would have been made under this Section 7(b) had the adjusted amount of such Income Tax Benefit been taken into account in computing the payments due under this Section 7(b).

8. Cooperation and Exchange of Information.

(a) Cooperation and Exchange of Information. Each of Parent and SpinCo, on behalf of itself and each member of the Parent Group and the SpinCo Group, respectively, agrees to provide the other party (or its designee) with such cooperation or information as such other party (or its designee) reasonably shall request in connection with the determination of any payment or any calculations described in this Agreement, the preparation or filing of any Income Tax Return or Other Tax Return or claim for Refund, or the conduct of any Proceeding. Such cooperation and information shall include, without limitation, upon reasonable notice (i) promptly forwarding copies of appropriate notices and forms or other communications (including, without limitation, information document requests, revenue agent's reports and similar reports, notices of proposed adjustments and notices of deficiency) received from or sent to any Tax Authority or any other administrative, judicial or governmental authority, (ii) providing copies of all relevant Income Tax Returns or Other Tax Returns, together with accompanying schedules and related workpapers, documents relating to rulings or other determinations by any Tax Authority, and such other records concerning the ownership and tax basis of property, or other relevant information, (iii) the provision of such additional information and explanations of documents and information provided under this Agreement (including statements, certificates, forms, returns and schedules delivered by either party) as shall be reasonably requested by Parent (or its designee) or SpinCo (or its designee), as the case may be, (iv) the execution of any document that may be necessary or reasonably helpful in connection with the filing of an Income Tax Return or Other Tax Return, a claim for a Refund, or in connection with any Proceeding, including such waivers, consents or powers of attorney as may be necessary for Parent or SpinCo, as the case may be, to exercise its rights under this Agreement, and (v) the use of Parent's or SpinCo's, as the case may be, reasonable efforts to obtain any documentation from a governmental authority or a third party that may be necessary or reasonably helpful in connection with any of the foregoing. It is expressly the intention of the parties to this Agreement to take all actions that shall be necessary to establish Parent as the sole agent for Income Tax or Other Tax purposes of each member of the SpinCo Group with respect to all Combined Returns. Upon reasonable notice, each of Parent and SpinCo shall make its, or shall cause the members of the Parent Group or the SpinCo Group, as applicable, to make their, employees and facilities available on a mutually convenient basis to provide explanation of any documents or information provided hereunder. Any information obtained under this Section 8 shall be kept confidential, except as otherwise reasonably may be necessary in connection with the filing of Income Tax Returns or Other Tax Returns or claims for Refund or in conducting any Proceeding.

(b) Retention of Records. Each of Parent and SpinCo agrees to retain all Income Tax Returns and Other Tax Returns, related schedules and workpapers, and all material records and other documents as required under Section 6001 of the Code and the regulations promulgated thereunder (and any similar provision of State, local, or foreign law) existing on the date hereof or created in respect of (i) any taxable period that ends on or before or includes the Distribution Date or (ii) any taxable period that may be subject to a claim hereunder until the later of (A) the expiration of the statute of limitations (including extensions) for the taxable periods to which such Income Tax Returns, Other Tax Returns and other documents relate and (B) the Final Determination of any payments that may be required in respect of such taxable periods under this Agreement. From and after the end of the period described in the preceding sentence of this Section 8(b), if a member of the Parent Group or the SpinCo Group wishes to dispose of any such records and documents, then Parent or SpinCo, as the case may be, shall provide written notice thereof to the other party and shall provide the other party the opportunity to take possession of any such records and documents within 90 days after such notice is delivered; provided, however, that if such other party does not, within such 90-day period, confirm its intention to take possession of such records and documents, Parent or SpinCo, as the case may be, may destroy or otherwise dispose of such records and documents.

(c) Remedies. Each of Parent and SpinCo hereby acknowledges and agrees that (i) the failure of any member of the Parent Group or the SpinCo Group, as the case may be, to comply with the provisions of this Section 8 may result in substantial harm to the Parent Group or the SpinCo Group, as the case may be, including the inability to determine or appropriately substantiate an Income Tax Liability or Other Tax Liability (or a position in respect thereof) for which the Parent Group (or a member thereof) or the SpinCo Group (or a member thereof), as applicable, would be responsible under this Agreement or appropriately defend against an adjustment thereto by a Tax Authority, (ii) the remedies available to the Parent Group for the breach by a member of the SpinCo Group of its obligations under this Section 8 shall include (without limitation) the indemnification by SpinCo of the Parent Group for any Income Tax Liabilities or Other Tax Liabilities incurred or any tax benefit lost or postponed by reason of such breach and the forfeiture by the SpinCo Group of any related rights to indemnification by Parent and (iii) the remedies available to the SpinCo Group for the breach by a member of the Parent Group of its obligations under this Section 8 shall include (without limitation) the indemnification by Parent of the SpinCo Group for any Income Tax Liabilities or Other Tax Liabilities incurred or any Tax benefit lost or postponed by reason of such breach and the forfeiture by the Parent Group of any related rights to indemnification by SpinCo.

(d) Reliance by Parent. If any member of the SpinCo Group supplies information to a member of the Parent Group in connection with an Income Tax Liability or Other Tax Liability and an officer of a member of the Parent Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the Parent Group identifying the information being so relied upon, the chief financial officer of SpinCo (or his or her designee) shall certify in writing that to his knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. SpinCo agrees to indemnify and hold harmless each member

inaccurate or incomplete information in connection with an Income Tax Liability or Other Tax Liability.

(e) **Reliance by SpinCo.** If any member of the Parent Group supplies information to a member of the SpinCo Group in connection with an Income Tax Liability or Other Tax Liability and an officer of a member of the SpinCo Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of such member of the SpinCo Group identifying the information being so relied upon, the chief financial officer of Parent (or his or her designee) shall certify in writing that to his knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. Parent agrees to indemnify and hold harmless each member of the SpinCo Group and its directors, officers and employees from and against any fine, penalty, or other cost or expense of any kind attributable to a member of the Parent Group having supplied, pursuant to this Section 8, a member of the SpinCo Group with inaccurate or incomplete information in connection with an Income Tax Liability or Other Tax Liability.

9. **Resolution of Disputes.** The provisions of Article X of the Separation Agreement (Dispute Resolution) shall apply to any dispute arising in connection with this Agreement; provided, however, that in the case of disputes arising under this Agreement, Parent and SpinCo shall jointly select the arbitrator, who shall be an attorney or accountant who is generally recognized in the tax community as a qualified and competent tax practitioner with experience in the tax area involved in the issue or issues to be resolved.

10. **Payments.**

(a) **Method of Payment.** All payments required by this Agreement shall be made by (i) wire transfer to the appropriate bank account as may from time to time be designated by the parties for such purpose; provided that, on the date of such wire transfer, notice of the transfer is given to the recipient thereof in accordance with Section 11, or (ii) any other method agreed to by the parties. All payments due under this Agreement shall be deemed to be paid when available funds are actually received by the payee.

(b) **Interest.** Any payment required by this Agreement that is not made on or before the date required hereunder shall bear interest, from and after such date through the date of payment, at the Underpayment Rate.

(c) **Characterization of Payments.** For all tax purposes, the parties hereto agree to treat, and to cause their respective Affiliates to treat, (i) any payment required by this Agreement or by the Separation Agreement, as either a contribution by Parent to SpinCo or a distribution by SpinCo to Parent, as the case may be, occurring immediately prior to the Spin-Off and (ii) any payment of interest or non-federal Income Taxes by or to a Tax Authority, as taxable or deductible, as the case may be, to the party entitled under this Agreement to retain such payment or required under this Agreement to make such payment, in either case, except as otherwise mandated by applicable law or a Final Determination; provided that in the event it is determined (A) pursuant to applicable law that it is more likely than not, or (B) pursuant to a Final Determination, that any such treatment is not permissible (or that an Indemnified Party nevertheless suffers an Income Tax or Other Tax detriment as a result of such payment), the

payment in question shall be adjusted to place the Indemnified Party in the same after-tax position it would have enjoyed absent such applicable law or Final Determination.

11. **Microsoft Agreements and Options Treatment.**

(a) **Microsoft Agreements.** SpinCo and each member of the SpinCo Group hereby assume any and all obligations of Parent or any member of the Parent Group under (i) that certain agreement by and among Microsoft Corporation, USA Networks, Inc. and Expedia, Inc. dated as of November 9, 2001, a copy of which is attached hereto (the "Microsoft Compensation Deductions Agreement"), (ii) that certain agreement by and between Microsoft Corporation and Expedia, Inc., dated as of October 1, 1999, a copy of which is attached hereto (the "Microsoft Tax Allocation Agreement"), and (iii) that certain agreement by and among Expedia, Inc., USA Networks, Inc., Taipei, Inc., Microsoft Corporation, and Microsoft E-Holdings, Inc., dated as of July 15, 2001, a copy of which is attached hereto (the "July 15, 2001 Agreement"). From and after the Distribution Date, SpinCo and each member of the SpinCo Group shall jointly and severally indemnify, defend and hold harmless Parent and each member of the Parent Group from and against all liability arising out of or relating to the Microsoft Compensation Deductions Agreement, the Microsoft Tax Allocation Agreement, and the July 15, 2001 Agreement.

(b) **Options Treatment.**

(i) **Deductions.** To the extent permitted by law, Parent (or the appropriate member of the Parent Group) shall claim all Tax deductions arising by reason of exercises of Options or compensatory warrants held by IAC Service Provider to acquire Parent common stock or SpinCo common stock, and SpinCo (or the appropriate member of the SpinCo Group) shall claim all Tax deductions arising by reason of exercises of Options or compensatory warrants held by Expedia Service Provider to acquire Parent common stock or SpinCo common stock. For purposes of this Section 11(b)(i), Mr. Barry Diller shall be treated as an IAC Service Provider only with respect to his Options to acquire Parent common stock and as an Expedia Service Provider only with respect to his Options to acquire SpinCo common stock; provided, however, if there is a Final Determination that Parent and not SpinCo is entitled to a deduction with respect to any such SpinCo Options held by Mr. Barry Diller, Parent shall pay to SpinCo, when Actually Realized, any Tax Benefit relating thereto. For purposes of this Section 11(b)(i), Mr. Victor A. Kaufman shall be treated as an IAC Service Provider.

(ii) **Withholding and Reporting.** Parent shall, to the extent required by law, withhold applicable Taxes and satisfy applicable Tax reporting obligations with respect to exercises of Options or compensatory warrants held by IAC Service Providers to acquire Parent common stock or SpinCo common stock, and SpinCo shall, to the extent required by law, withhold applicable Taxes and satisfy applicable Tax reporting obligations with respect to exercises of Options or compensatory warrants held by Expedia Service Providers to acquire Parent common stock or SpinCo common stock.

12. **Notices.** Notices, requests, permissions, waivers, and other communications hereunder shall be in writing and shall be deemed to have been duly given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following Business Day or if delivered by

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hand the following Business Day), or (b) confirmed delivery of a standard overnight courier or delivered by hand, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to Parent, to: IAC/InterActiveCorp
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Telecopier: (212) 632-9642

If to SpinCo to: Expedia, Inc.
3150 139th Avenue SE
Bellevue, WA 98005
Attention: General Counsel
Telecopier: (425) 679-7251

Such names and addresses may be changed by notice given in accordance with this Section 12.

13. **Designation of Affiliate.** Each of Parent and SpinCo may assign any of its rights or obligations under this Agreement to any member of the Parent Group or the SpinCo Group, respectively, as it shall designate; provided, however, that no such assignment shall relieve Parent or SpinCo, respectively, of any obligation hereunder, including any obligation to make a payment hereunder to SpinCo or Parent, respectively, to the extent such designee fails to make such payment.

14. **Miscellaneous.** Except to the extent otherwise provided in this Agreement, this Agreement shall be subject to the provisions of Article XIV (Miscellaneous) of the Separation Agreement to the extent set forth therein.

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IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first written above.

IAC/INTERACTIVECORP

By: /s/ Gregory R. Blatt
Name: Gregory R. Blatt
Title: Executive Vice President

EXPEDIA, INC.

By: /s/ Keenan M. Conder
Name: Keenan M. Conder
Title: Senior Vice President

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EMPLOYEE MATTERS AGREEMENT

by and between

IAC/INTERACTIVECORP

and

EXPEDIA, INC.

Dated as of August 9, 2005

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EMPLOYEE MATTERS AGREEMENT

This Employee Matters Agreement (this “[Agreement](#)”), dated as of August 9, 2005, with effect as of the Effective Time, is entered into by and between IAC/InterActiveCorp, a Delaware corporation (“[IAC](#)”), and Expedia, Inc., a Delaware corporation (“[Expedia](#)”).

RECITALS:

WHEREAS, IAC and Expedia have entered into a Separation Agreement pursuant to which the Parties (as defined below) have set out the terms on which, and the conditions subject to which, they wish to implement the Separation (as defined in the Separation Agreement) (such agreement, as amended, restated or modified from time to time, the “[Separation Agreement](#)”).

WHEREAS, in connection therewith, IAC and Expedia have agreed to enter into this Agreement to allocate between them assets, liabilities and responsibilities with respect to certain employee compensation, pension and benefit plans, programs and arrangements and certain employment matters.

NOW THEREFORE, in consideration of the mutual agreements, covenants and other provisions set forth in this Agreement, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

Unless otherwise defined in this Agreement, capitalized words and expressions and variations thereof used in this Agreement or in its Appendices have the meanings set forth below. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Separation Agreement.

1.1 “[Affiliate](#)” has the meaning given that term in the Separation Agreement.

1.2 “[Agreement](#)” means this Employee Matters Agreement, including all the Schedules hereto.

1.3 “[Ancillary Agreements](#)” has the meaning given that term in the Separation Agreement.

1.4 “[Approved Leave of Absence](#)” means an absence from active service (i) due to an individual’s inability to perform his or her regular job duties by reason of illness or injury and resulting in eligibility to receive benefits pursuant to the terms of the IAC Short-Term Disability Plan or the IAC Long-Term Disability Plan, or (ii) pursuant to an approved leave policy with a guaranteed right of reinstatement.

1.5 “[ASO Contract](#)” has the meaning set forth in Section 4.2(a).

1.6 “[Auditing Party](#)” has the meaning set forth in Section 6.4(a).

1.7 “[Award](#)” when immediately preceded by “IAC,” means IAC Restricted Stock and IAC Restricted Stock Units and, when immediately preceded by “Expedia,” means Expedia Restricted Stock and Restricted Stock Units.

1.8 “[Benefit Plan](#)” means, with respect to an entity or any of its Subsidiaries, (a) each “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) and all other employee benefits arrangements, policies or payroll practices (including, without limitation, severance pay, sick leave, vacation pay, salary continuation, disability, retirement, deferred compensation, bonus, stock option or other equity-based compensation, hospitalization,

medical insurance or life insurance) sponsored or maintained by such entity or by any of its Subsidiaries (or to which such entity or any of its Subsidiaries contributes or is required to contribute) and (b) all “employee pension benefit plans” (as defined in Section 3(2) of ERISA), occupational pension plan or arrangement or other pension arrangements sponsored, maintained or contributed to by such entity or any of its Subsidiaries (or to which such entity or any of its Subsidiaries contributes or is required to contribute). When immediately preceded by “IAC,” Benefit Plan means any Benefit Plan sponsored, maintained or contributed to by IAC or an IAC Entity. When immediately preceded by “Expedia,” Benefit Plan means any Benefit Plan sponsored, maintained or contributed to by Expedia or any Expedia Entity.

1.9 “Close of the Effective Date” means 11:59:59 P.M., Eastern Standard Time or Eastern Daylight Time (whichever shall then be in effect), on the Effective Date.

1.10 “COBRA” means the continuation coverage requirements for “group health plans” under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Code § 4980B and ERISA §§ 601 through 608.

1.11 “Code” means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary or final regulation in force under that provision.

1.12 “Committee” has the meaning set forth in Section 5.3(a).

1.13 “Covered Employees” has the meaning set forth in Section 4.3.

1.14 “Current Term” has the meaning set forth in Section 4.4(b).

1.15 “Effective Date” has the meaning given that term in the Separation Agreement.

1.16 “Effective Time” has the meaning given that term in the Separation Agreement.

1.17 “Effective Time Year” means the calendar year during which the Effective Time occurs.

1.18 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary or final regulation in force under that provision.

1.19 “Expedia” has the meaning set forth in the preamble to this Agreement.

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1.20 “Expedia Common Stock” has the meaning given that term in the Separation Agreement.

1.21 “Expedia Employee” means any individual who, immediately prior to the Effective Time, is either actively employed by, or then on Approved Leave of Absence from, an Expedia Entity.

1.22 “Expedia Entities” means the Expedia Group as defined in the Separation Agreement and any business or operations (whether current or historical regardless of whether discontinued or sold) included in the Separated Businesses.

1.23 “Expedia Executive Benefit Plans” means the executive benefit and nonqualified plans, programs, and arrangements established, sponsored, maintained, or agreed upon, by any Expedia Entity for the benefit of employees and former employees of any Expedia Entity before the Close of the Effective Date.

1.24 “Expedia Flexible Benefit Plan” means the flexible benefit plan to be established by Expedia pursuant to Section 4.3 of this Agreement as in effect as of the time relevant to the applicable provision of this Agreement.

1.25 “Expedia Long-Term Incentive Plan” means the long-term incentive plan or program to be established by Expedia, effective immediately prior to the Effective Date, in connection with the treatment of Awards as described in Article V.

1.26 “Expedia Ratio” means 1.12444, the quotient obtained by dividing the IAC Stock Value by the Expedia Stock Value.

1.27 “Expedia Retirement Savings Plan” means the 401(k) and profit sharing plan to be established by Expedia pursuant to Section 3.1 of this Agreement, as in effect as of the time relevant to the applicable provision of this agreement.

1.28 “Expedia Retirement Savings Plan Trust” means a trust relating to the Expedia Retirement Savings Plan intended to qualify under Section 401(a) and be exempt under Section 501(a) of the Code.

1.29 “Expedia Stock Value” means \$22.50, the closing per-share price of Expedia Common Stock trading in the “when issued market” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M., Eastern Daylight Time.

1.30 “Former Expedia Employee” means any individual who as of the Effective Time is a former employee of the Expedia Group or the IAC Group, and whose last employment with the Expedia Group or IAC Group, was with an Expedia Entity.

1.31 “Former IAC Employee” means any individual who as of the Effective Time is a former employee of the IAC Group or the Expedia Group, and whose last employment with the IAC Group or Expedia Group, was with an IAC Entity.

1.32 “Group Insurance Policies” has the meaning set forth in Section 4.2(a).

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1.33 “Health and Welfare Plans” means any plan, fund or program which was established or is maintained for the purpose of providing for its participants or their beneficiaries, through the purchase of insurance or otherwise, medical, dental, surgical or hospital care or benefits, or benefits in the event of sickness, accident, disability, death or unemployment, or vacation benefits, apprenticeship or other training programs or day care centers, scholarship funds, or prepaid legal services, including any such plan, fund or program as defined in Section 3(1) of ERISA. When immediately preceded by “IAC,” Health and Welfare Plans means each Health and Welfare Plan that is an IAC Benefit Plan. When immediately preceded by “Expedia,” Health and Welfare Plans means each Health and Welfare Plan that is an Expedia Benefit Plan.

1.34 “HIPAA” means the health insurance portability and accountability requirements for “group health plans” under the Health Insurance Portability and Accountability Act of 1996, as amended.

1.35 “HMO” means a health maintenance organization that provides benefits under the IAC Medical Plans or the Expedia Medical Plans.

1.36 “HMO Agreements” has the meaning set forth in Section 4.2(a).

1.37 “IAC” has the meaning set forth in the preamble to this Agreement.

1.38 “IAC Common Stock” means, with respect to periods prior to the Separation, shares of common stock, \$0.01 par value per share, of IAC, and with respect to periods following the Separation, shares of common stock, \$0.001 par value per share, of IAC.

1.39 “IAC Compensation/Benefits Committee” means the Compensation/Benefits Committee of the IAC Board of Directors, or any subcommittee thereof.

1.40 “IAC Employee” means any individual who, immediately prior to the Close of the Effective Date, is either actively employed by, or then on Approved Leave of Absence from, any IAC Entity.

1.41 “IAC Entities” means the members of the IAC Group, as defined in the Separation Agreement, and their respective Subsidiaries and Affiliates, excluding any business or operations (whether current or historical, regardless of whether discontinued or sold) that are included in the Separated Businesses.

1.42 “IAC Executive Benefit Plans” means the executive benefit and nonqualified plans, programs, and arrangements established, sponsored, maintained, or agreed upon, by any IAC Entity for the benefit of employees and former employees of any IAC Entity before the Close of the Effective Date.

1.43 “IAC Executive Deferred Compensation Plan” means the IAC Executive Deferred Compensation Plan in effect as of the time relevant to the applicable provision of this Agreement.

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1.44 “IAC Flexible Benefit Plans” means the IAC Healthcare FSA and the IAC Dependent Care FSA, as in effect as of the time relevant to the applicable provision of this Agreement.

1.45 “IAC Incentive Plans” means any of the annual or short term incentive plans of IAC, all as in effect as of the time relevant to the applicable provisions of this Agreement.

1.46 “IAC Long-Term Incentive Plans” means any of the Silver King Communications, Inc. 1995 Stock Incentive Plan, HSN, Inc. 1997 Stock and Annual Incentive Plan, USA Interactive Amended and Restated 2000 Annual Stock and Incentive Plan, IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan, Home Shopping Network, Inc. 1996 Stock Option Plan for Employees, Equity and Bonus Compensation Agreement with Barry Diller, Expedia, Inc. 1999 Amended and Restated Stock Option Plan, the Hotels Reservations Network, Inc. 2000 Stock Plan, Ticketmaster Online-Citysearch, Inc. 1996 Stock Option Plan, Ticketmaster Online-Citysearch, Inc. 1998 Stock Option Plan, Ticketmaster 1999 Stock Plan, and Ticketweb, Inc. 2000 Stock Plan, Styleclick, Inc. 1995 Stock Option Plan, Servicemagic, Inc. Amended and Restated 1999 Stock Option Plan and Precision Response Corporation Amended and Restated 1996 Incentive Stock Plan, Expedia, Inc. Amended and Restated 2001 Stock Plan, 1998 Stock Option Plan of LendingTree, Inc., Amended and Restated Stock Incentive Plan of LendingTree, Inc., the Silver King Communications, Inc. Directors Stock Option Plan, Hotwire, Inc. 2000 Equity Incentive Plan and any other stock incentive plan of IAC, all as in effect as of the time relevant to the applicable provisions of this Agreement.

1.47 “IAC Post-Separation Stock Value” means \$28.10, the closing per-share price of IAC Common Stock in the “when issued market” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M. Eastern Daylight time.

1.48 “IAC Ratio” means 0.90036, the quotient obtained by dividing the IAC Stock Value by the IAC Post-Separation Stock Value.

1.49 “IAC Retirement Savings Plan” means the InterActiveCorp Retirement Savings Plan as in effect as of the time relevant to the applicable provision of this Agreement.

1.50 “IAC Severance Pay Program” means any severance plan, policy, program or other arrangement as in effect as of the time relevant to the applicable provision of this Agreement.

1.51 “IAC Stock Value” means \$25.30, the closing per-share price of the IAC Common Stock trading “regular way with due bills” on August 8, 2005, as listed on the NASDAQ as of 4:00 P.M., Eastern Daylight Time.

1.52 “Immediately after the Effective Date” means on the first moment of the day after the Effective Date.

1.53 “Liabilities” has the meaning given that term in the Separation Agreement.

1.54 “Medical Plan” when immediately preceded by “IAC,” means the Benefit Plan under which medical benefits are provided to IAC Employees established and maintained by

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IAC. When immediately preceded by Expedia, Medical Plan means the Benefit Plan under which medical benefits are provided to Expedia Employees to be established by Expedia pursuant to Article IV.

1.55 “NASDAQ” means the National Association of Securities Dealers Inc. Automated Quotation System.

1.56 “Non-parties” has the meaning set forth in Section 6.4(b).

1.57 “Option” when immediately preceded by “Old IAC,” means an option (either nonqualified or incentive) to purchase shares of IAC Common Stock prior to the Effective Time pursuant to an IAC Long-Term Incentive Plan. When immediately preceded by “New IAC,” Option means an option (either nonqualified or incentive) to purchase shares of IAC Common Stock following the Effective Time pursuant to an IAC Long-Term Incentive Plan. When immediately preceded by “Expedia,” Option means an option (either nonqualified or incentive) to purchase shares of Expedia Common Stock following the Effective Time pursuant to the Expedia Long-Term Incentive Plan.

1.58 “Participating Company” means (a) IAC and (b) any other Person (other than an individual) that participates in a plan sponsored by any IAC Entity.

1.59 “Person” has the meaning given that term in the Separation Agreement.

1.60 “Restricted Stock” when immediately preceded by “IAC,” means shares of IAC Common Stock that are subject to restrictions on transferability and a risk of forfeiture and are issued under an IAC Benefit Plan and, when immediately preceded by “Expedia,” means shares of Expedia Common Stock that are subject to restrictions on transferability and a risk of forfeiture and are issued under an Expedia Benefit Plan.

1.61 “Restricted Stock Unit” when immediately preceded by “IAC,” means units issued under an IAC Benefit Plan representing a general unsecured promise by IAC to pay the value of shares of IAC Common Stock in cash or shares of IAC Common Stock and, when immediately preceded by “Expedia,” means units issued under the Expedia Long-Term Incentive Plan representing a general unsecured promise by Expedia to pay the value of shares of Expedia Common Stock in cash or shares of Expedia Common Stock.

1.62 “Reverse Stock Split” means the one-for-two reverse stock split of IAC Common Stock that IAC will complete immediately prior to the Effective Time.

1.63 “Separated Businesses” has the meaning given that term in the Separation Agreement.

1.64 “Separation” has the meaning given that term in the Separation Agreement.

1.65 “Separation Agreement” has the meaning set forth in the recitals to this Agreement.

1.66 “Subsidiaries” has the meaning given that term in the Separation Agreement.

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1.67 “Tax Sharing Agreement” means the Tax Sharing Agreement entered into as of the date hereof between IAC and Expedia.

1.68 “Transferred Account Balances” has the meaning set forth in Section 4.3.

1.69 “U.S.” means the 50 United States of America and the District of Columbia.

1.70 “VEBA” when immediately preceded by IAC, means the IAC Health and Welfare Benefit Trust. When immediately preceded by Expedia, VEBA means the Expedia Health and Welfare Benefit Trust to be established by Expedia pursuant to Section 4.7 that corresponds to the IAC VEBA.

ARTICLE II GENERAL PRINCIPLES

2.1 Employment of Expedia Employees. All Expedia Employees shall continue to be employees of Expedia or another Expedia Entity, as the case may be, immediately after the Effective Time.

2.2 Assumption and Retention of Liabilities; Related Assets.

(a) As of the Effective Date, except as expressly provided in this Agreement, the IAC Entities shall assume or retain and IAC hereby agrees to pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all IAC Benefit Plans, (ii) all Liabilities with respect to the employment or termination of employment of all IAC Employees, Former IAC Employees and their dependents and beneficiaries, and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or nonpayroll worker of any IAC Entity or in any other employment, non-employment, or retainer arrangement, or relationship with any IAC Entity), in each case to the extent arising in connection with or as a result of employment with or the performance of services to any IAC Entity, and (iii) any other Liabilities expressly assigned to IAC under this Agreement. All assets held in trust to fund the IAC Benefit Plans and all insurance policies funding the IAC Benefit Plans shall be IAC Assets (as defined in the Separation Agreement), except to the extent specifically provided otherwise in this Agreement.

(b) From and after the Effective Date, except as expressly provided in this Agreement, Expedia and the Expedia Entities shall assume or retain, as applicable, and Expedia hereby agrees to pay, perform, fulfill and discharge, in due course in full, (i) all Liabilities under all Expedia Benefit Plans, (ii) all Liabilities with respect to the employment or termination of employment of all Expedia Employees, Former Expedia Employees and their dependents and beneficiaries, and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or nonpayroll worker of Expedia or any Expedia Entity or in any other employment, non-employment, or retainer arrangement, or relationship with Expedia or an Expedia Entity), in each case to the extent arising in connection with or as a result of employment with or the performance of services to

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any Expedia Entity and (iii) any other Liabilities expressly assigned to Expedia or any Expedia Entity under this Agreement.

2.3 Expedia Participation in IAC Benefit Plans. Except as expressly provided in this Agreement, effective as of the Close of the Effective Date, Expedia and each other Expedia Entity shall cease to be a Participating Company in any IAC Benefit Plan, and IAC and Expedia shall take all necessary action before the Effective Date to effectuate such cessation as a Participating Company.

2.4 Terms of Participation by Expedia Employees in Expedia Benefit Plans. IAC and Expedia shall agree on methods and procedures, including, without limitation, amending the respective Benefit Plan documents, to prevent Expedia Employees from receiving duplicative benefits from the IAC Benefit Plans and the Expedia Benefit Plans. With respect to Expedia Employees, each Expedia Benefit Plan shall provide that all service, all compensation and all other benefit-affecting determinations that, as of the Close of the Effective Date were recognized under the corresponding IAC Benefit Plan shall, as of Immediately after the Effective Date receive full recognition, credit and validity and be taken into account under such Expedia Benefit Plan to the same extent as if such items occurred under such Expedia Benefit Plan, except to the extent that duplication of benefits would result or for benefit accrual to the extent that Expedia adopts a final average pay defined benefit pension plan.

2.5 Commercially Reasonable Efforts. IAC and Expedia shall use commercially reasonable efforts to (a) enter into any necessary agreements to accomplish the assumptions and transfers contemplated by this Agreement; and (b) provide for the maintenance of the necessary participant records, the appointment of the trustees and the engagement of recordkeepers, investment managers, providers, insurers, etc.

2.6 Regulatory Compliance. IAC and Expedia shall, in connection with the actions taken pursuant to this Agreement, cooperate in making any and all appropriate filings required under the Code, ERISA and any applicable securities laws, implementing all appropriate communications with participants, transferring appropriate records and taking all such other actions as may be necessary and appropriate to implement the provisions of this Agreement in a timely manner.

2.7 Approval by IAC as Sole Stockholder. Prior to the Effective Time, IAC shall cause Expedia to adopt the Expedia 2005 Long-Term Incentive Plan.

ARTICLE III SAVINGS PLANS

3.1 Savings Plan. Effective as of the Effective Date, Expedia shall establish the Expedia Retirement Savings Plan and the Expedia Retirement Savings Plan Trust. As soon as practical following the establishment of the Expedia Retirement Savings Plan and the Expedia Retirement Savings Plan Trust, IAC shall cause the accounts of the Expedia Employees to be transferred to the Expedia Retirement Savings Plan and the Expedia Retirement Savings Plan Trust in cash or such other assets as mutually agreed by IAC and Expedia, and Expedia shall cause the Expedia Retirement Savings Plan to assume and be solely responsible for all Liabilities

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for plan benefits (but not legal Liabilities, such as penalties for violation of law, if applicable, relating to the administration of plan benefits by IAC prior to the Effective Time and during such time as IAC owned 100% of an Expedia Entity with respect to which IAC administered plan benefits, it being understood that Expedia shall be responsible for such legal Liabilities incurred during such periods prior to the Effective Time during which IAC did not own 100% of such Expedia Entities) under the Expedia Retirement Savings Plan to or relating to Expedia Employees whose accounts are transferred from the IAC Retirement Savings Plan. Notwithstanding the foregoing, IAC Common Stock that is held in the accounts of Expedia Employees and any outstanding participant loans to Expedia Employees whose accounts are transferred under the IAC Retirement Savings Plan shall be transferred to the Expedia Retirement Savings Plan in kind and shall thereafter be treated in the manner set forth in Section 3.2. IAC and Expedia agree to cooperate in making all appropriate filings and taking all reasonable actions required to implement the provisions of this Section 3.1; provided that Expedia acknowledges that it will be responsible for complying with any requirements and applying for any determination letters with respect to the Expedia Retirement Savings Plan.

3.2 Stock Considerations. To the extent that IAC Employees and Former IAC Employees receive shares of Expedia Common Stock in connection with the Separation with respect to IAC Common Stock held under the IAC Retirement Savings Plan, such shares will be deposited in an Expedia Common Stock Fund under the IAC Retirement Savings Plan. To the extent that Expedia Employees and Former Expedia Employees hold shares of IAC Common Stock in their IAC Common Stock Fund under the Expedia Retirement Savings Plan following the transfer from the IAC Retirement Savings Plan to the Expedia Retirement Savings Plan set forth in Section 3.1, the Expedia Retirement Savings Plan shall permit such employees to continue to hold such shares in an IAC Common Stock Fund under the Expedia Retirement Savings Plan following such transfer. Following the Effective Date, Expedia Employees and Former Expedia Employees shall not be permitted to acquire shares of IAC Common Stock in the IAC Common Stock Fund under the Expedia Retirement Savings Plan and IAC Employees and Former IAC Employees shall not be permitted to acquire shares of Expedia Common Stock in the Expedia Common Stock Fund under the IAC Retirement Savings Plan. IAC and Expedia shall assume sole responsibility for ensuring that their respective Savings Plans are maintained in compliance with applicable laws with respect to holding shares of common stock of the other entity.

ARTICLE IV HEALTH AND WELFARE PLANS

4.1 General.

(a) Establishment of Expedia Health and Welfare Plans. Effective as of the Effective Date, Expedia shall adopt Health and Welfare Plans for the benefit of Expedia Employees, and Expedia shall be responsible for all Liabilities relating to, arising out of or resulting from health and welfare coverage or claims incurred by or on behalf of Expedia Employees or their covered dependents under the Expedia Health and Welfare Plans prior to, on or after the Effective Date.

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(b) Retention of Sponsorship and Liabilities. Following the Effective Date, IAC shall retain:

(i) sponsorship of all IAC Health and Welfare Plans and any trust or other funding arrangement established or maintained with respect to such plans, including any “voluntary employee’s beneficiary association,” or any assets held as of the Effective Date with respect to such plans; and

(ii) all Liabilities relating to, arising out of, or resulting from health and welfare coverage or claims incurred by or on behalf of IAC Employees or Former IAC Employees or their covered dependents under the IAC Health and Welfare Plans prior to, on or before the Effective Date.

IAC shall not assume any Liability relating to health and welfare claims incurred by or on behalf of Expedia Employees or Former Expedia Employees or their respective covered dependents prior to, on or after the Effective Date, and such claims shall be satisfied pursuant to Section 4.1(a). A claim or Liability (1) for medical, dental, vision and/or prescription drug benefits shall be deemed to be incurred upon the rendering of health services giving rise to the obligation to pay such benefits; (2) for life insurance and accidental death and dismemberment and business travel accident insurance benefits and workers’ compensation benefits shall be deemed to be incurred upon the occurrence of the event giving rise to the entitlement to such benefits; (3) for salary continuation or other disability benefits shall be deemed to be incurred upon the effective date of an individual’s disability giving rise to the entitlement to such benefits under the applicable disability policy; and (4) for a period of continuous hospitalization shall be deemed to be incurred on the date of admission to the hospital.

4.2 Vendor Contracts.

(a) Third-Party ASO Contracts, Group Insurance Policies and HMOs. IAC and Expedia shall use commercially reasonable efforts to obligate the third party administrator to each administrative-services-only contract with a third-party administrator that relates to any of the IAC Health and Welfare Plans (an “ASO Contract”), each group insurance policy that relates to any of the IAC Health and Welfare Plans (“Group Insurance Policies”) and each agreement with a Health Maintenance Organization that provides medical services under the IAC Health and Welfare Plans (“HMO Agreements”), in each case, in existence as of the date of this Agreement that is applicable to Expedia Employees, to enter into a separate ASO Contract, Group Insurance Policy and HMO Agreement, as applicable, with Expedia providing for substantially similar terms and conditions as are contained in the ASO Contracts, Group Insurance Policies and HMO Agreements, as applicable, to which IAC is a party. Such terms and conditions shall include the financial and termination provisions, performance standards, methodology, auditing policies, quality measures and reporting requirements.

(b) Effect of Change in Rates. IAC and Expedia shall use commercially reasonable efforts to cause each of the insurance companies and third-party administrators providing services and benefits under the IAC Health and Welfare Plans and the Expedia Health and Welfare Plans to maintain the premium and/or administrative rates based on the aggregate number of participants in both the IAC Health and Welfare Plans and the Expedia Health and

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Welfare Plans as of Immediately Prior to the Effective Date through the end of the year in which the Effective Date occurs. To the extent they are not successful in such efforts, IAC and Expedia shall each bear the revised premium or administrative rates attributable to the individuals covered by their respective Health and Welfare Plans.

4.3 Flexible Benefit Plan. Effective as of the Effective Date, Expedia shall establish the Expedia Flexible Benefit Plan. Prior to the Effective Date, IAC and Expedia shall take all actions necessary or appropriate so that, effective as of the Close of the Effective Date, (a) the account balances (whether positive or negative) (the “Transferred Account Balances”) under the health care reimbursement program, the transit and parking reimbursement program and the dependent care reimbursement program of the IAC Flexible Benefit Plan (all of such accounts, “IAC Flexible Benefit Plan”) of the Expedia Employees who are participants in IAC Flexible Benefit Plan (the “Covered Employees”) shall be transferred to the Expedia Flexible Benefit Plan; (b) the elections, contribution levels and coverage levels of the Covered Employees shall apply under the Expedia Flexible Benefit Plan in the same manner as under the IAC Flexible Benefit Plan; and (c) the Covered Employees shall be reimbursed from the Expedia Flexible Benefit Plan for claims incurred at any time during the plan year of the IAC Flexible Benefit Plan in which the Effective Time occurs submitted to the Expedia Flexible Benefit Plan from and after the Effective Date on the same basis and the same terms and conditions as under the IAC Flexible Benefit Plan.

4.4 Workers’ Compensation Liabilities.

(a) Except as provided below, all workers’ compensation Liabilities relating to, arising out of, or resulting from any claim by an IAC Employee, Former IAC Employee, Expedia Employee and Former Expedia Employee that results from an accident occurring, or from an occupational disease which becomes manifest, on or before the Close of the Effective Date shall be retained by IAC. All workers’ compensation Liabilities relating to, arising out of, or resulting from any claim by an IAC Employee or Former IAC Employee that results from an accident occurring, or from an occupational disease which becomes manifest, on or after the Effective Date shall be retained by IAC. All workers’ compensation Liabilities relating to, arising out of, or resulting from any claim by an Expedia Employee or Former Expedia Employee that results from an accident occurring, or from an occupational disease which becomes manifest, on or after the Effective Date shall be retained by Expedia. For purposes of this Agreement, a compensable injury shall be deemed to be sustained upon the occurrence of the event giving rise to eligibility for workers’ compensation benefits or at the time that an occupational disease becomes manifest, as the case may be. IAC, Expedia and the other Expedia Entities shall cooperate with respect to any notification to appropriate governmental agencies of the Effective Time and the issuance of new, or the transfer of existing, workers’ compensation insurance policies and claims handling contracts.

(b) The parties acknowledge that Expedia and the Expedia Entities have been part of IAC's workers' compensation insurance program for certain periods prior to the Effective Date. For the program covering the term October 1, 2004 to the Effective Date (the "Current Term"), IAC will continue to administer the program and absorb all administrative costs associated with this obligation, and Expedia agrees to the following cost adjustments. Expedia will receive a pro-rated return premium covering the period from the Effective Date to October 1, 2005.

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The return premium will be received either on October 31, 2005 after Expedia fulfills its obligation of reimbursement to IAC for all monthly insurance charges up to October 1, 2005 or through the forgiveness of pre-paid insurance obligations of the Expedia Entities to IAC from the Effective Date to October 1, 2005. In addition, for both the program covering the Current Term and programs covering periods prior to the start of the Current Term, the Expedia Entities will be eligible for a one-time dividend, valued and payable on October 31, 2008, based on ultimate loss development as advised by IAC broker/consultants or recognized authority selected by IAC and reasonably acceptable to Expedia.

4.5 Payroll Taxes and Reporting of Compensation. IAC and Expedia shall, and shall cause the other IAC Entities and the other Expedia Entities to, respectively, take such action as may be reasonably necessary or appropriate in order to minimize Liabilities related to payroll taxes after the Effective Date. IAC and Expedia shall, and shall cause the other IAC Entities and the other Expedia Entities to, respectively, each bear its responsibility for payroll tax obligations and for the proper reporting to the appropriate governmental authorities of compensation earned by their respective employees after the Close of the Effective Date, including compensation related to the exercise of Options.

4.6 COBRA and HIPAA Compliance. IAC shall be responsible for administering compliance with the health care continuation requirements of COBRA, the certificate of creditable coverage requirements of HIPAA, and the corresponding provisions of the IAC Health and Welfare Plans with respect to IAC Employees and Former IAC Employees and their covered dependents who incur a COBRA qualifying event or loss of coverage under the IAC Health and Welfare Plans at any time before, on or after the Effective Time. Expedia or another Expedia Entity shall be responsible for administering compliance with the health care continuation requirements of COBRA, the certificate of creditable coverage requirements of HIPAA, and the corresponding provisions of the Expedia Health and Welfare Plans and/or the IAC Health and Welfare Plans with respect to Expedia Employees and Former Expedia Employees and their covered dependents who incur a COBRA qualifying event or loss of coverage under the Expedia Health and Welfare Plans and/or the IAC Health and Welfare Plans at any time before, on or after the Effective Time. The Parties hereto agree that the consummation of the transactions contemplated by this Agreement and the Separation Agreement shall not constitute a COBRA qualifying event for any purpose of COBRA.

4.7 VEBA. Effective as of the Effective Date, Expedia shall establish the Expedia VEBA for the purpose of funding certain Expedia Health and Welfare Plans. As soon as practicable following the Effective Date, IAC shall contribute a lump sum amount in cash to Expedia equal to the excess, if any, of (a) IAC budget rates for self-insured medical, dental and vision care plans applicable to Expedia Employees and Former Expedia Employees, in each case, from January 1, 2005 through the Effective Date over (b) the sum of actual claims paid to Expedia Employees and Former Expedia Employees from self-insured medical, dental and vision care plans from January 1, 2005 through the Effective Date, which amount shall be contributed by Expedia to the Expedia VEBA upon receipt by Expedia from IAC.

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ARTICLE V EXECUTIVE BENEFITS AND OTHER BENEFITS

5.1 Assumption of Obligations. Except as provided in this Agreement, effective as of the Effective Time, Expedia shall assume and be solely responsible for all Liabilities to or relating to Expedia Employees and Former Expedia Employees under all IAC Executive Benefit Plans and Expedia Executive Benefit Plans. The Parties hereto agree that none of the transactions contemplated by the Separation Agreement or any of the Ancillary Agreements, including, without limitation, this Agreement, constitutes a "change in control," "change of control" or similar term, as applicable, within the meaning of any Employee Benefit Plan.

5.2 IAC Incentive Plans.

(a) Expedia Bonus Awards. Expedia shall be responsible for determining all bonus awards that would otherwise be payable under the IAC Incentive Plans to Expedia Employees for the Effective Time Year. Expedia shall also determine for Expedia Employees (i) the extent to which established performance criteria (as interpreted by Expedia, in its sole discretion) have been met, and (ii) the payment level for each Expedia Employee. Expedia shall assume all Liabilities with respect to any such bonus awards payable to Expedia Employees for the Effective Time Year and thereafter.

(b) IAC Bonus Awards. IAC shall retain all Liabilities with respect to any bonus awards payable under the IAC Incentive Plans to IAC Employees for the Effective Time Year and thereafter.

5.3 IAC Long-Term Incentive Plans. IAC and Expedia shall use commercially reasonable efforts to take all actions necessary or appropriate so that each outstanding Option and Award granted under any IAC Long-Term Incentive Plan held by any individual shall be adjusted as set forth in this Article V. The adjustments set forth below shall be the sole adjustments made with respect to Old IAC Options, IAC Restricted Stock Units and IAC Restricted Stock in connection with the Reverse Stock Split and the other transactions contemplated by the Separation Agreement.

(a) Vested Old IAC Options. As determined by the Compensation/Benefits Committee of the IAC Board of Directors (the "Committee") pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each Old IAC Option that is vested as of the Effective Time shall be converted into both an Expedia Option and a New IAC Option and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such Old IAC Option immediately prior to the Effective Time; provided, however, that from and after the Effective Time (i) the number of shares of IAC Common Stock subject to such New IAC Option, rounded down to the nearest whole share, shall be equal to one half the number of shares of IAC Common Stock subject to such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time, (ii) the number of shares of Expedia Common Stock subject to such Expedia Option, rounded down to the nearest whole share, shall be equal to one half the number of shares of IAC Common Stock subject to the Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time, (iii) the per share exercise price of such New IAC Option, rounded up to the nearest whole cent, shall be equal to the

quotient obtained by dividing (x) the per share exercise price of such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the IAC Ratio and (iv) the per share exercise price of the Expedia Option, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (x) the per share exercise price of the Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the Expedia Ratio; provided, however, the exercise price, the number of shares of IAC Common Stock and Expedia Common Stock subject to such options and the terms and conditions of exercise of such options shall be determined in a manner consistent with the requirements of Section 409A of the Code; provided, further, that, in the case of any Old IAC Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code as of immediately prior to the Effective Time, the exercise price, the number of shares of IAC Common Stock and Expedia Common Stock subject to such option and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(b) Unvested Old IAC Options Held by IAC Employees and Former IAC Employees other than Barry Diller. As determined by the Committee pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each Old IAC Option held by an IAC Employee or a Former IAC Employee (other than Barry Diller) that is unvested as of the Effective Time shall be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such Old IAC Option immediately prior to the Effective Time; provided, however, that from and after the Effective Time (i) the number of shares of IAC Common Stock subject to such New IAC Option, rounded down to the nearest whole share, shall be equal to the product of (x) the number of shares of IAC Common Stock subject to such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time and (y) the IAC Ratio and (ii) the per share exercise price of such New IAC Option, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (x) the per share exercise price of such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the IAC Ratio; provided, however, the exercise price, the number of shares of IAC Common Stock subject to such option and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 409A of the Code; provided, further, that, in the case of any Old IAC Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code as of immediately prior to the Effective Time, the exercise price, the number of shares of IAC Common Stock subject to such option and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(c) Unvested Old IAC Options Held by Expedia Employees and Former Expedia Employees other than Barry Diller. As determined by the Committee pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each Old IAC Option held by an Expedia Employee or Former Expedia Employee (other than Barry Diller) that is unvested as of the Effective Time shall be converted into an Expedia Option and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such Old IAC Option immediately prior to the Effective Time; provided, however, that from and after the Close of the Effective Time (i) the number of shares of Expedia Common Stock subject to such Option, rounded down to the nearest whole share, shall be equal to the product of (x) the number of shares of IAC Common Stock subject to such Old IAC Option immediately prior to

the Reverse Stock Split and the Effective Time and (y) the Expedia Ratio and (ii) the per share exercise price of such Expedia Option, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (x) the per share exercise price of such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the Expedia Ratio; provided, however, the exercise price, the number of shares of Expedia Common Stock subject to such option and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 409A of the Code; provided, further, that, in the case of any Old IAC Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code as of the Effective Time, the exercise price, the number of shares of Expedia Common Stock subject to such option and the terms and conditions of exercise of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(d) Unvested Old IAC Options Held by Mr. Diller. As determined by the Committee pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each Old IAC Option held by Barry Diller that is unvested as of the Effective Time shall be converted into both an Expedia Option and a New IAC Option and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such Old IAC Option immediately prior to the Effective Time; provided, however, that from and after the Effective Time (i) the number of shares of IAC Common Stock subject to such New IAC Option, rounded down to the nearest whole share, shall be equal to one half the number of shares of IAC Common Stock subject to such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time, (ii) the number of shares of Expedia Common Stock subject to such Expedia Option, rounded down to the nearest whole share, shall be equal to one half the number of shares of IAC Common Stock subject to the Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time, (iii) the per share exercise price of such New IAC Option, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (x) the per share exercise price of such Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the IAC Ratio and (iv) the per share exercise price of the Expedia Option, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (x) the per share exercise price of the Old IAC Option immediately prior to the Reverse Stock Split and the Effective Time by (y) the Expedia Ratio; provided, however, the exercise price, the number of shares of IAC Common Stock and Expedia Common Stock subject to such options and the terms and conditions of exercise of such options shall be determined in a manner consistent with the requirements of Section 409A of the Code. Following completion of the Effective Time, the satisfaction of conditions to vesting of Mr. Diller's New IAC Options governed by this Section 5.3(d) will be determined based on Mr. Diller's employment with IAC, and the satisfaction of conditions to vesting of Mr. Diller's Expedia Options governed by this Section 5.3(d) will be determined based on Mr. Diller's employment with Expedia.

(e) IAC Restricted Stock Units Held by IAC Employees and Former IAC Employees. As determined by the Committee pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each IAC Restricted Stock Unit held by an IAC Employee or a Former IAC Employee shall be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such IAC Restricted Stock Unit immediately prior to the Effective Time; provided, however, that from and after the Close of the Effective Time, the number of shares of IAC Common Stock covered by each IAC Restricted Stock Unit, rounded to

the nearest whole share, shall be equal to the product of (x) the number of shares of IAC Common Stock covered by such IAC Restricted Stock Unit immediately prior to the Reverse Stock Split and the Effective Time and (y) the IAC Ratio.

(f) IAC Restricted Stock Units Held by Expedia Employees and Former Expedia Employees. As determined by the Committee pursuant to its authority under the applicable IAC Long-Term Incentive Plan, each IAC Restricted Stock Unit held by an Expedia Employee or a Former Expedia Employee as of the Effective Time shall be converted into an Expedia Restricted Stock Unit, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to such IAC Restricted Stock Unit immediately prior to the Effective Time; provided, however, that from and after the Close of the Effective Time, the number of shares of Expedia Common Stock covered by such Expedia Restricted Stock Unit held by the participant, as applicable, rounded to the nearest whole share, shall be equal to the product of (x) the number of shares of IAC Common Stock covered by such IAC Restricted Stock Unit immediately prior to the Reverse Stock Split and the Effective Time and (y) the Expedia Ratio.

(g) IAC Restricted Stock. Shares of IAC Restricted Stock that are outstanding immediately prior to the Reverse Stock Split and the Effective Time shall be treated in the Reverse Stock Split and the Reclassification (as defined in the Separation Agreement) in the same manner as other outstanding shares of IAC common stock are treated in the Reverse Stock Split and the Reclassification and will otherwise be subject to the same terms and conditions (including vesting conditions) applicable to such shares of IAC Restricted Stock immediately prior to the Reverse Stock Split and the Effective Time.

(h) Foreign Grants/Awards. To the extent that the IAC Awards or any of the Old IAC Options are granted to non-U.S. employees under any domestic or foreign equity-based incentive program sponsored by an IAC Entity, IAC and Expedia shall use their commercially reasonable efforts to preserve, at and after the Effective Time, the value and tax treatment accorded to such Old IAC Options and such IAC Awards granted to non-U.S. employees under any domestic or foreign equity-based incentive program sponsored by an IAC Entity.

(i) Miscellaneous Option and Other Award Terms. After the Effective Date, New IAC Options and IAC Awards adjusted pursuant to Section 5.3, regardless of by whom held, shall be settled by IAC pursuant to the terms of the applicable IAC Long-Term Incentive Plan, and Expedia Options and Expedia Awards, regardless of by whom held, shall be settled by Expedia pursuant to the terms of the Expedia Long-Term Incentive Plan. Accordingly, it is intended that, to the extent of the issuance of such Expedia Options and Expedia Awards in connection with the adjustment provisions of this Section 5.3, the Expedia Long-Term Incentive Plan shall be considered a successor to each of the IAC Long-Term Incentive Plans and to have assumed the obligations of the applicable IAC Long-Term Incentive Plan to make the adjustment of the IAC Options and IAC Awards as set forth in this Section 5.3. The Effective Time shall not constitute a termination of employment for any Expedia Employees for purposes of any New IAC Option or IAC Award and, except as otherwise provided in this Agreement, with respect to grants adjusted pursuant to this Section 5.3, employment with Expedia shall be treated as employment with IAC with respect to New IAC Options or IAC Awards held by Expedia Employees and employment with IAC shall be treated as employment with Expedia with respect

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to Expedia Options and Expedia Awards held by IAC Employees. Mr. Diller shall be treated as an IAC Employee with respect to continued exercisability of vested New IAC Options and Mr. Diller shall be treated as an Expedia Employee with respect to continued exercisability of vested Expedia Options.

(j) Waiting Period for Exercisability of Options and Grant of Options and Awards. The New IAC Options and Expedia Options shall not be exercisable during a period beginning on a date prior to the Effective Date determined by IAC in its sole discretion, and continuing until the IAC Post-Separation Stock Value and the Expedia Stock Value are determined after the Effective Time, or such longer period as IAC, with respect to New IAC Options, and Expedia, with respect to Expedia Options, determines necessary to implement the provisions of this Section 5.3. The IAC Restricted Stock Units and Expedia Restricted Stock Units shall not be settled during a period beginning on a date prior to the Effective Date determined by IAC in its sole discretion, and continuing until the IAC Post-Separation Stock Value and the Expedia Stock Value are determined immediately after the Effective Time, or such longer period as IAC, with respect to IAC Restricted Stock Units, and Expedia, with respect to Expedia Restricted Stock Units, determines necessary to implement the provisions of this Section 5.3.

(k) Restrictive Covenants. Following the Effective Date, Expedia shall use commercially reasonable efforts to monitor the Expedia Employees and Former Expedia Employees to determine whether any such Expedia Employees or Former Expedia Employees have breached any of the restrictive covenants in the agreements evidencing the terms of their New IAC Options and IAC Awards. As soon as practicable following Expedia's reasonable belief that an Expedia Employee or Former Expedia Employee has breached any such covenant, Expedia shall provide IAC in writing with the name and address of such employee or former employee and the name and address of the enterprise in which such employee or former employee is believed to have been engaged. Notwithstanding the foregoing or anything in any agreement evidencing the terms of any New IAC Options and IAC Awards or otherwise to the contrary, it shall not be a violation of any IAC non-competition or non-solicitation of clients or customers covenant for an Expedia Employee to engage in acts on behalf of Expedia or an Expedia Entity that are otherwise prohibited by the terms of such non-competition or non-solicitation of clients or customers covenants and it shall not be a violation of any Expedia non-competition or non-solicitation of clients or customers covenant for an IAC Employee to engage in acts on behalf of IAC or an IAC Entity that are otherwise prohibited by the terms of such non-competition or non-solicitation of clients or customers covenants. In addition, following the Effective Time, the restrictive covenants (including without limitation any proprietary rights agreements or confidential information covenants) to which any Expedia Employee or Former Expedia Employee are party shall run in favor of Expedia (and, to the extent relating to IAC, shall run in favor of IAC to the same extent that they ran in favor of IAC immediately prior to the Effective Time; provided, that the Effective Time shall be treated as a termination of employment from IAC for purposes of the duration of IAC's ability to enforce the restrictive covenant) and the restrictive covenants to which any IAC Employee or Former IAC Employee are party shall run in favor of IAC. Any employment agreement between IAC and an Expedia Employee or Former Expedia Employee shall as of the Effective Time be assigned by IAC to Expedia and assumed by Expedia.

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5.4 Registration Requirements. As soon as possible following the time as of which the Registration Statement (as defined in the Separation Agreement) is declared effective by the Securities and Exchange Commission but in any case before the Effective Date and before the date of issuance or grant of any Expedia Option and/or shares of Expedia Common Stock pursuant to this Article V, Expedia agrees that it shall file a Form S-8 Registration Statement with respect to and cause to be registered pursuant to the Securities Act of 1933, as amended, the shares of Expedia Common Stock authorized for issuance under the Expedia Long-Term Incentive Plan as required pursuant to such Act and any applicable rules or regulations thereunder, with such registration to be effective prior to the Effective Date. IAC agrees that, following the Effective Date, it shall use reasonable efforts to continue to maintain a Form S-8 Registration Statement with respect to and cause to be registered pursuant to the Securities Act of 1933, as amended, the shares of IAC Common Stock authorized for issuance under the IAC Long-Term Incentive Plans as required pursuant to such Act and any applicable rules or regulations thereunder.

5.5 IAC Executive Deferred Compensation Plans. Effective as of the Effective Date, Expedia shall establish a deferred compensation plan that is substantially identical to the IAC Executive Deferred Compensation Plan to provide benefits to Expedia Employees and Former Expedia Employees from and after the Effective Date who were participants in the IAC Executive Deferred Compensation Plan as of immediately prior to the Effective Date.

5.6 Severance. An Expedia Employee shall not be deemed to have terminated employment for purposes of determining eligibility for severance benefits in connection with or in anticipation of the consummation of the transactions contemplated by the Separation Agreement. Expedia shall be solely responsible for all Liabilities in respect of all costs arising out of payments and benefits relating to the termination or alleged termination of any Expedia Employee or Former Expedia Employee's employment that occurs prior to, as a result of, in connection with or following the consummation of the transactions contemplated by the Separation Agreement, including any amounts required to be paid (including any payroll or other taxes), and the costs of providing benefits, under any applicable severance, separation, redundancy, termination or similar plan, program, practice, contract, agreement, law or regulation (such benefits to include any medical or other welfare benefits, outplacement benefits, accrued vacation, and taxes).

ARTICLE VI GENERAL AND ADMINISTRATIVE

6.1 Sharing of Participant Information. IAC and Expedia shall share, and IAC shall cause each other IAC Entity to share, and Expedia shall cause each other Expedia Entity to share with each other and their respective agents and vendors (without obtaining releases) all participant information necessary for the efficient and accurate administration of each of the Expedia Benefit Plans and the IAC Benefit Plans. IAC and Expedia and their respective authorized agents shall, subject to applicable laws, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other Party, to the extent necessary for such administration. Until the Close of the Effective Date, all participant information shall be provided in the manner and medium applicable to Participating Companies in IAC Benefit Plans generally, and thereafter until December 31, 2006,

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all participant information shall be provided in a manner and medium as may be mutually agreed to by IAC and Expedia.

6.2 Reasonable Efforts/Cooperation. Each of the Parties hereto will use its commercially reasonable efforts to promptly 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 the transactions contemplated by this Agreement. Each of the Parties hereto shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or private letter ruling from the Internal Revenue Service, an advisory opinion from the Department of Labor or any other filing (including, but not limited to, securities filings (remedial or otherwise)), consent or approval with respect to or by a governmental agency or authority in any jurisdiction in the United States or abroad.

6.3 No Third-Party Beneficiaries. This Agreement is solely for the benefit of the Parties and is not intended to confer upon any other Persons any rights or remedies hereunder. Except as expressly provided in this Agreement, nothing in this Agreement shall preclude IAC or any other IAC Entity, at any time after the Close of the Effective Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any IAC Benefit Plan, any benefit under any Benefit Plan or any trust, insurance policy or funding vehicle related to any IAC Benefit Plan. Except as expressly provided in this Agreement, nothing in this Agreement shall preclude Expedia or any other Expedia Entity, at any time after the Close of the Effective Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Expedia Benefit Plan, any benefit under any Benefit Plan or any trust, insurance policy or funding vehicle related to any Expedia Benefit Plan.

6.4 Audit Rights With Respect to Information Provided.

(a) Each of IAC and Expedia, and their duly authorized representatives, shall have the right to conduct reasonable audits with respect to all information required to be provided to it by the other Party under this Agreement. The Party conducting the audit (the "Auditing Party") may adopt reasonable procedures and guidelines for conducting audits and the selection of audit representatives under this Section 6.4. The Auditing Party shall have the right to make copies of any records at its expense, subject to any restrictions imposed by applicable laws and to any confidentiality provisions set forth in the Separation Agreement, which are incorporated by reference herein. The Party being audited shall provide the Auditing Party's representatives with reasonable access during normal business hours to its operations, computer systems and paper and electronic files, and provide workspace to its representatives. After any audit is completed, the Party being audited shall have the right to review a draft of the audit findings and to comment on those findings in writing within thirty business days after receiving such draft.

(b) The Auditing Party's audit rights under this Section 6.4 shall include the right to audit, or participate in an audit facilitated by the Party being audited, of any Subsidiaries and Affiliates of the Party being audited and to require the other Party to request any benefit providers and third parties with whom the Party being audited has a relationship, or agents of such Party, to agree to such an audit to the extent any such Persons are affected by or addressed

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in this Agreement (collectively, the "Non-parties"). The Party being audited shall, upon written request from the Auditing Party, provide an individual (at the Auditing Party's expense) to supervise any audit of a Non-party. The Auditing Party shall be responsible for supplying, at the Auditing Party's expense, additional personnel sufficient to complete the audit in a reasonably timely manner. The responsibility of the Party being audited shall be limited to providing, at the Auditing Party's expense, a single individual at each audited site for purposes of facilitating the audit.

6.5 Fiduciary Matters. It is acknowledged that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any Liabilities caused by the failure to satisfy any such responsibility.

6.6 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, the Parties hereto shall use commercially reasonable efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, the Parties hereto shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase “commercially reasonable efforts” as used herein shall not be construed to require any Party to incur any non-routine or unreasonable expense or Liability or to waive any right.

ARTICLE VII MISCELLANEOUS

7.1 Effect If Effective Time Does Not Occur. If the Separation Agreement is terminated prior to the Effective Date, then this Agreement shall terminate and all actions and events that are, under this Agreement, to be taken or occur effective immediately prior to or as of the Close of the Effective Date, or Immediately after the Effective Date, or otherwise in connection with the Separation Transactions, shall not be taken or occur except to the extent specifically agreed by IAC and Expedia.

7.2 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the Parties, it being understood and agreed that no provision contained herein, and no act of the Parties, shall be deemed to create any relationship between the Parties other than the relationship set forth herein.

7.3 Affiliates. Each of IAC and Expedia shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by another IAC Entity or an Expedia Entity, respectively.

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7.4 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number or person as a Party may designate by notice to the other Parties):

(a) if to IAC:

IAC/InterActiveCorp
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Facsimile No.: (212) 632-9642

with copies to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: Michael S. Katzke, Esq.
Facsimile No.: (212) 403-2345

(b) if to Expedia:

Expedia, Inc.
3150 139th Ave SE
Bellevue, WA 98005
Attention: General Counsel
Fax: (425) 679-7251

7.5 Incorporation of Separation Agreement Provisions. The following provisions of the Separation Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein mutatis mutandis (references in this Section 7.5 to an “Article” or “Section” shall mean Articles or Sections of the Separation Agreement, and references in the material incorporated herein by reference shall be references to the Separation Agreement): Article VII (relating to Survival and Indemnification); Article XI (relating to Further Assurances); Article IX (relating to Exchange of Information; Confidentiality); Article X (relating to Dispute Resolution); Article XIII (relating to Sole Discretion of IAC; Termination); Article XIV (relating to Miscellaneous).

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IN WITNESS WHEREOF, the Parties have caused this Employee Matters Agreement to be duly executed as of the day and year first above written.

IAC/INTERACTIVECORP

By: /s/ Gregory R. Blatt

Name: Gregory R. Blatt

Title: Executive Vice President

EXPEDIA, INC.

By: /s/ Keenan M. Conder

Name: Keenan M. Conder

Title: Senior Vice President

TRANSITION SERVICES AGREEMENT

by and between

IAC/INTERACTIVECORP

and

EXPEDIA, INC.

DATED AS OF August 9, 2005

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT, dated as of August 9, 2005 (this "Services Agreement"), is entered into by and between IAC/InterActiveCorp, a Delaware corporation ("IAC"), and Expedia, Inc., a Delaware corporation and wholly owned Subsidiary of IAC ("Expedia"). Capitalized terms used herein but not defined herein shall have the meaning set for the in that certain Separation Agreement, dated as of the date hereof, by and between IAC and Expedia (the "Separation Agreement").

WHEREAS, the Board of Directors of IAC has determined it is appropriate and desirable to separate IAC and Expedia into two publicly-traded companies by separating IAC's principal travel and travel-related businesses, and related assets and liabilities, and contributing them to Expedia and effecting a reclassification of the capital stock of IAC;

WHEREAS, IAC and Expedia expect to enter into the Separation Agreement on the date hereof, which sets forth, among other things, the assets, liabilities, rights and obligations of each of the Parties for purposes of effecting the separation of IAC and Expedia; and

WHEREAS, in connection therewith, (a) Expedia desires to procure certain services from IAC, and IAC is willing to provide such services to Expedia, during a transition period commencing on the Effective Date, on the terms and conditions set forth in this Services Agreement; and (b) IAC desires to procure certain services from Expedia, and Expedia is willing to provide such services to IAC, during a transition period commencing on the Effective Date, on the terms and conditions set forth in this Services Agreement.

NOW THEREFORE, in consideration of the mutual agreements, covenants and other provisions set forth in this Services Agreement, the Parties hereby agree as follows:

ARTICLE I

Definitions

- 1.01.** All terms used herein and not defined herein shall have the meanings assigned to them in the Separation Agreement.

ARTICLE II

Agreement To Provide and Accept Services

2.01. Provision of Services.

(a) On the terms and subject to the conditions contained herein, IAC shall provide, or shall cause its Subsidiaries and Affiliates and their respective employees designated by IAC (such designated Subsidiaries, Affiliates and employees, together with IAC, being herein collectively referred to as the "IAC Service Providers") to provide, to Expedia the services ("IAC Services") listed on the attached Schedules (the "Schedules") as being performed by the IAC. Subject to Section 3.01, any decisions as to which of the IAC Service Providers (including the decisions to use third parties) shall provide the IAC Services shall be made by IAC in its sole

discretion, except to the extent specified in the applicable Schedule. Each IAC Service shall be provided in exchange for the consideration set forth with respect to such IAC Service on the applicable Schedule or as the Parties may otherwise agree in writing. Each IAC Service shall be provided and accepted in accordance with the terms, limitations and conditions set forth herein and on the applicable Schedule.

(b) On the terms and subject to the conditions contained herein, Expedia shall provide, or shall cause its Subsidiaries and Affiliates and their respective employees designated by it (such designated Subsidiaries, Affiliates and employees, together with Expedia, being herein collectively referred to as the "Expedia Service Providers" and together with the IAC Service Providers, the "Service Providers") to provide, to IAC the services ("Expedia Services" and together with the IAC Services, the "Services") listed on the attached Schedules as being performed by Expedia. Subject to Section 3.01, any decisions as to which of the Expedia Service Providers (including the decisions to use third parties) shall provide the Expedia Services shall be made by Expedia in its sole discretion, except to the extent specified in the applicable Schedule. Each Expedia Service shall be provided in exchange for the consideration set forth with respect to such Service on the applicable Schedule or as the Parties may otherwise agree in writing. Each Expedia Service shall be provided and accepted in accordance with the terms, limitations and conditions set forth herein and on the applicable Schedule.

(c) As used in this Services Agreement, the term “Receiving Party” shall mean the Party receiving Services.

2.02. Books and Records; Availability of Information. Each Party shall create and maintain accurate books in connection with the provision of the Services performed by it and, upon reasonable notice from the other Party, shall make available for inspection and copy by such other Party’s agents such records during reasonable business hours. Each Party shall make available on a timely basis to the Service Providers all information and materials reasonably requested by such Service Providers to enable them to provide the Services. Each Party shall provide to the Service Providers reasonable access to such Party’s premises to the extent necessary for the purpose of providing the Services.

ARTICLE III

Services; Payment; Independent Contractors

3.01. Services To Be Provided. (a) Unless otherwise agreed by the Parties (including to the extent specified in the applicable Schedule), (i) the Service Providers shall be required to perform the Services only in a manner, scope, nature and quality as provided by or within IAC that is similar in all material respects to the manner in which such Services were performed immediately prior to the Effective Date, and (ii) the Services shall be used for substantially the same purposes and in substantially the same manner (including as to volume, amount, level or frequency, as applicable) as the Services have been used immediately prior to the Effective Date; provided, however, that the applicable Schedule shall control the scope of the Service to be performed (to the extent provided therein), unless otherwise agreed in writing. Each Party and the Service Providers shall act under this Services Agreement solely as an independent contractor and not as an agent or employee of any other Party or any of such Party’s Affiliates.

(b) The provision of Services by Service Providers shall be subject to Article V hereof.

(c) Each Party agrees to use its reasonable efforts to reduce or eliminate its dependency on the Services as soon as is reasonably practicable; provided that a breach of this Section 3.01(c) shall not affect a Service Provider’s obligation to provide any Service through the term applicable to such Service.

3.02. The Parties will use good-faith efforts to reasonably cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include obtaining all consents, licenses or approvals necessary to permit each Party to perform its obligations hereunder; provided, however, under no circumstances shall any Service Provider be required to make any payments to any third party in respect of any such consents, licenses or approvals nor shall any Service Provider be required to make any alternative arrangements in the event that any such consents, licenses or approvals are not obtained.

3.03. Additional Services.

(a) From time to time during the term, each of IAC and Expedia may request the other Party (i) to provide additional (including as to volume, amount, level or frequency, as applicable) or different services which the other Party is not expressly obligated to provide under this Agreement if such services are of the type and scope provided within IAC during fiscal year 2005 or (ii) expand the scope of any Service (such additional or expanded services, the “Additional Services”). The Party receiving such request shall consider such request in good faith and shall use commercially reasonable efforts to provide such Additional Service; provided, no Party shall be obligated to provide any Additional Services if it does not, in its reasonable judgment, have adequate resources to provide such Additional Services or if the provision of such Additional Services would interfere with the operation of its business. The Party receiving the request for Additional Services shall notify the requesting Party within fifteen (15) days as to whether it will or will not provide the Additional Services.

(b) If a Party agrees to provide Additional Services pursuant to Section 3.03(a), then a representative of each party shall in good faith negotiate the terms of a supplemental Schedule to this Agreement which will describe in detail the service, project scope, term, price and payment terms to be charged for the Additional Service. Once agreed to in writing, the supplemental Schedule shall be deemed part of this Agreement as of such date and the Additional Services shall be deemed “Services” provided hereunder, in each case subject to the terms and conditions of this Agreement.

3.04. Payments.

(a) Statements will be delivered to the Receiving Party within fifteen days after the end of each month by the Service Providers designated by each Party for Services provided to the Receiving Party during the preceding month, and each such statement shall set forth a brief description of such Services, the amounts charged therefor, and, except as the Parties may agree, such amounts shall be due and payable by the Receiving Party within 30 days after the date of such statement. Statements not paid within such 30-day period shall be subject

to late charges, calculated at an interest rate per annum equal to the Prime Rate plus 2% (or the maximum legal rate, whichever is lower), and calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment. Payments shall be made by wire transfer to an account designated in writing from time to time by Service Provider.

3.05. Disclaimer of Warranty. EXCEPT AS EXPRESSLY SET FORTH IN THIS SERVICES AGREEMENT, THE SERVICES TO BE PURCHASED UNDER THIS SERVICES AGREEMENT ARE FURNISHED AS IS, WHERE IS, WITH ALL FAULTS AND WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. In the event that the provision of any Service for the account of a Receiving Party by a Service Provider conflicts with such Service Provider’s provision of such Service for its own account, priority for the provision of such Service shall be allocated in an equitable manner on an aggregate basis, and in a manner consistent with the Receiving Party’s level of use of such Service during fiscal year 2005 up to the Effective Date (or as described in the applicable Schedule).

3.06. Taxes. In the event that any Tax is properly chargeable on the provision of the Services as indicated on the applicable Schedule, the Receiving Party shall be responsible for and shall pay the amount of any such Tax in addition to and at the same time as the Service fees. All Service fees and other consideration will be paid free and clear of and without withholding or deduction for or on account of any Tax, except as may be required by law.

3.07. Use of Services. The Receiving Party shall not, and shall cause its Affiliates not to, resell any Services to any person whatsoever or permit the use of the Services by any person other than in connection with the conduct of the Receiving Party's operations as conducted immediately prior to the Effective Date.

ARTICLE IV

Term of Services

4.01. The provision of Services shall commence on the Effective Date and shall terminate no later than 18 months after the date hereof or as of the date indicated for each such Service on the applicable Schedule; provided, however, that subject to the applicable Schedule, any Service may be cancelled or reduced in amount or any portion thereof by the Receiving Party upon 90 days' written notice thereof (or such other notice period if one is set forth for such Service on the applicable Schedule) subject to the requirement that the Receiving Party pay to the Service Provider the actual out-of-pocket costs incurred by the Service Provider, as well as the actual incremental internal costs incurred by the Service Providers, in each case directly resulting from such cancellation (including employee severance and other termination costs), which out-of-pocket and internal costs shall be set forth in a written statement provided by the Service Provider to the Receiving Party; provided, further, that such costs shall not exceed amounts payable hereunder in respect of the applicable Service for the 90 days prior to such termination. The forgoing notwithstanding and subject to Section 7.02, (1) a Service Provider may immediately terminate any individual Service provided to a Receiving Party in the event

that the Receiving Party fails to make payments for such Service under Section 3.02 and has not cured such failure within 30 days of written notice of such failure from the Service Provider, and (2) upon 90 days' written notice, the Service Provider may terminate any Service provided to the Receiving Party at such time as the Service Provider no longer provides the same Service to itself for its own account.

4.02. In the event a Receiving Party requests an extension of the term of provision of Services, such request shall be considered in good faith by the Service Provider. Any terms, conditions or costs or fees to be paid by the Receiving Party for Services provided during an extended term will be on mutually acceptable terms. For the avoidance of doubt, under no circumstances shall a Service Provider be required to extend the term of provision of any Service if (i) the Service Provider does not, in its reasonable judgment, have adequate resources to continue providing such Services, (ii) the extension of the term would interfere with the operation of the Service Provider's business or (iii) the extension would require capital expenditure on the part of the Service Provider or otherwise require the Service Provider to renew or extend any Contract with any third party.

ARTICLE V

Force Majeure

5.01. The Service Providers shall not be liable for any expense, loss or damage whatsoever arising out of any interruption of Service or delay or failure to perform under this Services Agreement that is due to acts of God, acts of a public enemy, acts of terrorism, acts of a nation or any state, territory, province or other political division thereof, changes in applicable law, fires, floods, epidemics, riots, theft, quarantine restrictions, freight embargoes or other similar causes beyond the reasonable control of the Service Providers. In any such event, the Service Providers' obligations hereunder shall be postponed for such time as its performance is suspended or delayed on account thereof. Each Service Provider will promptly notify the recipient of the Service, either orally or in writing, upon learning of the occurrence of such event of force majeure. Upon the cessation of the force majeure event, such Service Provider will use commercially reasonable efforts to resume, or to cause any other relevant Service Provider to resume, its performance with the least practicable delay (provided that, at the election of the applicable Receiving Party, the applicable term for such suspended Services shall be extended by the length of the force majeure event).

ARTICLE VI

Liabilities

6.01. Consequential and Other Damages. Except as otherwise provided in the Separation Agreement, none of the Service Providers shall be liable to the Receiving Party with respect to this Services Agreement, whether in contract, tort (including negligence and strict liability) or otherwise, for any special, indirect, incidental or consequential damages whatsoever (except, in each case, to the extent any such amount is paid to third parties by a Receiving Party or its Affiliates) which in any way arise out of, relate to or are a consequence of, the performance

or nonperformance by it hereunder or the provision of, or failure to provide, any Service hereunder, including with respect to loss of profits, business interruptions or claims of customers.

6.02. Limitation of Liability. Subject to Section 6.03 hereof, the liability of any Service Provider with respect to this Services Agreement or any act or failure to act in connection herewith (including, but not limited to, the performance or breach hereof), or from the sale, delivery, provision or use of any Service provided under or covered by this Services Agreement, whether in contract, tort (including negligence and strict liability) or otherwise, shall be limited to actions or omissions resulting from intentional breach of this Services Agreement or gross negligence, and, in any event, such liability shall not exceed the fees previously paid to such Service Provider under this Services Agreement.

6.03. Obligation To Re-perform. In the event of any breach of this Services Agreement by any Service Provider resulting from any error or defect in the performance of any Service (which breach Service Provider can reasonably be expected to cure by re-performance in a commercially reasonable manner), the Service Provider shall use its reasonable commercial efforts to correct in all material respects such error, defect or breach or reperform in all material respects such Service at the request of the Receiving Party.

6.04. Indemnity. Except as otherwise provided in this Service Agreement (including the limitation of liability provisions in this Article VI), each Party shall indemnify, defend and hold harmless the other Party from and against any Liability arising out of the intentional breach or gross

negligence of the indemnifying Party or its Affiliates, employees, agents, or contractors (including with respect to the performance or nonperformance of any Service hereunder).

ARTICLE VII

Termination

7.01. Termination. Notwithstanding anything herein to the contrary, this Services Agreement shall terminate, and the obligation of the Service Providers to provide or cause to be provided any Service shall cease, on the earliest to occur of (i) the last date indicated for the termination of any Service on the Schedules, as the case may be, (ii) the date on which the provision of all Services has been terminated or canceled pursuant to Article IV hereof, or (iii) the date on which this Services Agreement is terminated by Expedia or IAC, as the case may be, in accordance with the terms of Section 7.02 hereof; provided that, in each case, no such termination shall relieve any Party of any liability for any breach of any provision of this Services Agreement prior to the date of such termination.

7.02. Breach of Services Agreement; Dispute Resolution. Subject to Article VI hereof, and without limiting a Party's obligations under Section 4.01, if a Party shall cause or suffer to exist any material breach of any of its obligations under this Services Agreement, including any failure to make a payment within 30 days after receipt of the statement describing the Services provided for pursuant to Section 3.04 with respect to more than one Service provided hereunder, and that Party does not cure such default in all material respects within 30 days after receiving written notice thereof from the non-breaching Party, the non-breaching

Party shall have the right to terminate this Services Agreement immediately thereafter. In the event a dispute arises between the Parties regarding the terms of this Services Agreement, such dispute shall be governed by Article X of the Separation Agreement.

7.03. Sums Due. In addition to any other payments required pursuant to this Service Agreement, in the event of a termination of this Services Agreement, the Service Providers shall be entitled to the immediate payment of, and the Receiving Party shall within three Business Days, pay to the Service Providers, all accrued amounts for Services, Taxes and other amounts due under this Services Agreement as of the date of termination.

7.04. Effect of Termination. Section 2.02 hereof and Articles V, VI, VII and VIII hereof shall survive any termination of this Services Agreement.

ARTICLE VIII

Miscellaneous

8.01. Incorporation of Separation Agreement Provisions. The following provisions of the Separation Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein (references in this Section 8.01 to an "Article" or "Section" shall mean Articles or Sections of the Separation Agreement, and references in the material incorporated herein by reference shall be references to the Separation Agreement): Sections 14.02, 14.03, 14.06, 14.07, 14.09, 14.10, 14.11, 14.14 and 14.15.

8.02. Ownership of Work Product. Subject to the terms of the Separation Agreement, (i) each Service Provider acknowledges and agrees that it will acquire no right, title or interest (including any license rights or rights of use) to any work product resulting from the provision of Services hereunder for the Receiving Party's exclusive use and such work product shall remain the exclusive property of the Receiving Party and (ii) each Receiving Party acknowledges and agrees that it will acquire no right, title or interest (other than a non-exclusive, worldwide right of use) to any work product resulting from the provision of Services hereunder that is not for the Receiving Party's exclusive use and such work product shall remain the exclusive property, subject to license, of the Service Provider.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

IAC/INTERACTIVECORP

By: /s/ Gregory R. Blatt

Name: Gregory R. Blatt

Title: Executive Vice President

EXPEDIA, INC.

By: /s/ Dara Khosrowshahi

Name: Dara Khosrowshahi

Title: Chief Executive Officer

FORM OF IAC/INTERACTIVECORP RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, dated as of the award date (the "Award Date") designated on the Summary of Award referenced below, between IAC/InterActiveCorp, a Delaware corporation (the "Corporation"), and the employee of the Corporation or one of its businesses (the "Employee") designated as receiving an award of restricted stock units (the "Restricted Stock Units") by the Compensation/Benefits Committee of the Board of Directors of the Corporation (or such other Committee as the Board may from time to time designate) (the "Committee").

All capitalized terms used herein, to the extent not defined, shall have the meanings set forth in the Corporation's 2005 Stock and Annual Incentive Plan (the "Plan").

1. Award and Vesting of Restricted Stock Units

(a) Subject to the provisions of this Agreement and to the provisions of the Plan, the Corporation hereby grants Restricted Stock Units to the Employee pursuant to Section 7 of the Plan. Reference is made to the "Summary of Award" that can be found on the Smith Barney Benefit Access System at www.benefitaccess.com. Your Summary of Award, which sets forth the number of Restricted Stock Units granted to you by the Corporation and the Award Date (among other information), is hereby incorporated by reference into, and shall be read as part and parcel of, this Agreement.

(b) Subject to the terms and conditions of this Agreement, the provisions of the Plan [and subject to the satisfaction of performance goals approved by the Committee on [DATE]], the Restricted Stock Units shall vest and no longer be subject to any restriction (such period during which restrictions apply is the "Restriction Period"):

<u>Vesting Date</u>	<u>Percentage of Total Award Vesting</u>
On the first anniversary of the Award Date	20%
On the second anniversary of the Award Date	20%
On the third anniversary of the Award Date	20%
On the fourth anniversary of the Award Date	20%
On the fifth anniversary of the Award Date	20%

(c) Notwithstanding the provisions of Paragraph 1(b), in the event the Employee incurs a Termination of Employment by the Corporation for Cause, or the Employee voluntarily incurs a Termination of Employment within two (2) years after any event or circumstance that would have been grounds for a Termination of Employment for Cause, the Employee's Restricted Stock Units (whether or not vested) shall be forfeited and canceled in their entirety upon such Termination of Employment, and the Corporation may cause the Employee, immediately upon notice from the Corporation, either to return the shares or cash issued upon

settlement of Restricted Stock Units which vested during the two-year period after the events or circumstances giving rise to or constituting grounds for such Termination of Employment for Cause or to pay to the Corporation an amount equal to the aggregate amount, if any, that the Employee had previously realized in respect of any and all shares issued upon settlement of Restricted Stock Units which vested during the two-year period after the events or circumstances giving rise to or constituting grounds for such Termination of Employment for Cause (i.e., the value of the Restricted Stock Units upon vesting), in each case including any dividend equivalents or other distributions received in respect of any such Restricted Stock Units.

(d) In the event the Employee incurs a Termination of Employment during the Restriction Period for any reason other than as set forth in Paragraph 1(c), all remaining unvested Restricted Stock Units shall be forfeited by the Employee and canceled in their entirety effective immediately upon such termination.

(e) For purposes of this Agreement, employment with the Corporation shall include employment with the Corporation's Affiliates (*excluding* Expedia, Inc. and its subsidiaries) and its successors. Nothing in this Agreement or the Plan shall confer upon the Employee any right to continue in the employ of the Corporation or any of its Affiliates or interfere in any way with the right of the Corporation or any such Affiliates to terminate the Employee's employment at any time.

2. Settlement of Units

As soon as practicable after any Restricted Stock Units have vested and are no longer subject to the Restriction Period (or at such later date specified by the Committee or in accordance with the election of the Employee, if the Committee so permits), such Restricted Stock Units shall be settled. Subject to Paragraph 8 (pertaining to the withholding of taxes), for each Restricted Stock Unit settled pursuant to this Section 2, the Corporation shall (i) if the Employee is employed within the United States, issue one share of Common Stock for each Restricted Stock Unit vesting at such time and cause to be delivered to the Employee one or more unlegended, freely-transferable stock certificates in respect of such shares issued upon settlement of the vesting Restricted Stock Units or (ii) if the Employee is employed outside the United States, pay, or cause to be paid, to the Employee an amount of cash equal to the Fair Market Value of one share of Common Stock for each Restricted Stock Unit vesting at such time. Notwithstanding the foregoing, the Corporation shall be entitled to hold the shares or cash issuable upon settlement of Restricted Stock Units that have vested until the Corporation or the agent selected by the Corporation to manage the Plan under which the Restricted Stock Units have been issued (the "Agent") shall have received from the Employee a duly executed Form W-9 or W-8, as applicable.

3. Non-Transferability of the Restricted Stock Units

During the Restriction Period and until such time as the Restricted Stock Units are ultimately settled as provided in Paragraph 2 above, the Restricted Stock Units shall not be transferable by the Employee by means of sale, assignment, exchange, encumbrance, pledge, hedge or otherwise.

4. Rights as a Stockholder

Except as otherwise specifically provided in this Agreement, during the Restriction Period the Employee shall not be entitled to any rights of a stockholder with respect to the Restricted Stock Units. Notwithstanding the foregoing, if the Corporation declares and pays dividends on the Common Stock during the Restriction Period, the Employee will be credited with additional amounts for each Restricted Stock Unit equal to the dividend that would have been paid with respect to such Restricted Stock Unit if it had been an actual share of Common Stock, which amount shall remain subject to restrictions (and as determined by the Committee may be reinvested in Restricted Stock Units or may be held in kind as restricted property) and shall vest concurrently with the vesting of the Restricted Stock Units upon which such dividend equivalent amounts were paid. Notwithstanding the foregoing, dividends and distributions other than regular quarterly cash dividends, if any, may result in an adjustment pursuant to Paragraph 5.

5. Adjustment in the Event of Change in Stock; Change in Control

In the event of (i) a stock dividend, stock split, reverse stock split, share combination, or recapitalization or similar event affecting the capital structure of the Corporation (each, a "Share Change"), or (ii) a merger, consolidation, acquisition of property or shares, separation, spinoff, reorganization, stock rights offering, liquidation, Disaffiliation, or similar event affecting the Corporation or any of its Subsidiaries (each, a "Corporate Transaction"), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to the number of Restricted Stock Units and the number and kind of shares of Common Stock underlying the Restricted Stock Units.

In the case of Corporate Transactions, such adjustments may include, without limitation (i) the cancellation of the Restricted Stock Units in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Restricted Stock Units, as determined by the Committee or the Board in its sole discretion, (ii) the substitution of other property (including, without limitation, cash or other securities of the Corporation and securities of entities other than the Corporation) for the shares of Common Stock underlying the Restricted Stock Units and (iii) in connection with any Disaffiliation, arranging for the assumption of the Restricted Stock Units, or the replacement of the Restricted Stock Units with new awards based on other property or other securities (including, without limitation, other securities of the Corporation and securities of entities other than the Corporation), by the affected

Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to any Restricted Stock Units that remain based upon securities of the Corporation).

The determination of the Committee regarding any such adjustment will be final and conclusive and need not be the same for all Participants.

Unless otherwise determined by the Committee, in the event of a Change in Control, the provisions of Section 10 of the Plan shall apply.

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6. Payment of Transfer Taxes, Fees and Other Expenses

The Corporation agrees to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of shares received by an Employee in connection with the Restricted Stock Units, together with any and all other fees and expenses necessarily incurred by the Corporation in connection therewith.

7. Other Restrictions

(a) The Restricted Stock Units shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, then in any such event, the award of Restricted Stock Units shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The Employee acknowledges that the Employee is subject to the Corporation's policies regarding compliance with securities laws, including but not limited to its Securities Trading Policy (as in effect from time to time and any successor policies), and, pursuant to these policies, if the Employee is on the Corporation's insider list, the Employee shall be required to obtain pre-clearance from the Corporation's General Counsel prior to purchasing or selling any of the Corporation's securities, including any shares issued upon vesting of the Restricted Stock Units, and may be prohibited from selling such shares other than during an open trading window. The Employee further acknowledges that, in its discretion, the Corporation may prohibit the Employee from selling such shares even during an open trading window if the Corporation has concerns over the potential for insider trading.

8. Taxes and Withholding

No later than the date as of which an amount first becomes includible in the gross income of the Employee for federal, state, local or foreign income or employment or other tax purposes with respect to any Restricted Stock Units, the Employee shall pay to the Corporation, or make arrangements satisfactory to the Corporation regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Corporation under this Agreement shall be conditioned on compliance by the Employee with this Paragraph 8, and the Corporation and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Employee, including deducting such amount from the delivery of shares or cash issued upon settlement of the Restricted Stock Units that gives rise to the withholding requirement.

9. Notices

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier, or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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If to the Employee: at the last known address on record at the Corporation.

If to the Corporation:

IAC/InterActiveCorp
Carnegie Hall Tower
152 West 57th Street, 42nd Floor
New York, NY 10019
Attention: General Counsel
Facsimile: (212) 314-7497

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Paragraph 9. Notice and communications shall be effective when actually received by the addressee. Notwithstanding the foregoing, the Employee consents to electronic delivery of documents required to be delivered by the Corporation under the securities laws.

10. Effect of Agreement

Except as otherwise provided hereunder, this Agreement shall be binding upon and shall inure to the benefit of any successor or successors of the Corporation.

11. Laws Applicable to Construction; Consent to Jurisdiction

The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware. In addition to the terms and conditions set forth in this Agreement, the Restricted Stock Units are subject to the terms and conditions of the Plan, which are hereby incorporated by reference.

Any and all disputes arising under or out of this Agreement, including without limitation any issues involving the enforcement or interpretation of any of the provisions of this Agreement, shall be resolved by the commencement of an appropriate action in the state or federal courts located within the state of Delaware, which shall be the exclusive jurisdiction for the resolution of any such disputes. The Employee hereby agrees and consents to the personal jurisdiction of said courts over the Employee for purposes of the resolution of any and all such disputes.

12. Severability

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

13. Conflicts and Interpretation

In the event of any conflict between this Agreement and the Plan, the Plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to

which the Committee has the power, among others, to (i) interpret the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan.

In the event of any (i) conflict between the Summary of Award (or any other information posted on the Smith Barney Benefit Access System) and this Agreement, the Plan and/or the books and records of the Corporation, or (ii) ambiguity in the Summary of Award (or any other information posted on the Smith Barney Benefit Access System), this Agreement, the Plan and/or the books and records of the Corporation, as applicable, shall control.

14. Amendment

The Corporation may modify, amend or waive the terms of the Restricted Stock Unit award, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of the Employee without his or her consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

15. Headings

The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

16. Counterparts

This Agreement may be executed in counterparts, which together shall constitute one and the same original.

17. Data Protection

The Employee authorizes the release from time to time to the Corporation (and any of its subsidiaries or affiliated companies) and to the Agent (together, the "Relevant Companies") of any and all personal or professional data that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). Without limiting the above, Employee permits his or her employing company to collect, process, register and transfer to the Relevant Companies all Relevant Information (including any professional and personal data that may be useful or necessary for the purposes of the administration of the Plan and/or this Agreement and/or to implement or structure any further grants of equity awards (if any)). Employee hereby

authorizes the Relevant Information to be transferred to any jurisdiction in which the Corporation, his or her employing company or the Agent considers appropriate. Employee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

IN WITNESS WHEREOF, as of the date first above written, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Employee has hereunto set the Employee's hand. Electronic acceptance of this Agreement pursuant to the Corporation's instructions to Employee (including through an online acceptance process managed by the Agent) is acceptable.

IAC/INTERACTIVECORP

Name:

Title:

EMPLOYEE

STOCK OPTION AGREEMENT

THIS AGREEMENT, dated as of June 7, 2005, between IAC/InterActiveCorp, a Delaware corporation ("IAC" or the "Corporation"), and Barry Diller (the "Optionee").

WITNESSETH

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. Grant of Stock Options.

Subject to the provisions of this Agreement, the provisions of the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan (the "Plan") and approval of the Plan by the Corporation's stockholders, the Corporation hereby grants to the Optionee as of June 7, 2005 (the "Grant Date") (i) an option to purchase 4,800,000 shares of common stock of the Corporation, par value \$.01 per share ("Common Stock"), at the exercise price of \$32.03 per share and (ii) an option to purchase 2,800,000 shares of Common Stock at the exercise price of \$43.12 per share (collectively, the "Stock Options"). The Stock Options shall be Nonqualified Stock Options. Unless earlier terminated pursuant to the terms of this Agreement, the Stock Options shall expire on the tenth anniversary of the Grant Date. Capitalized terms not defined herein shall have the meaning set forth in the Plan.

2. Exercisability of the Stock Options.

The Stock Options shall become vested and exercisable with respect to 100% of the shares of Common Stock covered thereby on the fifth anniversary of the Grant Date, subject to the Optionee's continued employment through such anniversary and Paragraphs 4 and 6 of this Agreement. Upon the Optionee's Termination of Employment, the portion of the Stock Options that is not vested as of such date, in accordance with the foregoing provisions of this Paragraph 2 or the provisions of Paragraphs 4 and 6 of this Agreement, shall cease vesting and terminate immediately.

3. Method of Exercise of the Stock Options.

(a) The vested portion of the Stock Options shall be exercisable by delivery to the Corporation of a written notice stating the number of whole shares to be purchased pursuant to this Agreement and accompanied by payment of the full purchase price of the shares of Common Stock to be purchased. The Stock Options may not be exercised at any one time as to fewer than 100 shares (or such number of shares as to which the Stock Options are then exercisable if less than 100). Fractional share interests shall be disregarded except they may be accumulated.

(b) The exercise price of the Stock Options shall be paid: (i) in cash or by certified check or bank draft payable to the order of the Corporation; (ii) by exchange (or attestation) of shares of unrestricted Common Stock already owned by the Optionee and having an aggregate Fair Market Value equal to the aggregate purchase price, provided, that the Optionee represents and warrants to the Corporation that the Optionee holds the shares of Common Stock free and clear of liens and encumbrances; (iii) unless the Committee determines otherwise, by withholding a number of shares of Common Stock having a Fair Market Value equal to the aggregate purchase price; or (iv) by any other procedure approved by the Committee, or by a combination of the foregoing.

4. Death or Disability of the Optionee or Termination by Employee for Good Reason or by the Corporation without Cause.

In the event of the Optionee's Termination of Employment due to death, Disability, by the Optionee for Good Reason or by the Corporation without Cause (each a "Qualifying Termination"), the Stock Options shall vest and be exercisable with respect to a percentage of the shares of Common Stock covered thereby equal to 20% for each full year of the Optionee's completed service with the Corporation from the Grant Date through the Qualifying Termination. The portion of the Stock Options, if any, which are exercisable at the time of such Qualifying Termination may be exercised by the Optionee (or the Optionee's guardian or legal representative or beneficiary, in the event of the Optionee's Disability or death) at any time prior to the first to occur of (a) one (1) year after such Qualifying Termination or (b) the expiration date of the Stock Options.

For purposes of this Agreement, "Good Reason" means, any of the following actions taken without the Optionee's prior written consent: (A) a reduction in the Optionee's rate of annual base salary from the rate of annual base salary in effect for the Optionee, (B) a relocation of the Optionee's principal place of business more than 35 miles from New York City or (C) a material and demonstrable adverse change in the nature and scope of the Optionee's duties from those in effect on the Grant Date. Following the effective time of the spin-off (the "Spin-Off") of Expedia ("Expedia") by the Corporation (the "Effective Time"), the Optionee's salary for purposes of determinations under clause (A) above, and duties for purposes of determinations under clause (C) above, will be based upon the salaries and duties, respectively, of Optionee at the Corporation and Expedia, as applicable.

5. Termination of Employment by the Optionee without Good Reason or by Corporation for Cause.

(a) In the event of the Optionee's Termination of Employment by the Optionee without Good Reason, the portion of the Stock Options, if any, which is exercisable at the time of such Termination of Employment (including any portion of the Stock Options that have vested as a result of a Change in Control in accordance with Paragraph 6 of this Agreement) may be exercised prior to the first to occur of (a) the first anniversary of such Termination of Employment or (b) the expiration date of the Stock Options.

(b) In the event of the Optionee's Termination of Employment for Cause, the entire Stock Options (whether or not vested) shall be forfeited and canceled in its entirety upon such Termination of Employment. In the event the Optionee exercised the Stock Options within one year prior to the Optionee's Termination of Employment for Cause, the Corporation shall be entitled to recover from the Optionee at any time within two (2) years following

such exercise, and the Optionee shall pay over to the Corporation, the excess of the aggregate Fair Market Value of the Common Stock subject to such exercise on the date of exercise over the aggregate exercise price of the Common Stock subject to such exercise.

(c) Nothing in this Agreement or the Plan shall confer upon the Optionee any right to continue in the employ of the Corporation or any of its Subsidiaries or affiliates or interfere in any way with the right of the Corporation or any such Subsidiaries or affiliates to terminate the Optionee's employment at any time.

6. Change in Control.

In the event of a Change in Control of the Corporation (as defined below), each Stock Option shall vest and be exercisable with respect to a percentage of the shares of Common Stock covered thereby equal to 20% plus an additional 20% for each full year of the Optionee's completed service with the Corporation from the Grant Date through the Change in Control. For purposes of this Agreement, "Change in Control" shall have the meaning set forth in the Plan; provided, that, no Change in Control shall occur under this Agreement so long as Optionee has sufficient voting power with respect to the Corporation (or ultimate parent entity of the company resulting from such Change in Control transaction) such that, taking into account all of the circumstances, he effectively controls the election of a majority of the Board of the Corporation or the board of directors of such ultimate parent entity (it being understood that, depending upon the circumstances, the Optionee may exercise effective control even if he has the right to vote shares representing significantly less than a majority of the total voting power of the Corporation in the election of directors). Following a Change in Control, vesting of those portions of the Stock Options, if any, which did not vest as a result of the Change of Control will continue pursuant to the other terms of this Agreement.

7. Nontransferability of the Stock Options.

Unless the Committee determines otherwise, the Stock Options are non-transferable by the Optionee other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order or, as set forth in Section 5(j) of the Plan, to the Optionee's family members or to a charitable organization, and the Stock Options may be exercised, during the lifetime of the Optionee, only by the Optionee or by the Optionee's guardian or legal representative or any transferee described above.

8. Rights as a Stockholder.

Neither Optionee nor any transferee of the Stock Options shall have any rights as a stockholder with respect to any shares covered by such Stock Options until the date of the issuance of a stock certificate to such individual for such shares. No adjustment shall be made

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for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date a stock certificate is issued, except as provided in the Plan.

9. Adjustment in the Event of Change in Stock.

Immediately following the Effective Time, the Stock Options will be adjusted and vesting conditions will be set in the manner set forth in Section 5.3(d) of the Employee Matters Agreement by and between the Corporation and Expedia, Inc. (the "EMA"). Following the adjustments in Section 5.3(d) of the EMA, the term "Stock Options" (when used in this Agreement) shall cover any securities into which Stock Options are adjusted and the term "Common Stock" (when used in this Agreement) shall cover any securities into which Common Stock is adjusted, any adjustments of the Stock Options in the event of future corporate transactions with respect to the Corporation or changes in the Common Stock shall be effectuated based upon the adjustment provisions of the Plan or any successor plan with respect to the Stock Options, and with respect to Stock Options adjusted into stock options for the common stock of Expedia ("Expedia Common Stock") the term "Corporation" (when used in this Agreement) shall refer to Expedia. Following the adjustments in Section 5.3(d) of the EMA, employment with IAC, corporate transactions with respect to IAC and changes in Common Stock of IAC shall not affect the Stock Options for Expedia Common Stock, and employment with Expedia, corporate transactions with respect to Expedia and changes in the Common Stock of Expedia shall not affect the Stock Options for IAC Common Stock.

10. Payment of Transfer Taxes, Fees and Other Expenses.

The Corporation agrees to pay any and all original issue taxes and stock transfer taxes that may be imposed on the issuance of shares acquired pursuant to exercise of the Stock Options, together with any and all other fees and expenses necessarily incurred by the Corporation in connection therewith. Notwithstanding the foregoing, the Optionee shall be solely responsible for any other taxes (including, without limitation, federal, state, local or foreign income, social security, withholding, estate or excise taxes) that may be payable as a result of the Optionee's participation in the Plan or as a result of the exercise of the Stock Options and/or the sale, disposition or transfer of any shares of Common Stock acquired upon the Optionee's exercise of the Stock Options.

11. Other Restrictions.

The exercise of the Stock Options shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body or (iii) an agreement by the Optionee with respect to the disposition of shares of Common Stock is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, such exercise shall not be effective unless such listing, registration, qualification, consent, or approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

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12. Taxes and Withholdings.

No later than the date of exercise of the Stock Options granted hereunder, the Optionee shall pay to the Corporation or make arrangements satisfactory to the Committee regarding payment of any federal, state or local taxes of any kind required by law to be withheld upon the exercise of such Stock Options and the Corporation shall, to the extent permitted or required by law, have the right to deduct from any payment of any kind otherwise due to the Optionee, federal, state and local taxes of any kind required by law to be withheld upon the exercise of such Stock Options. The Optionee may settle this withholding obligation with Common Stock, including the Common Stock that is otherwise to be received upon exercise of the Stock Options, unless the Committee determines otherwise.

13. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by facsimile, overnight courier, or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Optionee:

Barry Diller
c/o IAC/InterActiveCorp
152 W. 57th Street
New York, NY 10019

If to the Corporation:

IAC/InteractiveCorp
Carnegie Hall Tower
152 West 57th Street
New York, NY 10019
Attention: General Counsel
Facsimile: (212) 632-9642

or to such other address or facsimile number as any party shall have furnished to the other in writing in accordance with this Paragraph 13. Notice and communications shall be effective when actually received by the addressee.

14. Effect of Agreement.

Except as otherwise provided hereunder, this Agreement shall be binding upon and shall inure to the benefit of any successor or successors of the Corporation, and to any transferee or successor of the Optionee pursuant to Paragraph 7.

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15. Laws Applicable to Construction.

The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without reference to principles of conflict of laws, as applied to contracts executed in and performed wholly within the State of Delaware.

16. Severability.

The invalidity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

17. Conflicts and Interpretation.

This Agreement is subject to all the terms, conditions and provisions of the Plan. In the event of any conflict between this Agreement and the Plan, this Agreement shall control. In the event of any ambiguity in this Agreement, any term which is not defined in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan.

18. Headings.

The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

19. Amendment.

This Agreement may not be modified, amended or waived except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

20. Counterparts.

This Agreement may be executed in counterparts, which together shall constitute one and the same original.

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IN WITNESS WHEREOF, as of the date first above written, the Corporation has caused this Agreement to be executed on its behalf by a duly authorized officer and the Optionee has hereunto set the Optionee's hand.

IAC/INTERACTIVECORP

/s/ Gregory R. Blatt

Gregory R. Blatt
Executive Vice President, General
Counsel & Secretary

/s/ Barry Diller

Barry Diller

**AMENDMENT NUMBER 1
TO
AGREEMENT
DATED AS OF FEBRUARY 5, 2004
BETWEEN VICTOR KAUFMAN
AND IAC/INTERACTIVECORP**

This amendment (this "Amendment") to that Agreement (the "Agreement"), dated as of February 5, 2004, by and between IAC/InterActiveCorp (the "Company") and Victor Kaufman ("Executive"), is effective as of the consummation of the spin-off (the "Transaction") of Expedia, Inc., a Delaware company ("Expedia"), from the Company, as contemplated by the Registration Statement on Form S-4 initially filed on April 25, 2005 (the "Amendment Effective Date"). All capitalized terms used herein without definition will have the meaning given them in the Agreement.

WHEREAS, it is the intention of the parties to amend the terms of the Agreement as a result of the Transaction as set forth below.

NOW, THEREFORE, the parties agree as follows:

1. Upon the Amendment Effective Date, the third sentence of Section 2 of the Agreement shall be deleted and replaced with the following:

IAC acknowledges that Executive intends to serve as Vice Chairman of Expedia. During the Term, the Executive shall devote at least 80% of his business time and attention (defined consistent with past practice) to his duties to the IAC Group and Expedia, provided, that the Executive agrees that the Executive's duties to the IAC Group shall be the Executive's first priority among his business activities.
2. Upon the Amendment Effective Date, Section 3 of the Agreement shall be deleted in its entirety.
3. Neither the Venture nor any activities undertaken by Executive on behalf of Expedia shall be deemed competitive with the IAC Group.
4. In the event that Executive ceases to be Vice Chairman of Expedia for any reason whatsoever after the Amendment Effective Date but during the Term, the amendment to the agreement contemplated by Section 1 and Section 2 hereof shall, from such point forward, be null and void.
5. In the event the Company determines that Executive is in breach of the Agreement, he shall be provided notice and a reasonable opportunity to cure.
6. Except as explicitly set forth herein, the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of June 6, 2005.

IAC/INTERACTIVECORP

By: /s/ Gregory R. Blatt
Gregory R. Blatt
Executive Vice President, General
Counsel & Secretary

/s/ Victor A. Kaufman
Victor A. Kaufman

Certification

I, Barry Diller, Chairman and Chief Executive Officer of IAC/InterActiveCorp ("IAC"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of IAC;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

By: /s/ BARRY DILLER

Barry Diller
Chairman and Chief Executive Officer

QuickLinks

[Exhibit 31.1](#)

Certification

I, Thomas J. McNerney, Executive Vice President and Chief Financial Officer of IAC/InterActiveCorp ("IAC"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of IAC;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2005

By: /s/ THOMAS J. MCINERNEY

Thomas J. McNerney
Executive Vice President
and Chief Financial Officer

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[Exhibit 31.2](#)

[Certification of Thomas J. McInerney](#)

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

I, Barry Diller, Chairman and Chief Executive Officer of IAC/InterActiveCorp (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2005 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

By: /s/ BARRY DILLER

Barry Diller
Chairman and Chief Executive Officer

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[Exhibit 32.1](#)

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

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

I, Thomas J. McNerney, Executive Vice President and Chief Financial Officer of IAC/InterActiveCorp (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2005 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2005

By: /s/ THOMAS J. MCINERNEY

Thomas J. McNerney
Executive Vice President and
Chief Financial Officer

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[Exhibit 32.2](#)

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