

CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) of the
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 19, 2003

USA INTERACTIVE
(Exact name of Registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

0-20570
(Commission File
Number)

59-2712887
(IRS Employer
Identification No.)

152 West 57th Street, New York, NY
(Address of principal executive offices)

10019
(Zip Code)

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

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On March 19, 2003, USA Interactive, a Delaware corporation (the "Company"), issued a joint press release with Expedia, Inc., a Washington corporation ("Expedia") announcing that the Company had entered into an Agreement and Plan of Merger, dated as of March 18, 2003 (the "Merger Agreement"), by and among the Company, Equinox Merger Corp., a Washington corporation and wholly owned subsidiary of the Company, and Expedia. Copies of the Merger Agreement, the joint press release issued by the Company and Expedia and a presentation delivered by the Company to investors on March 19, 2003 are attached as Exhibits 2.1, 99.1 and 99.2 hereto, respectively, and are incorporated herein by reference.

Unrelated to the Expedia transaction, on March 19, 2003, Mr. Barry Diller announced he had resigned from his position as Chairman and CEO of Vivendi Universal Entertainment LLLP.

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

(c) Exhibits.

2.1 Agreement and Plan of Merger, dated as of March 18, 2003, by and among USA Interactive, Equinox Merger Corp. and Expedia.

99.1 Joint Press Release issued by USA Interactive and Expedia.

99.2 Investor Presentation, dated March 19, 2003.

SIGNATURES

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

USA INTERACTIVE

By: /s/ Julius Genachowski

Name: Julius Genachowski
Title: Executive Vice President,
General Counsel and Secretary

Date: March 19, 2003

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of March 18, 2003, by and among USA Interactive, Equinox Merger Corp. and Expedia.
99.1	Joint Press Release issued by USA Interactive and Expedia.
99.2	Investor Presentation, dated March 19, 2003.

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AGREEMENT AND PLAN OF MERGER

BY AND AMONG

USA INTERACTIVE,

EQUINOX MERGER CORP.

AND

EXPEDIA, inc.

DATED AS OF MARCH 18, 2003

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Exhibit A Form of Certificate of Incorporation of Surviving Corporation
Exhibit B Form of Affiliate Agreement

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AGREEMENT AND PLAN OF MERGER, dated as of March 18, 2003 (this "Agreement"), by and among USA INTERACTIVE, a Delaware corporation ("Parent"), EQUINOX MERGER CORP., a Washington corporation and direct wholly owned subsidiary of Parent ("Merger Sub"), and EXPEDIA, INC., a Washington corporation (the "Company").

W I T N E S S E T H:

WHEREAS, the Boards of Directors of Parent, Merger Sub, and the Company deem it advisable and in the best interests of their respective corporations and stockholders that Parent and the Company enter into a business combination pursuant to which Parent would acquire the issued and outstanding shares of the Company that it does not already own;

WHEREAS, to effect such business combination, upon the terms and subject to the conditions set forth herein, Merger Sub will merge with and into the Company with the Company continuing as the surviving corporation (the "Merger");

WHEREAS, upon consummation of the Merger, the Company will become a wholly owned subsidiary of Parent; and

WHEREAS, for U.S. federal income tax purposes, it is intended that the Merger and the transactions contemplated thereby shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code")

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

As used in this Agreement, the following terms shall have the respective meanings set forth below:

"affiliate" of a specified person means a person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person; provided that, for purposes of this Agreement, the Company and its subsidiaries shall not be deemed to be affiliates of Parent and its subsidiaries, and Parent and its subsidiaries shall not be deemed to be affiliates of the Company and its subsidiaries.

"Agreement" shall have the meaning set forth in the preamble.

"Approved Matter" shall have the meaning set forth in Section

4.1(a).

"Articles of Merger" shall have the meaning set forth in

Section 2.2.

"Business Day" means any day on which banks are not required or authorized to close in the City of New York or Seattle, Washington.

"Certificate" shall have the meaning set forth in Section 3.2(b).

"Change in the Company Recommendation" shall have the meaning set forth in Section 5.5(a).

"Closing" shall have the meaning set forth in Section 2.4.

"Closing Date" shall have the meaning set forth in Section 2.4.

"Code" shall have the meaning set forth in the recitals.

"Common Shares Trust" shall have the meaning set forth in Section 3.2(e)(iii).

"Company" shall have the meaning set forth in the preamble.

"Company Banker" shall have the meaning set forth in Section 4.1(h).

"Company Benefit Plan" shall have the meaning set forth in Section 4.1(j)(i).

"Company Capital Stock" means Company Common Stock, Company Class B Common Stock and Company Preferred Stock.

"Company Class B Common Stock" means Class B common stock, par value \$0.01 per share, of the Company.

"Company Common Stock" means common stock, par value \$0.01 per share, of the Company.

"Company Compensatory Warrant" shall have the meaning set forth in Section 3.4(a).

"Company Disclosure Letter" shall have the meaning set forth in Section 4.1(b).

"Company Material Adverse Effect" shall have the meaning set forth in Section 4.1(a).

"Company Optionholder Warrant Agreement" means the Optionholder Equity Warrant Agreement, dated as of January 25, 2002, between the Company and Mellon Investor Services LLC, as Equity Warrant Agent.

"Company Preferred Stock" means preferred stock, par value \$0.01 per share, of the Company.

"Company Recommendation" shall have the meaning set forth in Section 5.5(a).

"Company SEC Reports" shall have the meaning set forth in Section 4.1(f)(i).

"Company Stock" shall mean the Company Common Stock and the Company Class B Common Stock.

"Company Stock-Based Award" shall have the meaning set forth in Section 3.3(b).

"Company Stock Option" shall have the meaning set forth in Section 3.3(a).

"Company Stock Plans" shall have the meaning set forth in Section 3.3(a).

"Company Stockholder Approval" shall have the meaning set forth in Section 4.1(c)(i).

"Company Stockholders Meeting" shall have the meaning set forth in Section 5.5(a).

"Company Warrant" shall have the meaning set forth in Section 3.4(b).

"Company Warrant Agreement" means the Equity Warrant Agreement, dated as of February 4, 2002, between the Company and Mellon Investor Services LLC, as Equity Warrant Agent.

"Covered Persons" shall have the meaning set forth in Section 5.10(c).

"Current Offering Period" shall have the meaning set forth in Section 3.5(b).

"D&O Insurance" shall have the meaning set forth in Section 5.10(c).

"Dissenting Shares" shall have the meaning set forth in Section 3.2(f).

"Effective Time" shall have the meaning set forth in Section 2.2.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ESPP" shall mean the Company's 1999 Amended and Restated Employee Stock Purchase Plan.

"ESPP Option" shall have the meaning set forth in Section 3.5(b).

"Excess Shares" shall have the meaning set forth in Section 3.2(e)(ii).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

3.2(a). "Exchange Agent" shall have the meaning set forth in Section

3.2(a). "Exchange Fund" shall have the meaning set forth in Section

"Exchange Ratio" shall mean 1.93875.

"Form S-4" shall have the meaning set forth in Section 4.1(g).

"GAAP" means U.S. generally accepted accounting principles.

"Governmental Entity" means any supranational, national, state, municipal or local government, foreign or domestic, any instrumentality, subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"knowledge" or "known" means, with respect to the Company, the knowledge of Richard Barton, Erik Blachford, Gregory S. Stanger and Mark S. Britton, and, with respect to Parent, the knowledge of Barry Diller, Victor A. Kaufman, Julius Genachowski and Dara Khosrowshahi, in each case, after reasonable inquiry.

Section 3.1(c). "Merger Consideration" shall have the meaning set forth in

"Merger Sub" shall have the meaning set forth in the preamble.

"Merger Sub Common Stock" means the common stock, par value \$0.01 per share, of Merger Sub.

"Merger" shall have the meaning set forth in the recitals.

Section 4.1(j)(i). "Multiemployer Plan" shall have the meaning set forth in

3.2(e)(iii). "NASD" shall have the meaning set forth in Section

"Nasdaq" means The Nasdaq National Market.

5.4. "Other Filings" shall have the meaning set forth in Section

"other party" means, with respect to Parent or Merger Sub, the Company, and with respect to the Company, Parent and Merger Sub.

"Parent" shall have the meaning set forth in the preamble.

4.2(h). "Parent Banker" shall have the meaning set forth in Section

"Parent Class B Common Stock" mean Class B common stock, par value \$0.01 per share, of Parent.

"Parent Common Stock" means common stock, par value \$0.01 per share, of Parent.

"Parent Compensatory Warrant" shall have the meaning set forth in Section 3.4(a).

"Parent Disclosure Letter" shall have the meaning set forth in Section 4.2(b).

"Parent ESPP Option" shall have the meaning set forth in Section 3.5(b).

"Parent Material Adverse Effect" shall have the meaning set forth in Section 4.2(a).

"Parent Preferred Stock" means the preferred stock, par value \$0.01 per share, of Parent.

"Parent Proxy Statement" shall have the meaning set forth in Section 4.2(b).

"Parent SEC Reports" shall have the meaning set forth in Section 4.2(f).

"Parent Stock-Based Award" shall have the meaning set forth in Section 3.3(b).

"Parent Stock Option" shall have the meaning set forth in Section 3.3(a).

"Parent Warrant" shall have the meaning set forth in Section 3.4(b).

"person" means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other entity or group (as defined in the Exchange Act).

"Proxy and Information Statement/Prospectus" shall have the meaning set forth in Section 5.4.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Significant Subsidiaries" shall have the meaning set forth in Section 4.1(a).

"Special Committee" means the Special Committee of the Board of Directors of the Company.

"Surviving Corporation" shall have the meaning set forth in Section 2.1.

"Transactions" shall have the meaning set forth in Section 4.1(c)(i).

"Washington Secretary" shall mean the Secretary of State of the State of Washington.

"WBCA" means the Washington Business Corporation Act.

ARTICLE II

THE MERGER

2.1 The Merger. Upon the terms and subject to the conditions hereof, in accordance with the WBCA, at the Effective Time, Merger Sub shall merge with and into the Company, with the Company continuing as the surviving corporation in the Merger (the "Surviving Corporation") and the separate corporate existence of Merger Sub shall cease. As a result of the Merger, the Company will become a wholly owned subsidiary of Parent.

2.2 Effective Time of the Merger. As soon as practicable on the Closing Date, the Company shall file with the Washington Secretary articles of merger with respect to the Merger (the "Articles of Merger"), which Articles of Merger shall be in such form as is required by, and executed and acknowledged in accordance with, the WBCA. The Merger shall become effective upon such filing or at such later date and time as Parent and the Company shall agree and shall be specified in the Articles of Merger. As used in this Agreement, the term "Effective Time" shall mean the date and time when the Merger becomes effective and shall occur on the Closing Date.

2.3 Effects of the Merger. The Merger shall have the effects set forth in the applicable provisions of the WBCA.

2.4 Closing. Upon the terms and subject to the conditions set forth in Article VI and the termination rights set forth in Article VII, the closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York, 10019 at 10:00 a.m. on the second Business Day following the satisfaction or waiver (subject to applicable law) of the conditions (excluding conditions that, by their nature, cannot be satisfied until the Closing Date) set forth in Article VI, unless this Agreement has been theretofore terminated pursuant to its terms or unless another place, time or date is agreed to in writing by Parent and the Company (the date of the Closing, the "Closing Date").

2.5 Articles of Incorporation. At the Effective Time, the articles of incorporation of the Surviving Corporation shall be amended in its entirety to read as set forth in Exhibit A, until thereafter changed or amended as provided therein or by applicable law.

2.6 By-Laws. Subject to Section 5.10(a), at the Effective Time, the by-laws of Merger Sub shall be the by-laws of the Surviving Corporation.

2.7 Directors and Officers. The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation and the officers of the

Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation, in each case, until their respective successors are duly elected and qualified.

ARTICLE III

CONVERSION OF SECURITIES

3.1 Effect of Merger on Capital Stock. At the Effective Time, subject and pursuant to the terms of this Agreement, by virtue of the Merger and without any action on the part of the Company, Merger Sub or the holders of any shares of capital stock of the Company or Merger Sub:

(a) Capital Stock of Merger Sub. Each issued and outstanding share of Merger Sub Common Stock shall be converted into and exchanged for a one share of common stock of the Surviving Corporation with the same rights, powers and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation.

(b) [Intentionally Omitted.]

(c) Exchange Ratio for Company Stock. Each share of Company Stock issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares), shall, subject to Section 3.1(d), be converted into the right to receive a number of fully paid and nonassessable shares of Parent Common Stock equal to the Exchange Ratio (the "Merger Consideration"). At the Effective Time, all such shares of Company Stock shall no longer be outstanding, and shall automatically be cancelled and retired and cease to exist, and each holder of a certificate representing any such shares of Company Stock shall cease to have any rights with respect thereto, except the right to receive the shares of Parent Common Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 3.2, without interest. No fractional shares of Parent Common Stock shall be issued; and, in lieu thereof, a cash payment shall be made pursuant to Section 3.2(e).

(d) Adjustment of Exchange Ratio for Dilution and Other Matters. If, between the date of this Agreement and the Effective Time, the outstanding shares of Parent Common Stock or Company Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, reorganization, split-up, stock dividend (including any dividend or distribution of securities convertible into, or exercisable or exchangeable for, Parent Common Stock or Company Stock), stock combination, exchange of shares, readjustment or otherwise, as the case may be, then the Exchange Ratio and the Merger Consideration shall, without duplication, be correspondingly adjusted.

(e) Right to Waive Merger Consideration. (i) Notwithstanding any other provisions in this Agreement, any holder of shares of Company Stock issued and outstanding immediately prior to the Effective Time that would otherwise be entitled to receive the Merger Consideration pursuant to Section 3.1(c) may elect, by delivery of written notice to the Company

prior to the Effective Time, to waive issuance of the Merger Consideration in respect of such holder's shares of Company Stock, in which case, such shares of Company Stock shall be cancelled and retired and cease to exist as of the Effective Time and no shares of Parent Common Stock shall be issued in the Merger in respect thereof.

(ii) Parent hereby elects to waive issuance of the Merger Consideration pursuant to Section 3.1(c) in respect of all of the shares of Company Common Stock and Company Class B Common Stock issued and outstanding and held by Parent immediately prior to the Effective Time.

3.2 Exchange of Certificates.

(a) Exchange Agent. Prior to the Closing Date, Parent shall select the Bank of New York or another bank or trust company reasonably acceptable to the Company to act as exchange agent in the Merger (the "Exchange Agent"). Prior to the Effective Time, Parent shall deposit with the Exchange Agent, for the benefit of the holders of shares of Company Stock, for exchange in accordance with this Article 3, certificates representing the shares of Parent Common Stock (such shares of Parent Common Stock, together with any dividends or distributions with respect thereto, the "Exchange Fund") issuable pursuant to Section 3.1(c) at the Effective Time in exchange for outstanding shares of Company Stock, which shall include such shares of Parent Common Stock to be sold by the Exchange Agent pursuant to Section 3.2(e).

(b) Exchange Procedures. As soon as practicable after the Effective Time, Parent shall cause the Exchange Agent to mail to each holder of record (other than the Company, Parent, Merger Sub and any wholly owned subsidiary of the Company) of a certificate or certificates that immediately prior to the Effective Time represented issued and outstanding shares of Company Stock (collectively, the "Certificates") whose shares were converted into the right to receive Parent Common Stock pursuant to Section 3.1(c), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing Parent Common Stock and any cash in lieu of fractional shares of Parent Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with a duly executed letter of transmittal and such other documents as may be reasonably required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of Parent Common Stock which such holder has the right to receive pursuant to the provisions of this Article 3 and any cash in lieu of fractional shares of Parent Common Stock, and the Certificate so surrendered shall forthwith be cancelled. In the event of a transfer of ownership of shares of Company Stock which is not registered on the transfer records of the Company, a certificate representing the proper number of shares of Parent Common Stock and any cash in lieu of fractional shares of Parent Common Stock may be issued and paid to a transferee if the Certificate representing such Company Stock is presented to the Exchange Agent, accompanied by all documents required to

evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 3.2, each Certificate shall be deemed, from and after the Effective Time, to represent only the right to receive upon such surrender the certificate representing shares of Parent Common Stock and cash in lieu of any fractional shares of Parent Common Stock as contemplated by this Article 3 and the WBCA. The consideration to be issued in the Merger will be delivered by the Exchange Agent as promptly as practicable following surrender of a Certificate and any other required documents. No interest will be payable on such consideration, regardless of any delay in making payments.

(c) Distributions with Respect to Unsurrendered Certificates. No dividends or other distributions declared or made after the Effective Time with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock represented thereby, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 3.2(e) until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect, if any, of applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Parent Common Stock issued in exchange therefor or such holder's transferee pursuant to Section 3.2(e), without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of Parent Common Stock to which such holder is entitled pursuant to Section 3.2(e) and the amount of dividends or other distributions on Parent Common Stock with a record date after the Effective Time theretofore paid with respect to such whole shares of Parent Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions on Parent Common Stock with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole shares of Parent Common Stock.

(d) No Further Ownership Rights in Company Stock. All shares of Parent Common Stock issued upon the surrender for exchange of shares of Company Stock in accordance with the terms of this Article 3 (plus any cash paid pursuant to Section 3.2(c) or 3.2(e)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to such shares of Company Stock. From and after the Effective Time, the stock transfer books of the Company shall be closed with respect to the shares of Company Capital Stock, and there shall be no further registration of transfers on the stock transfer books of the Company or the Surviving Corporation of the shares of Company Capital Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article 3.

(e) No Issuance of Fractional Shares.

(i) No certificates or scrip for fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Parent.

(ii) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (A) the number of full shares of Parent Common Stock delivered to the Exchange Agent by Parent pursuant to Section 3.2(a) over (B) the aggregate number of full shares of Parent Common Stock to be distributed to holders of Company Stock pursuant to Section 3.2(b) (such excess, the "Excess Shares"). As soon after the Effective Time as practicable, the Exchange Agent, as agent for the holders of Company Stock, shall sell the Excess Shares at then prevailing prices in the over-the-counter market, all in the manner provided in clause (iii) of this Section 3.2(e).

(iii) The sale of the Excess Shares by the Exchange Agent shall be executed in the over-the-counter market through one or more member firms of the National Association of Securities Dealers, Inc. (the "NASD") and shall be executed in round lots to the extent practicable. Until the net proceeds of such sale or sales have been distributed to the holders of Company Stock, the Exchange Agent will hold such proceeds in trust for the holders of Company Stock (the "Common Shares Trust"). Parent shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent incurred in connection with such sale of the Excess Shares. The Exchange Agent shall determine the portion of the Common Shares Trust to which each holder of Company Stock shall be entitled, if any, by multiplying the amount of the aggregate net proceeds comprising the Common Shares Trust by a fraction, the numerator of which is the amount of the fractional share interest to which such holder of Company Stock is entitled and the denominator of which is the aggregate amount of fractional share interests to which all holders of Company Stock are entitled.

(iv) As soon as practicable after the determination of the amount of cash, if any, to be paid to the holders of Company Stock in lieu of any fractional share interests and subject to clause (v) of this Section 3.2(e), the Exchange Agent shall make available such amounts to such holders of Company Stock.

(v) Parent or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Stock such amounts as Parent or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Stock in respect of which such deduction and withholding was made by Parent or the Exchange Agent.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund and Common Shares Trust that remains undistributed to the stockholders of the Company for 12 months after the Effective Time shall be delivered to Parent, upon demand, and any former stockholders of the Company that have not theretofore complied with this Article 3 shall thereafter look only to Parent for payment of their claim for Parent Common Stock, any cash in lieu of fractional shares of Parent Common Stock and any dividends or distributions with respect to Parent Common Stock.

(g) Dissenting Shares. Notwithstanding any other provision contained in this Agreement, no shares of Company Stock that are issued and outstanding as of the Effective Time and that are held by a stockholder who has properly exercised such stockholder's dissenter's rights (any such shares being referred to herein as "Dissenting Shares") under the WBCA shall be converted into the right to receive the Merger Consideration as provided in Section 3.1(c) unless and until such stockholder shall have failed to perfect, or shall have effectively withdrawn or lost, such stockholder's right to dissent from the Merger under the WBCA and to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to and subject to the requirements of the WBCA. If any holder of Dissenting Shares shall have so failed to perfect or has effectively withdrawn or lost such stockholder's right to dissent from the Merger as of the Effective Time, each of such holder's shares of Company Stock shall thereupon be deemed to have been converted into and to have become, as of the Effective Time, the right to receive the Merger Consideration. Payments to holders of Dissenting Shares under this Section 3.2(g) shall be made by the Company out of its own funds, no funds shall be supplied for that purpose, directly or indirectly, by Parent, nor shall Parent directly or indirectly reimburse the Company for any payments to holders of Dissenting Shares.

(h) No Liability. Neither the Exchange Agent, Parent, Merger Sub nor the Company shall be liable to any holder of shares of Company Stock or Parent Common Stock, as the case may be, for shares (or dividends or distributions with respect thereto) from the Exchange Fund or cash from the Common Shares Trust delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(i) Lost, Stolen or Destroyed Certificates. In the event any Certificates shall have been lost, stolen or destroyed, the holder of such lost, stolen or destroyed Certificates shall execute an affidavit of that fact upon request. The holder of any such lost, stolen or destroyed Certificates shall also deliver a reasonable indemnity against any claim that may be made against Parent or the Exchange Agent with respect to the Certificates alleged to have been lost, stolen or destroyed. The affidavit and any indemnity that may be required hereunder shall be delivered to the Exchange Agent, who shall be responsible for making payment for such lost, stolen or destroyed Certificate(s).

3.3 Company Stock Options and Other Equity-Based Awards. (a) Each option to purchase shares of Company Common Stock (a "Company Stock Option") granted under the employee and director stock plans of the Company (the "Company Stock Plans"), whether vested or unvested, that is outstanding immediately prior to the Effective Time shall, at the Effective Time, cease to represent a right to acquire shares of Company Common Stock and shall be converted, at the Effective Time, into an option to purchase shares of Parent Common Stock (a "Parent Stock Option") on the same terms and conditions as were applicable under such Company Stock Option. The number of shares of Parent Common Stock subject to each such Parent Stock Option shall be the number of shares of Company Common Stock subject to each such Company Stock Option immediately prior to the Effective Time multiplied by the Exchange Ratio, rounded, if necessary, to the nearest whole share of Parent Common Stock, and such Parent Stock Option shall have an exercise price per share (rounded to the nearest cent) equal to the per share exercise price specified in such Company Stock Option divided by the

Exchange Ratio; provided, however, that, in the case of any Company Stock Option to which Section 421 of the Code applies immediately prior to the Effective Time by reason of its qualification under Section 422 of the Code, the exercise price, the number of shares of Parent 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) At the Effective Time, each right of any kind, contingent or accrued, to receive shares of Company Common Stock or benefits measured by the value of a number of shares of Company Common Stock, and each award of any kind consisting of shares of Company Common Stock, granted under the Company Stock Plans (including restricted stock, restricted stock units, deferred stock units and dividend equivalents), other than Company Stock Options (each, a "Company Stock-Based Award"), whether vested or unvested, which is outstanding immediately prior to the Effective Time shall cease to represent a right or award with respect to shares of Company Common Stock and shall be converted, at the Effective Time, into a right or award with respect to Parent Common Stock (a "Parent Stock-Based Award"), on the same terms and conditions as were applicable under the Company Stock-Based Awards. The number of shares of Parent Common Stock subject to each such Parent Stock-Based Award shall be equal to the number of shares of Company Common Stock subject to the Company Stock-Based Award, multiplied by the Exchange Ratio, rounded, if necessary, to the nearest whole share of Parent Common Stock. All dividend equivalents credited to the account of each holder of a Company Stock-Based Award as of the Effective Time shall remain credited to such holder's account immediately following the Effective Time, subject to adjustment in accordance with the foregoing.

(c) As soon as practicable after the Effective Time, Parent shall deliver to the holders of Company Stock Options and Company Stock-Based Awards appropriate notices setting forth such holders' rights pursuant to the respective Company Stock Plans and agreements evidencing the grants of such Company Stock Options and the Company Stock-Based Awards, and stating that such Company Stock Options and Company Stock-Based Awards and agreements have been assumed by Parent and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 3.3 after giving effect to the Merger and the terms of the Company Stock Plans).

(d) Prior to the Effective Time, the Company shall take all necessary action for the adjustment of the Company Stock Options and the Company Stock-Based Awards under this Section 3.3. Parent shall reserve for issuance a number of shares of Parent Common Stock at least equal to the number of shares of Parent Common Stock that will be subject to Parent Stock Options and Parent Stock-Based Awards as a result of the actions contemplated by this Section 3.3. As soon as practicable following the Effective Time (and in any event not later than two Business Days following the Effective Time), Parent shall file a registration statement on Form S-8 (or any successor form, or if Form S-8 is not available, other appropriate forms) with respect to the shares of Parent Common Stock subject to such Parent Stock Options and Parent Stock-Based Awards and shall maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses

contained therein) for so long as such Parent Stock Options or Parent Stock-Based Awards remain outstanding.

3.4 Company Warrants. (a) Each warrant to purchase shares of Company Common Stock (a "Company Compensatory Warrant") granted under the Company Stock Plans and the Company Optionholder Warrant Agreement, whether vested or unvested, that is outstanding and held by an employee or officer of the Company immediately prior to the Effective Time shall, at the Effective Time, cease to represent a right to purchase shares of Company Common Stock and shall, be converted, at the Effective Time, into a warrant to purchase shares of Parent Common Stock (a "Parent Compensatory Warrant") on substantially the same terms and conditions as were applicable under such Company Compensatory Warrant. The number of shares of Parent Common Stock subject to each such Parent Compensatory Warrant shall be the number of shares of Company Common Stock subject to each such Company Compensatory Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, rounded, if necessary, to the nearest whole share of Parent Common Stock, and such Parent Compensatory Warrant shall have an exercise price per share (rounded to the nearest cent) equal to the per share exercise price specified in such Company Compensatory Warrant divided by the Exchange Ratio.

(b) Each warrant to purchase shares of Company Common Stock (a "Company Warrant") granted under the Company Warrant Agreement or any other warrant agreement of the Company that is outstanding immediately prior to the Effective Time shall, at the Effective Time, cease to represent a right to purchase shares of Company Common Stock and shall be converted, at the Effective Time, into a warrant to purchase shares of Parent Common Stock (a "Parent Warrant") on substantially the same terms and conditions as were applicable under such Company Warrant. The number of shares of Parent Common Stock subject to each such Parent Warrant shall be the number of shares of Company Common Stock subject to each such Company Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, rounded, if necessary, to the nearest whole share of Parent Common Stock, and such Parent Warrant shall have an exercise price per share (rounded to the nearest cent) equal to the per share exercise price specified in such Company Warrant divided by the Exchange Ratio.

3.5 Termination of Company ESPP. (a) As of the date hereof, the Company shall have taken such action as is necessary to provide that (i) only those employees of the Company and its subsidiaries who have completed Enrollment Agreements (as defined in the ESPP) for the Current Offering Period (as defined below) prior to the date hereof (and in all cases prior to any earlier date as required by the ESPP) shall be eligible to participate in the Current Offering Period and (ii) after the end of the Current Offering Period, no further offerings shall commence under the ESPP and the ESPP shall be terminated effective on the last day of the Current Offering Period. Prior to the execution hereof, the Company shall provide Parent with all documentation reasonably necessary to evidence the foregoing actions.

(b) In the event the Effective Time occurs prior to July 1, 2003: (i) each option to purchase shares of Company Common Stock under the ESPP for the "offering" (as used in the ESPP) that commenced as of January 1, 2003 (the "Current Offering Period") that is

outstanding immediately prior to the Effective Time (an "ESPP Option") shall, at the Effective Time, cease to represent a right to acquire shares of Company Common Stock and shall be converted, at the Effective Time, into a right to purchase shares of Parent Common Stock (a "Parent ESPP Option") on the same terms and conditions as were applicable under such ESPP Option; (ii) the purchase price per share under the ESPP shall be the lesser of (A) 85% of the "fair market value" (as defined in the ESPP) of Company Common Stock on the "offering date" (as defined in the ESPP) divided by the Exchange Ratio (rounded up to the nearest whole cent) or (B) 85% of the fair market value of Parent Common Stock on the last Business Day of the offering, provided, however, that, the purchase price and the terms and conditions of such option shall be determined in a manner consistent with the requirements of Section 424(a) of the Code; and (iii) the maximum number of shares issuable under the ESPP shall be adjusted by multiplying such amount by the Exchange Ratio (rounded down to the nearest whole share).

3.6 Further Assurances. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement, or to vest, perfect or confirm of record or otherwise establish in the Surviving Corporation full right, title and interest in, to or under any of the assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, the officers and directors of the Surviving Corporation are fully authorized in the name and on behalf of each of the Company and Merger Sub or otherwise to take all such lawful and reasonably necessary or desirable action.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Company. The Company represents and warrants to Parent as follows:

(a) Organization and Qualification. Each of the Company and its "Significant Subsidiaries" (as defined in Regulation S-X promulgated by the SEC and which are referred to herein as the "Significant Subsidiaries") is a corporation or other entity duly incorporated or organized, validly existing and, to the extent such concept is legally recognized, in good standing under the laws of the jurisdiction of its incorporation or organization, and has the requisite corporate or other power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of the Company and its Significant Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders would not, individually or in the aggregate, have a Company Material Adverse Effect. Each of the Company and its subsidiaries is, as applicable, duly qualified or licensed as a foreign corporation to do business, and is in good standing, to the extent such concept is legally recognized, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes

such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not, either individually or in the aggregate, have a Company Material Adverse Effect. "Company Material Adverse Effect" shall mean any change, event or effect that is materially adverse to the business, financial condition or results of operations of the Company and its subsidiaries taken as a whole, in each case excluding (i) any changes or effects resulting from any matter, which matter was expressly approved by the Board of Directors of the Company following the date hereof unless, with respect to such matter, a majority of the directors of the Company who are also executive officers of Parent either voted against or abstained from voting (such matter and related contemplated transactions, an "Approved Matter"), (ii) changes in economic or regulatory conditions in the industries in which the Company carries on business as of the date hereof, and changes in general economic, regulatory or political conditions, including, without limitation, acts of war or terrorism, and (iii) changes resulting from the announcement of the Transactions and any other public announcement of Parent during the term of this Agreement to the extent not covered in any other public announcement of the Company during the term of this Agreement or based upon information provided to Parent by the Company. Other than wholly owned subsidiaries and except as disclosed in the Company SEC Reports or Section 4.1(a) of the disclosure letter delivered by the Company to Parent on or prior to the date hereof (the "Company Disclosure Letter"), the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, limited liability company, joint venture or other business, association or entity.

(b) Capitalization. The authorized capital stock of the Company consists of 600,000,000 shares of Company Common Stock, 150,000,000 shares of Company Class B Common Stock, and 20,000,000 shares of Company Preferred Stock. At the close of business on March 10, 2003, 49,562,266 shares of Company Common Stock, 69,002,382 shares of Company Class B Common Stock and no shares of Company Preferred Stock were issued and outstanding. All outstanding shares of Company Common Stock are duly authorized, validly issued and fully paid and nonassessable. Except as set forth in this Section 4.1(b) or as disclosed in Section 4.1(b) of the Company Disclosure Letter, as of March 10, 2003, there are no options, warrants, rights, puts, calls, commitments, or other contracts, arrangements or understandings issued by or binding upon the Company requiring or providing for, and there are no outstanding debt or equity securities of the Company which upon the conversion, exchange or exercise thereof would require or provide for the issuance by the Company of any new or additional shares of Company Capital Stock (or any other securities of the Company) which, with or without notice, lapse of time and/or payment of monies, are or would be convertible into or exercisable or exchangeable for shares of Company Capital Stock (or any other securities of the Company). Since March 10, 2003 through the date hereof, the Company has not issued any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than employee stock options to purchase 129,500 shares of Company Common Stock and 51,000 restricted stock units, in each case, pursuant to Company Benefit Plans (as defined below), or shares of Company Common Stock pursuant to the exercise of employee stock options granted prior to such date. Following the date hereof, the Company will not issue any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock except to the

extent permitted to be granted pursuant to the terms of this Agreement. There are no preemptive or other similar rights available to the existing holders of Company Common Stock.

(c) Authority Relative to this Agreement; Board Approval.

(i) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and, subject to obtaining the approval of the stockholders of the Company of this Agreement, to consummate the transactions contemplated by this Agreement (the "Transactions"). The execution and delivery of this Agreement by the Company and the consummation by the Company of the Transactions have been duly and validly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Transactions (other than, with respect to the Merger, the approval of this Agreement by the holders of a majority of the voting power of the Company Common Stock and the Company Class B Common Stock, voting together as a single class (the "Company Stockholder Approval")). This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (B) the availability of specific performance or injunctive relief and other equitable remedies.

(ii) The Board of Directors of the Company, based on the approval and recommendation of the Special Committee (which approval and recommendation was a condition to the approval of the Company's Board of Directors set forth in clause (A) of this sentence) has, prior to the execution of this Agreement, (A) approved this Agreement and the Transactions, (B) determined that the Transactions are fair to and in the best interests of its public stockholders, and (C) recommended that the stockholders of the Company approve this Agreement and the Transactions. This Agreement and the Transactions have been approved by the unanimous vote of the members of the Special Committee (which vote constitutes approval for purposes of WBCA Section 23B.08.720(1)) and the unanimous vote of the members of the Board of Directors of the Company. Each member of the Special Committee is a "qualified director" as defined under WBCA Section 23B.08.720(4).

(d) No Conflict; Required Filings and Consents.

(i) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, (A) conflict with or violate the Articles of Incorporation, Bylaws or equivalent organizational documents of the Company or any of its Significant Subsidiaries; (B) subject to obtaining the Company Stockholder Approval and compliance with the requirements set forth in Section 4.1(d)(ii), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or any of its subsidiaries or by which any of their respective properties is bound or affected; or (C) result in any breach of or constitute a default (or an event

that with notice or lapse of time or both would become a default) under, or alter the rights or obligations of any third party or the Company or its subsidiaries under, or give to others any rights of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any of the properties or assets of the Company or any of its subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties are bound or affected, in each case having value or requiring payments over the term thereof equal to or greater than \$5.0 million, except, in the case of clause (B) above, for any such conflicts or violations that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, and would not have, individually or in the aggregate, a Company Material Adverse Effect. Except as set forth in Section 4.1(d)(i) of the Company Disclosure Letter, there are no material consents, waivers and approvals under any agreements, contracts, licenses or leases required to be obtained by the Company or its Significant Subsidiaries in connection with entering into of this Agreement or the consummation of the Transactions.

(ii) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any Governmental Entity, except (A) the filing of documents to satisfy the applicable requirements, if any, of the Exchange Act or state takeover laws, (B) the filing, and effectiveness of the Form S-4, including the Proxy and Information Statement/Prospectus in definitive form relating to the Transactions, (C) the filing of the Articles of Merger with the Washington Secretary and appropriate corresponding documents with the Secretary of State of other states in which the Company is qualified to transact business as a foreign corporation, (D) filings under the rules and regulations of the NASD, and (E) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications (1) would not prevent or delay consummation of the Merger in any material respect or otherwise prevent or delay in any material respect the Company from performing its obligations under this Agreement or (2) would not, individually or in the aggregate, have a Company Material Adverse Effect.

(e) Compliance with Laws. Except as set forth in Section 4.1(e) of the Company Disclosure Letter, neither the Company nor any of its subsidiaries is in conflict with, or in default or violation of (a) any law, rule, regulation, order, judgment or decree applicable to the Company or any of its subsidiaries or by which any of their respective properties is bound, or (b) whether after the giving of notice or passage of time or both, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties is bound, except in each case for any such conflicts, defaults or violations that do not and would not have, individually or in the aggregate, a Company Material Adverse Effect.

(f) SEC Filings; Financial Statements.

(i) The Company has made available to Parent a correct and complete copy of each report, schedule, registration statement (but only such registration statements that have become effective prior to the date hereof) and definitive proxy statement filed by the Company with the SEC on or since January 1, 2002 and prior to the date of this Agreement (the "Company SEC Reports"), which are all the forms, reports and documents required to be filed by the Company with the SEC since such date; provided that, if the Company amends any of the Company SEC Reports, such amendment shall not mean or imply that any representation or warranty in this Agreement was not true when made or became untrue thereafter. As of their respective dates, the Company SEC Reports (A) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable thereto, and (B) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, provided, however, that no representation is made with respect to information included in the Company SEC Reports that was provided in writing by Parent. None of the Company's subsidiaries is required to file any reports or other documents with the SEC.

(ii) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Company SEC Reports complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, had been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q or the Exchange Act regulations promulgated by the SEC), and each fairly presented the consolidated financial position of the Company and its consolidated subsidiaries in all material respects as of the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated (subject, in the case of the unaudited interim financial statements, to normal audit adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(g) Registration Statement; Proxy and Information Statement/ Prospectus. None of the information supplied or to be supplied by the Company in writing specifically for inclusion or incorporation by reference in (i) the registration statement on Form S-4 of Parent (the "Form S-4") in connection with the issuance of the Parent Common Stock in or as a result of the Merger will, at the time the Form S-4 is filed with the SEC and at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material

fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (ii) the Proxy and Information Statement/Prospectus will, at the date the Proxy and Information Statement/Prospectus is mailed to the stockholders of the Company and the stockholders of Parent and as of the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information provided by or required to be provided by Parent, Merger Sub and/or by their auditors, legal counsel, financial advisors or other consultants or advisors specifically for use in the Form S-4 or the Proxy and Information Statement/Prospectus. The Proxy and Information Statement/Prospectus will comply as to form in all material respects with the provisions of the Exchange Act and, if applicable, the Securities Act, and the rules and regulations promulgated by the SEC thereunder.

(h) Brokers. Other than Morgan Stanley, Inc. (the "Company Banker"), no broker, finder or investment banker is entitled to any brokerage, finders' or other fee or commission in connection with the Merger and the other Transactions based upon arrangements made by or on behalf of the Company or the Special Committee. The Company heretofore has furnished to Parent a complete copy of all agreements between the Company Banker and the Company or the Special Committee pursuant to which such firm would be entitled to any payment relating to the Merger and the Transactions.

(i) Opinion of Financial Advisor. The Special Committee and the Company's Board of Directors have received the written opinion, dated March 18, 2003, of the Company Banker that, as of March 18, 2003, the Merger Consideration is fair to the holders of Company Common Stock (other than Parent or any subsidiary of Parent) from a financial point of view, a copy of which opinion has been delivered to Parent.

(j) Employee Benefit Plans.

(i) The Company has delivered a true and complete list of all material pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other material incentive or employee benefit plans, arrangements or agreements, whether arrived at through collective bargaining or otherwise, including, without limitation, all "employee benefit plans" (as defined in Section 3(3) of ERISA), adopted, maintained by, sponsored in whole or in part by, or contributed to by the Company or any entity required to be aggregated with the Company pursuant to Section 414 of the Code for the benefit of current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries and under which current or former employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate, excluding any such plans, arrangements or agreements that are offered or maintained by Parent (collectively, the "Company Benefit Plans"). Any of the Company Benefit Plans which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, is referred to herein as an "ERISA Plan." No Company Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA (a "Multiemployer Plan").

(ii) (A) Each of the Company Benefit Plans has been operated and administered in all material respects in compliance with applicable laws, including, but not limited to, ERISA (as defined herein) and the Code, (B) except as set forth on Section 4.1(j) of

the Company Disclosure Letter, each of the Company Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter, and there are no existing circumstances or any events that have occurred that would be reasonably expected to affect adversely the qualified status of any such Company Benefit Plan, (C) no Company Benefit Plan provides benefits, including, without limitation, death or medical benefits (whether or not insured), with respect to current or former employees or directors of Company or its subsidiaries beyond their retirement or other termination of service, other than (1) coverage mandated by applicable law, (2) death benefits or retirement benefits under any "employee pension plan" (as such term is defined in Section 3(2) of ERISA, (3) deferred compensation benefits accrued as liabilities on the books of the Company or its subsidiaries, or (4) benefits the full cost of which is borne by the current or former employee or director (or his beneficiary), and (D) to the knowledge of the Company there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Company Benefit Plans or any trusts related thereto.

(iii) No Company Benefit Plan is subject to Title IV or Section 302 of ERISA, and no circumstances exist that could result in material liability to the Company under Title IV or Section 302 of ERISA.

(iv) Except as set forth in Section 4.1(j) of the Company Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation of the Transactions (or any termination of employment in connection with the Transactions) will (A) result in any payment becoming due to any current or former director or employee of the Company or any of its affiliates from the Company or any of its affiliates under any Company Benefit Plan or otherwise, (B) increase any benefits otherwise payable under any Company Benefit Plan or (C) result in any acceleration of the time of payment or vesting of any such benefits, except for any payments or vesting which would occur upon a termination of employment absent the consummation of the Transactions or which arise under any plan, agreement or arrangement offered or maintained by Parent.

(k) Tax Matters. Neither the Company nor any of its subsidiaries has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

(l) Litigation. Except as disclosed in the Company SEC Reports or Section 4.1(l) of the Company Disclosure Letter, there are no claims, actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or would reasonably be anticipated to, have a Company Material Adverse Effect.

4.2 Representations and Warranties of Parent. Parent hereby represents and warrants to the Company as follows:

(a) Organization and Qualification. Each of Parent, and Merger Sub has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of Parent and Merger Sub is duly qualified or licensed as a foreign corporation to do business and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so duly licensed or qualified and in good standing that would not, individually or in the aggregate, have a Parent Material Adverse Effect. "Parent Material Adverse Effect" shall mean any change, event or effect that is materially adverse to the business, financial condition or results of operations of Parent and its subsidiaries taken as a whole, in each case excluding (A) changes in economic or regulatory conditions in the industries in which Parent carries on business as of the date hereof, and changes in general economic, regulatory or political conditions, including, without limitation, acts of war or terrorism, and (B) changes resulting from the announcement of the Transactions and any other public announcement of the Company during the term of this Agreement.

(b) Capitalization. As of the date hereof, the authorized capital stock of Parent consists of 1,600,000,000 shares of Parent Common Stock, 400,000,000 shares of Parent B Common Stock and 100,000,000 shares of Parent Preferred Stock. At the close of business on February 28, 2003, (a) 438,940,942 shares of Parent Common Stock were issued and 432,303,895 shares of Parent Common Stock were outstanding, 64,629,996 shares of Parent Class B Common Stock and 13,118,182 shares of Parent Preferred Stock were issued and outstanding, in each case, except as disclosed in the Parent's proxy statement dated March 25, 2002 (the "Parent Proxy Statement"), not subject to any preemptive rights, and (b) 6,637,047 shares of Parent Common Stock, no shares of Parent Class B Common Stock and no shares of Parent Preferred Stock were held in treasury by Parent or by subsidiaries of Parent. Other than (a) options to purchase 76,178,616 shares of Parent Common Stock issued pursuant to employee benefit plans and agreements of Parent, (b) 79,280,240 shares of Parent Common Stock issuable upon exercise of outstanding warrants, (c) up to 25,720,819 shares of Parent Common Stock issuable upon conversion of Parent Series A Preferred Stock, (d) 456,169 restricted shares of Parent Common Stock, and (e) 2,604,002 shares of Parent Common Stock issuable in respect of restricted units and (f) 97,814 shares of Parent Common Stock issuable pursuant to Parent's Bonus Stock Purchase Program, as of February 28, 2003, except in connection with this Agreement, as disclosed in the disclosure letter delivered by Parent to the Company on or prior to the date hereof (the "Parent Disclosure Letter"), or in connection with the agreements described in the Parent Proxy Statement, as of February 28, 2003, (y) there were no options, warrants, rights, puts, calls, commitments or other contracts, arrangements or understandings issued by or binding upon Parent requiring or providing for, and (z) there are no outstanding debt or equity securities of Parent which upon the conversion, exchange or exercise thereof would require or provide for the issuance by Parent of any new or additional shares of Parent Common Stock (or any other securities of Parent) which, with or without notice, lapse of time and/or

payment of monies, are or would be convertible into or exercisable or exchangeable for Parent Common Stock (or any other securities of Parent). Since February 28, 2003 through the date hereof, Parent has not issued any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than pursuant to the exercise of employee stock options granted prior to such date and the vesting of restricted stock units. The authorized capital stock of Merger Sub consists of 100 shares of Merger Sub Common Stock, of which, as of the date hereof, 100 shares of Merger Sub Common Stock are issued and outstanding. The shares of Parent Common Stock to be issued in the Merger will, upon issuance, be validly issued, fully paid, nonassessable, except as disclosed in the Parent Proxy Statement, not subject to any preemptive rights, and free and clear of all security interests, liens, claims, pledges or other encumbrances of any nature whatsoever (in each case to which Parent is a party).

(c) Authority Relative to this Agreement; Board Approval.

(i) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement, and to perform its obligations hereunder and to consummate the Transactions. The execution and delivery of this Agreement by Parent, and Merger Sub and the consummation by Parent and Merger Sub of the Transactions have been duly and validly authorized by all necessary corporate action on the part of Parent and Merger Sub and no other corporate proceedings on their part are necessary to authorize this Agreement, or to consummate the Transactions (other than the approval of the NASD listing application with respect to the issuance of shares of Parent Common Stock in the Merger). This Agreement has been duly and validly executed and delivered by Parent and Merger Sub and, assuming the due authorization, execution and delivery by the Company, constitutes the legal and binding obligations of Parent and Merger Sub, enforceable against them in accordance with its terms, subject to (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (B) the availability of specific performance or injunctive relief and other equitable remedies.

(ii) The Board of Directors of Parent has, prior to the execution of this Agreement, (A) approved this Agreement and the Transactions, and (B) determined that the Transactions are fair to and in the best interests of the stockholders of Parent. This Agreement and the Transactions have been approved by Parent's stockholders acting by written consent without a meeting of Parent's stockholders.

(d) No Conflict; Required Filings and Consents.

(i) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of their respective obligations hereunder and the consummation of the Transactions by them will not, (A) conflict with or violate their respective Certificates of Incorporation, Bylaws or equivalent organizational documents; (B) subject to compliance with the requirements set forth in Section 4.2(d)(ii), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or Merger Sub or by which their respective properties are bound or affected; or (C) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or alter the

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rights or obligations of any third party or of Parent or Merger Sub under, or give to others any rights of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any of the properties or assets of Parent or Merger Sub pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which any of them is a party or by which any of them or any of their respective properties are bound or affected, except in the cases of clauses (B) and (C) above, for any such conflicts, violations, breaches, defaults or other alterations or occurrences that would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Parent or Merger Sub from performing their respective obligations under this Agreement in any material respect, and would not have, individually or in the aggregate, a Parent Material Adverse Effect. There are no material consents, waivers, and approvals under any agreements, contracts, licenses or leases required to be obtained by Parent or Merger Sub in connection with entering into of this Agreement or the consummation of the Transactions.

(ii) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of their respective obligations

hereunder and the consummation of the Transactions by them will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any Governmental Entity, except (A) the filing of documents to satisfy the applicable requirements, if any, of the Exchange Act or state takeover laws, (B) the filing, and effectiveness of the Form S-4, including the Proxy and Information Statement/Prospectus in definitive form relating to the Transactions, (C) the filing of the Articles of Merger with the Washington Secretary and appropriate corresponding documents with the Secretary of State of other states in which the Company is qualified to transact business as a foreign corporation, (D) filings under the rules and regulations of the NASD, and (E) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications (1) would not prevent or delay consummation of the Merger in any material respect or otherwise prevent or delay in any material respect Parent and Merger Sub from performing their obligations under this Agreement or (2) would not, individually or in the aggregate, have a Parent Material Adverse Effect.

(e) Compliance with Laws. Except as set forth in Section 4.2(e) of the Parent Disclosure Letter, neither Parent nor any of its subsidiaries is in conflict with, or in default or violation of (i) any law, rule, regulation, order, judgment or decree applicable to Parent or any of its subsidiaries or by which any of their respective properties is bound, or (ii) whether after the giving of notice or passage of time or both, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or any of its subsidiaries is a party or by which Parent or any of its subsidiaries or any of their respective properties is bound, except for any such conflicts, defaults or violations which do not and would not have, individually or in the aggregate, a Parent Material Adverse Effect.

(f) SEC Filings; Financial Statements.

(i) Parent has made available to the Company a correct and complete copy of each report, schedule, registration statement and definitive proxy statement filed by

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Parent with the SEC on or after January 1, 2002 and prior to the date of this Agreement (the "Parent SEC Reports"), which are all the forms, reports and documents required to be filed by Parent with the SEC since such date; provided that, if Parent amends any of the Parent SEC Reports, such amendment shall not mean or imply that any representation or warranty in this Agreement was not true when made or became untrue thereafter. As of their respective dates, the Parent SEC Reports (A) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable thereto, and (B) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, provided, however, that no representation is made with respect to information included in the Parent SEC Reports that was provided in writing by the Company.

(ii) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Parent SEC Reports complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, had been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q or the Exchange Act regulations promulgated by the SEC) and each fairly presented the consolidated financial position of Parent and its consolidated subsidiaries in all material respects as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated (subject, in the case of the unaudited interim financial statements, to normal audit adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(g) Registration Statement; Proxy and Information Statement/Prospectus. None of the information supplied or to be supplied by Parent in writing specifically for inclusion or incorporation by reference in (i) the Form S-4 in connection with the issuance of the Parent Common Stock in or as a result of the Merger will, at the time the Form S-4 is filed with the SEC and at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (ii)

the Proxy and Information Statement/Prospectus will, at the date the Proxy and Information Statement/Prospectus is mailed to the stockholders of the Company and the stockholders of Parent and as of the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Parent makes no representation or warranty with respect to any information provided by or required to be provided by the Company and/or by its auditors, legal counsel, financial advisors or other consultants or advisors specifically for use in the Form S-4 or the Proxy and Information Statement/Prospectus. The Form S-4 and the Proxy and Information Statement/Prospectus will

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comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act, respectively, and the rules and regulations promulgated by the SEC thereunder.

(h) Brokers. Other than Allen & Company Incorporated (the "Parent Banker"), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the other Transactions based upon arrangements made by or on behalf of Parent or Merger Sub.

(i) Interim Operations of Merger Sub. Merger Sub is a direct wholly owned subsidiary of Parent. Merger Sub was formed solely for the purpose of engaging in the Merger and the Transactions, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

(j) Tax Matters. Neither Parent nor any of its affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

(k) Litigation. Except as disclosed in the Parent SEC Reports or Section 4.2(k) of the Parent Disclosure Letter, there are no claims, actions, suits, investigations or proceedings pending or, to the knowledge of Parent, threatened against Parent or any of its subsidiaries, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or would reasonably be anticipated to, have a Parent Material Adverse Effect.

(l) Ownership of Company Common Stock. As of the date hereof, Parent owns directly 1,873,630 shares of Company Common Stock and 69,002,382 shares of Company Class B Common Stock. No subsidiary of Parent, including Merger Sub, owns any shares of Company Stock.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Information and Access. (a) From the date of this Agreement and continuing until the Effective Time, Parent, as to itself, and Merger Sub, on the one hand, and the Company, as to itself and its subsidiaries, on the other hand, each agrees that it shall afford and, with respect to clause (b) below, shall cause its independent auditors to afford, (a) to the officers, independent auditors, counsel and other representatives of the other reasonable access, upon reasonable advance notice, to its (and in the case of Parent, Merger Sub's, and in the case of the Company, its subsidiaries') properties, books, records (including tax returns filed and those in preparation) and executives and personnel in order that the other may have a full opportunity to make such investigation as it reasonably desires to make of the other consistent with their rights under this Agreement, and (b) to the independent auditors of the other, reasonable access to the audit work papers and other records of its independent auditors. No investigation pursuant to this Section 5.1 shall affect or otherwise obviate or diminish any representations and warranties

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of any party or conditions to the obligations of any party. No party shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege or the institution in possession or control of such information or contravene any law, rule, regulations, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding

sentence apply.

(b) Each of the parties hereto shall hold all information furnished by or on behalf of any other party or its representatives pursuant to Section 5.1(a) in confidence in accordance with the provisions of the non-disclosure agreement, dated June 1, 2001, as amended, between Parent and the Company.

5.2 Conduct of Business of the Company. Except as contemplated by this Agreement (including Section 5.2 of the Company Disclosure Letter) or with respect to Approved Matters, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to Section 7.1, (a) the Company and its subsidiaries shall conduct their respective businesses in the ordinary and usual course consistent with past practice, including, without limitation, consulting with, advising and obtaining the approval of Parent, in each case consistent with past practice, and (b) without limiting the provisions of clause (a) in this paragraph, neither the Company nor any of its subsidiaries shall without the prior written consent of Parent (or, to the extent consistent with past practice with regard to the matter at issue, the prior oral consent of Parent):

(a) declare, set aside or pay any dividends on or make any other distribution in respect of any of its capital stock, except dividends or distributions declared and paid by a wholly owned subsidiary of the Company only to the Company or another wholly owned subsidiary of the Company;

(b) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of, or in substitution for shares of its capital stock or repurchase, redeem or otherwise acquire any shares of its capital stock;

(c) issue, deliver, pledge, encumber or sell, or authorize or propose the issuance, delivery, pledge, encumbrance or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or rights, warrants or options to acquire, any such shares of capital stock or other convertible securities (other than the issuance of such capital stock to the Company or a wholly owned subsidiary of the Company, or upon the exercise or conversion of outstanding options or warrants in accordance with a Company Stock Plan in effect on the date of this Agreement or other convertible or exchangeable securities outstanding on the date hereof, in each case in accordance with its present terms, or issuances of employee stock options in the ordinary course of business, consistent with past practice and consistent with operating practices currently in place between the Company and Parent), authorize or propose any change in its equity capitalization, or amend any of the financial or

other economic terms of such securities or the financial or other economic terms of any agreement relating to such securities;

(d) amend its Articles of Incorporation, Bylaws or other organizational documents in any manner;

(e) take any action that would reasonably be expected to result in any of the conditions to the Transactions set forth in Article VI not being satisfied;

(f) merge or consolidate with any other person, or acquire any assets or capital stock of any other person, other than acquisitions of assets in the ordinary course of business, such as for inventory or relating to the ordinary operations of the Company;

(g) incur any indebtedness for money borrowed or guarantee any such indebtedness of another person or increase indebtedness for money borrowed outstanding under any current agreement relating to indebtedness for money borrowed, except as disclosed on Section 5.2 of the Company Disclosure Letter or in the ordinary course of business;

(h) make or authorize any capital expenditures of the Company and its subsidiaries taken as a whole, other than capital expenditures permitted pursuant to Section 5.2 of the Company Disclosure Letter, that are part of the Company's then existing budget, which has previously been approved by the Company and Parent in the ordinary course, or in the ordinary course of business, consistent with past practice and consistent with operating practices currently in place between the Company and Parent;

(i) except as may be required by changes in applicable law or GAAP, change any method, practice or principle of accounting, or change in any material respect its methods of reporting income and deductions for United

States federal income tax purposes from those employed in the preparation of its federal income tax returns for the year ended December 31, 2001, except as required by changes in law or regulation;

(j) enter into any new employment agreements, or increase the compensation of any officer or director of the Company or any senior executive of any of its subsidiaries or operating units (including entering into any bonus, severance, change of control, termination, reduction-in-force or consulting agreement or other employee benefits arrangement or agreement pursuant to which such person has the right to any form of compensation from the Company or any of its subsidiaries), other than as required by law or by written agreements in effect on the date hereof with such person, or in the ordinary course of business, consistent with past practice and consistent with operating practices currently in place between the Company and Parent, or otherwise amend in any material respect any existing agreements with any such person other than in the ordinary course of business, consistent with past practice and consistent with operating practices currently in place between the Company and Parent, or use its discretion to amend any Company Benefit Plan or accelerate the vesting or any payment under any Company Benefit Plan;

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(k) enter into any transaction with any current or former officer or director of the Company or any senior executive of any of its subsidiaries or operating units, other than as provided for in the terms of any agreement in effect on or prior to the date hereof and described in the Company Disclosure Letter;

(l) settle or otherwise compromise any material litigation, arbitration or other judicial or administrative dispute or proceeding relating to the Company or any of its subsidiaries; or

(m) authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

5.3 Conduct of Business of Parent. Except as contemplated by this Agreement (including the Parent Disclosure Letter), and agreements described in the Parent Proxy Statement or any Parent SEC Report, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to Section 7.1, Parent shall not, without the prior written consent of the Company, take any action that would reasonably be expected to result in any of the conditions to the Transactions set forth in Article VI not being satisfied.

5.4 Preparation of Form S-4, Proxy and Information Statement/Prospectus; Other Filings. In order to satisfy the timing considerations with respect to the Company Stockholders Meeting set forth in Section 5.5, Parent and the Company shall cooperate in preparing and cause to be filed with the SEC a proxy statement relating to the Company Stockholders Meeting and an information statement relating to the actions taken by written consent by Parent's stockholders to approve this Agreement and the Transactions (as amended or supplemented from time to time, the "Proxy and Information Statement/Prospectus"), and Parent and the Company shall cooperate in preparing and Parent shall cause to be filed with the SEC the Form S-4. The Proxy and Information Statement/Prospectus will be included in the S-4 as a prospectus in and will constitute a part of the Form S-4. Each of Parent and the Company shall use its reasonable best efforts to respond to any comments of the SEC, to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing and to cause the Proxy and Information Statement/Prospectus in definitive form to be mailed to the Parent's and Company's respective stockholders sufficiently in advance of the Company Stockholders Meeting. At the option of Parent, Parent may include as part of the Proxy and Information Statement/Prospectus notice of action taken by the written consent of stockholders relating to an amendment to the Parent's Certificate of Incorporation as described in Section 5.4 of the Parent Disclosure Letter. As promptly as practicable after the date of this Agreement, Parent and the Company shall prepare and file any other filings required under the Exchange Act, the Securities Act or any other federal laws relating to the Transactions (the "Other Filings"). Each of the Company and Parent will notify the other party promptly of the receipt of any comments, whether oral or written, from the SEC or its staff and of any request by the SEC or its staff or any other government officials for amendments or supplements to the Form S-4 or the Proxy and Information Statement/Prospectus or any Other Filing or for additional information, and will supply the other party with copies of all correspondence between it or any

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of its representatives, on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the Form S-4, the Proxy and Information Statement/Prospectus or the Merger. No amendment or supplement to the Form S-4 or Proxy and Information Statement/Prospectus will be made by the Company or Parent without the prior approval of the other party, except as required by applicable laws and then only to the extent necessary, or without providing the other party the opportunity to review and comment thereon. Parent shall advise the Company promptly after it receives notice thereof, of the time when the Form S-4 has been declared effective, the issuance of any stop order, or the suspension of the qualification of Parent Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction. If, at any time prior to the Effective Time, any information relating to the Company or Parent, or any of their respective affiliates, officers or directors should be discovered by the Company or Parent which should be set forth in an amendment or supplement to the Form S-4, the Proxy and Information Statement/Prospectus or any Other Filing so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or an event occurs which is required to be set forth in an amendment or supplement to the Form S-4, the Proxy and Information Statement/Prospectus or any Other Filing, the party that discovers such information shall promptly notify the other party and an amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by law, disseminated to the Company's stockholders and/or Parent's stockholders, as applicable. The Proxy and Information Statement/Prospectus shall include, subject to applicable fiduciary duties (based on advice of outside counsel to the Special Committee), the recommendations of the Board of Directors of the Company in favor of approval of this Agreement and the Transactions; provided that the Board of Directors of the Company will not recommend approval of this Agreement and the Transactions without the approval of the Special Committee. The Company and Parent each shall promptly provide the other (or its counsel) copies of all filings made by it with any Governmental Entity in connection with this Agreement and the Transactions.

5.5 Company Stockholder Approval.

(a) The Company shall duly take all lawful action to call, give notice of, convene and hold a meeting of the Company's stockholders (the "Company Stockholders Meeting") on August 1, 2003 or such earlier date as is agreed to by the parties, for the purpose of obtaining the Company Stockholder Approval and shall take all lawful action to solicit the Company Stockholder Approval. Subject to the third to last sentence in Section 5.4, the Board of Directors of the Company shall recommend the adoption of the plan of merger contained in this Agreement by the Company stockholders to the effect as set forth in Section 4.1(c)(ii) (the "Company Recommendation"), and, subject to the third to last sentence in Section 5.4, shall not (i) withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to Parent the Company Recommendation or (ii) take any action or make any statement in connection with the Company Stockholders Meeting inconsistent with the Company Recommendation (collectively, a "Change in the Company Recommendation"). Notwithstanding anything to the contrary herein, this Agreement shall be submitted to the Company stockholders at the Company Stockholders Meeting for the purpose of obtaining the

Company Stockholder Approval, and nothing contained herein shall be deemed to relieve the Company of such obligation.

(b) Parent agrees that at the Company Stockholders Meeting, Parent shall (i) appear, in person or by proxy, so that all shares of the Company owned directly or indirectly by it are counted for the purpose of obtaining a quorum at the Company Stockholders Meeting, and at any adjournment or adjournments thereof, and (ii) vote, in person or by proxy, with respect to all such shares of the Company owned directly or indirectly by it to adopt the Agreement as approved by the Board of Directors of the Company. If this Agreement is subsequently amended and such amendment is approved by the Board of Directors of Parent and the Company or if a subsequent consent is deemed necessary to consummate the Transactions contemplated by this Agreement, then Parent shall as soon thereafter as practicable either at a meeting of the Company's stockholders at which any proposal to adopt this Agreement, as amended, is proposed, cause all shares of Company Stock owned directly or indirectly by it on the date hereof (i) to appear, in person or by proxy, so that all such shares are counted for the purpose of obtaining a quorum at any such meeting of stockholders of the Company, and at any adjournment or adjournments thereof, and (ii) to vote, in person or by proxy, with respect to such shares to adopt this Agreement, as amended. Parent shall cause all shares of Company Stock owned directly or

indirectly by it on the date hereof to vote against any proposal that is contrary to the adoption of this Agreement and the Transactions contemplated hereby.

5.6 Agreements to Take Reasonable Action.

(a) The parties shall take, and shall cause their respective subsidiaries to take, all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on them with respect to the Merger and shall take all reasonable actions necessary to cooperate promptly with and furnish information to the other parties in connection with any such requirements imposed upon them or any of their subsidiaries in connection with the Merger. Each party shall take, and shall cause its subsidiaries to take, all reasonable actions necessary (i) to obtain (and will take all reasonable actions necessary to promptly cooperate with the other parties in obtaining) any clearance, consent, authorization, order or approval of, or any exemption by, any Governmental Entity, or other third party, required to be obtained or made by it (or by the other parties or any of their respective subsidiaries) in connection with the Transactions or the taking of any action contemplated by this Agreement; (ii) to lift, rescind or mitigate the effect of any injunction or restraining order or other order adversely affecting its ability to consummate the Transactions; (iii) to fulfill all conditions applicable to the parties pursuant to this Agreement; (iv) to prevent, with respect to a threatened or pending temporary, preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order, the entry, enactment or promulgation thereof, as the case may be; (v) to defend any lawsuit or other legal proceeding, whether judicial or administrative, challenging the Agreement, the consummation of the Transactions or the terms thereof; and (vi) to execute and deliver any additional agreements or instruments necessary to consummate the Transactions and fully carry out the purposes of the Agreement provided, however, that with respect to clauses (i) through (vi) above, the parties will take only such curative measures (such as licensing and divestiture) as the parties determine to be reasonable.

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(b) Subject to the terms and conditions of this Agreement, each of the parties shall use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective as promptly as practicable the Merger and the Transactions, subject to the appropriate approval of the stockholders of the Company.

5.7 Consents. Parent and the Company shall each use all reasonable efforts to obtain the consent and approval of, or effect the notification of or filing with, each person or authority whose consent or approval is required in order to permit the consummation of the Merger and the Transactions and to enable Parent and the Surviving Corporation to conduct and operate the business of Parent and the Company and their respective subsidiaries, substantially as presently conducted and as contemplated to be conducted.

5.8 Nasdaq Quotation. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock issuable to the stockholders of the Company in the Merger (including the shares of Parent Common Stock reserved for issuance with respect to Company Stock Options and Company Stock-Based Awards) to be eligible for quotation on Nasdaq (or other national market or exchange on which Parent Common Stock is then traded or quoted) prior to the Effective Time.

5.9 Affiliates. At least ten Business Days prior to the anticipated Closing Date, the Company shall deliver to Parent a list of names and addresses of those persons who, in the judgment of the Company, may be deemed at the time this Agreement is submitted for Company Stockholder Approval, "affiliates" of the Company within the meaning of Rule 145 under the Securities Act and applicable rules and regulations. The Company shall use its reasonable best efforts to deliver or cause to be delivered to Parent, prior to the Effective Time, from each of the affiliates of the Company identified in the foregoing list, agreements substantially in the form attached to this Agreement as Exhibit B.

5.10 Indemnification. (a) Parent shall maintain in effect for the benefit of individuals who at or prior to the Effective Time were directors or officers of the Company the current provisions regarding indemnification and exculpation of officers and directors (including with respect to advancement of expenses) contained in the Articles of Incorporation and Bylaws of the Company on the date hereof, which provisions shall not be amended, modified or otherwise repealed for a period of six (6) years from the Effective Time in any manner that would adversely affect the rights thereunder as of the Effective Time of such individuals, unless such modification is required after the Effective Time by applicable law and then only to the minimum extent required by such

applicable law or except to make changes permitted by applicable law that would enlarge the exculpation or rights of indemnification thereunder; provided, however, that if any claims are asserted or made within such six-year period, all rights to indemnification (and to advancement of expenses) hereunder in respect of such claims shall continue, without diminution, until disposition of all such claims.

(b) The Surviving Corporation shall (and Parent shall cause the Surviving Corporation to), to the maximum extent permitted under applicable law, provide to the current

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directors and officers of the Company the maximum indemnification protection (including with respect to advancement of expenses, including advancing expenses as incurred) permitted under the WBCA, for a period of six (6) years after the Effective Time; provided, however, that if any claims are asserted or made within such six-year period, all rights to indemnification (and to advancement of expenses) hereunder in respect of such claims shall continue, without diminution, until disposition of all such claims.

(c) The Surviving Corporation shall (and Parent shall cause the Surviving Corporation to) assume, honor and fulfill in all respects the obligations of the Company pursuant to any indemnification agreements, including those contained in employment agreements (the employee parties under such agreements being referred to as the "Covered Persons") with the Company's directors, officers and other employees (if any) existing at the Effective Time. In addition, Parent shall provide, or cause the Surviving Corporation to provide, for a period of not less than six (6) years after the Effective Time, the Company's current and former directors and officers who are currently covered by the Company's existing insurance and indemnification policy with an insurance and indemnification policy (including, without limitation, by arranging for run-off coverage, if necessary) that provides coverage for events occurring at or prior to the Effective Time (the "D&O Insurance") that is no less favorable than the existing policy (it being acknowledged and understood that the Company currently indemnifies its officers and directors for claims to the extent permitted under the WBCA and pays its obligations thereunder out of its assets and maintains D&O Insurance solely for claims not so indemnifiable or for which the Company's assets are insufficient to cover), or, if substantially equivalent insurance coverage is unavailable, the most advantageous D&O Insurance obtainable for an annual premium equal to 200% of the annual premium currently in place for the Company for such insurance; provided, however, that Parent and the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of 200% of the annual premium currently in place for the Company for such insurance, calculated on the basis of a fair allocation of the portion of such premium if Parent arranges such coverage on a group basis.

(d) This Section 5.10 shall survive the Effective Time, is intended to benefit the Surviving Corporation and the Covered Persons and shall be enforceable by the Covered Persons, their heirs, assigns and representatives and are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise. In the event Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of such party, shall assume the obligations set forth in this Section 5.10.

5.11 Notification of Certain Matters. Each of the Company and Parent shall give prompt notice to the other such party of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be likely to cause (a) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time, or (b) any material failure of the Company or

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Parent, as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Notwithstanding the foregoing, the delivery of any notice pursuant to this Section 5.11 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.12 Employee Arrangements. From and after the Effective Time, Parent shall cause the Surviving Corporation to fulfill all written employment, severance, termination, consulting and retirement agreements and severance plans, as in effect on the date hereof, to which the Company or any of its subsidiaries is a party, pursuant to the terms thereof and applicable law.

5.13 Reorganization. From and after the date hereof, each of Parent and the Company and each of their respective subsidiaries shall not, and shall use reasonable efforts to cause their affiliates not to, take any action, or fail to take any action, which action or failure to act would jeopardize qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code or enter into any contract, agreement, commitment or arrangement that would have such effect. Each of Parent and the Company and each of their respective subsidiaries shall use reasonable efforts to obtain the opinions of counsel referred to in Sections 6.2(c) and 6.3(c), including the execution of the officers' certificates referred to therein.

5.14 Public Announcements. The initial press release relating to the Transactions shall be a joint press release, to be agreed upon by the Parent and the Company. Thereafter, Parent and the Company shall use their reasonable best efforts to consult with each other before issuing any press release with respect to this Agreement or the Transactions.

5.15 Stockholder Litigation. Each of the Company and the Parent shall give the other the reasonable opportunity to participate in the defense of any stockholder litigation against the Company or the Parent and their respective directors and officers, as applicable, relating to the Transactions or this Agreement.

5.16 Section 16b-3. Parent and the Company shall take all reasonable steps to cause the transactions contemplated by Article III and any other disposition of equity securities of the Company or Parent (including derivative securities) or acquisitions of equity securities of Parent by each individual who (a) is a director or officer of the Company or Parent, or (b) at the Effective Time will become a director or officer of Parent, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

ARTICLE VI CONDITIONS PRECEDENT

6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger are subject to the satisfaction prior to the Closing Date of the following conditions:

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(a) Mailing of Proxy and Information Statement/Prospectus and Stockholder Approval. Twenty (20) Business Days shall have elapsed from the commencement of mailing of the Proxy and Information Statement/Prospectus to the Company's and Parent's stockholders, and the Company Stockholder Approval shall have been obtained.

(b) Effectiveness of the Form S-4. The Form S-4 shall have been declared effective by the SEC under the Securities Act and shall not be the subject of any stop order or proceeding by the SEC seeking a stop order.

(c) Governmental Entity Approvals. All material authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any Governmental Entity, if any, necessary for the consummation of the Merger shall have been filed, expired or been obtained, other than those that, individually or in the aggregate, the failure to be filed, expired or obtained would not reasonably be expected to have a Parent Material Adverse Effect or a Company Material Adverse Effect.

(d) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect, nor shall any proceeding brought by a Governmental Entity be pending which would reasonably be expected to restrain or prohibit the consummation of the Merger; and there shall not be any action taken, or any statute, rule, regulation or order (whether temporary, preliminary or permanent) enacted, entered or enforced which makes the consummation of the Merger illegal or prevents or prohibits the Merger.

(e) Nasdaq Quotation. The shares of Parent Common Stock issuable to the holders of Company Common Stock pursuant to the Merger (including the shares of Parent Common Stock reserved for issuance with respect to Company Stock Options and Company Stock-Based Awards) shall have been authorized for quotation on Nasdaq (or other national market or exchange on which Parent Common Stock is

then traded or quoted), upon official notice of issuance.

6.2 Conditions of Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are subject to the satisfaction of the following additional conditions, unless waived in writing by Parent:

(a) Representations and Warranties. (i) The representations and warranties of the Company set forth in Sections 4.1(g) shall be true and correct as of the Closing Date as if made on such date, (ii) the representations and warranties of the Company set forth in Section 4.1(b) shall be true and correct as of the Closing Date as if made on such date (except for inaccuracies that are not significant in amount), and (iii) except to the extent that the failure of the representations and warranties of the Company set forth in this Agreement to be true and correct, in the aggregate, would not have a Company Material Adverse Effect, the representations and warranties of the Company made in this Agreement, without regard to any materiality or "Material Adverse Effect" qualification therein, shall be true and correct as of the

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date hereof, and (iii) Parent shall have received a certificate signed by a senior executive officer of the Company certifying the fulfillment of the conditions set forth in clauses (i) through and including (iii) of this Section 6.2(a).

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all of its obligations and covenants, taken as a whole, required to be performed by it under this Agreement prior to or as of the Closing Date, and Parent shall have received a certificate to such effect signed by a senior executive officer of the Company.

(c) Tax Opinion. Parent shall have received from Wachtell, Lipton, Rosen & Katz, counsel to Parent, a written opinion dated the Closing Date to the effect that for U.S. federal income tax purposes the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel to Parent shall be entitled to rely upon customary assumptions and representations reasonably satisfactory to such counsel, including representations set forth in certificates of officers of Parent and the Company.

6.3 Conditions of Obligations of the Company. The obligation of the Company to effect the Merger is subject to the satisfaction of the following conditions, unless waived in writing by the Company:

(a) Representations and Warranties. (i) The representations and warranties of Parent set forth in Section 4.2(g) shall be true and correct as of the Closing Date as if made on such date, (ii) the representations and warranties of Parent set forth in Section 4.1(b) shall be true and correct as of the date hereof (except for inaccuracies that are not significant in amount), (iii) except to the extent that the failure of the representations and warranties of Parent set forth in this Agreement to be true and correct, in the aggregate, would not have a Parent Material Adverse Effect, the representations and warranties of Parent made in this Agreement, without regard to any materiality or "Material Adverse Effect" qualification therein, shall be true and correct as of the date hereof, and (iv) the Company shall have received a certificate signed by a senior executive officer of Parent certifying the fulfillment of the conditions set forth in clauses (i) through and including (iii) of this Section 6.2(a).

(b) Performance of Obligations of Parent and Merger Sub. Parent and Merger Sub shall have performed in all material respects all of their respective obligations and covenants, taken as a whole, required to be performed by such parties under this Agreement prior to or as of the Closing Date, and the Company shall have received certificates to such effect signed by a senior executive officer of Parent.

(c) Tax Opinion. The Company shall have received from Shearman & Sterling, special counsel to the Company, a written opinion dated the Closing Date to the effect that for U.S. federal income tax purposes the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel to the Company shall be entitled to rely upon customary assumptions and representations reasonably satisfactory to such counsel, including representations set forth in certificates of officers of Parent and the Company.

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ARTICLE VII

TERMINATION

7.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Merger by the stockholders of the Company and Parent:

(a) by mutual written consent duly authorized by the Boards of Directors of Parent and the Company;

(b) by either Parent or the Company if the Merger shall not have been consummated by October 15, 2003 (provided, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of the Merger to occur on or before such date and such action or failure to act constitutes a breach of this Agreement);

(c) by either Parent or the Company, if a court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger, which order, decree or ruling is final and nonappealable;

(d) by the Company, upon a breach of any representation, warranty, covenant or agreement on the part of Parent set forth in this Agreement such that the conditions set forth in Section 6.3(a) or Section 6.3(b) shall have become incapable of fulfillment and such breach shall not have been waived by the Company; or

(e) by Parent, upon a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement such that the conditions set forth in Section 6.2(a) or Section 6.2(b) shall have become incapable of fulfillment and such breach shall not have been waived by Parent.

7.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall be of no further force or effect, except (a) as set forth in Section 5.1(b), 5.14 (solely with respect to any press release announcing the termination of this Agreement), this Section 7.2, Section 7.3, and Article VIII, each of which shall survive the termination of this Agreement, and (b) nothing herein shall relieve any party from liability for any breach of this Agreement.

7.3 Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the Merger shall be paid by the party incurring such expenses, whether or not the Merger is consummated. The Company is permitted to and shall pay the fees and expenses of their financial, legal and other advisors on the Closing Date.

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ARTICLE VIII

GENERAL PROVISIONS

8.1 Amendment. This Agreement (including the Exhibits and Disclosure Letters hereto) may be amended prior to the Effective Time by Parent and the Company at any time before or after approval of the Merger by the stockholders of the Company and Parent, provided, however, that after any such approval, no amendment shall be made which by law requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.2 Extension; Waiver. At any time prior to the Effective Time (whether before or after approval of the stockholders of the Company and Parent), Parent and the Company may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement and (c) waive compliance with any of the agreements or conditions contained in this Agreement. Any extension or waiver on behalf of the Company shall be taken only upon the approval of the Special Committee. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

8.3 Nonsurvival of Representations, Warranties and Agreements. All representations, warranties and agreements in this Agreement or in any instrument or certificate delivered pursuant to this Agreement shall not survive

the Merger, except for the agreements contained in Article III (Conversion of Securities), Section 5.10 (Indemnification), 5.12 (Employee Arrangements) and 5.13 (Reorganization), each of which shall survive the Merger.

8.4 Entire Agreement. This Agreement (including the Exhibits and Disclosure Letters hereto) contains the entire agreement among all of the parties with respect to the subject matter hereof and supersedes all prior arrangements and understandings, both written and oral, with respect thereto, but shall not supersede any agreements among any group of the parties hereto entered into on or after the date hereof.

8.5 Severability. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

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8.6 Notices. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed to be sufficient if contained in a written instrument and shall be deemed given if delivered personally, telecopied, sent by nationally recognized, overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Merger Sub, to:

USA Interactive
Carnegie Hall Tower
152 West 57th Street
42nd Floor
New York, New York 10019
Attention: General Counsel
Telecopier: 212-314-7329

with a copy to:

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

(b) if to the Company, to:

Expedia, Inc.
13810 SE Eastgate Way
Suite 400
Bellevue, Washington 98005
Attention: General Counsel
Telecopier: (425) 564-7240

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
Attention: Peter D. Lyons
Telecopier: (212) 848-7179

All such notices and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of a telecopy, when the party receiving such telecopy shall have confirmed receipt of the communication, (c) in the case of

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delivery by nationally recognized overnight courier, on the Business Day following dispatch and (d) in the case of mailing, on the third Business Day following such mailing.

8.7 Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. As used in this Agreement, "subsidiary" with respect to any person shall mean any affiliate controlled by such person, directly or indirectly through one or more intermediaries, provided that under no circumstances shall the Company and its subsidiaries be deemed to be subsidiaries of Parent.

8.8 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

8.9 Benefits; Assignment. This Agreement is not intended to confer upon any person other than the parties any rights or remedies hereunder and shall not be assigned by operation of law or otherwise; provided, however, that (a) the officers and directors of the Company are intended beneficiaries of the covenants and agreements contained in Section 5.10, and (b) the Special Committee is the intended beneficiary of the agreement contained in Section 8.11.

8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein, without giving effect to laws that might otherwise govern under applicable principles of conflicts of law.

8.11 Special Committee. Prior to the Effective Time, any determination to be made, or action to be taken, by the Company under this Agreement shall be made or taken only upon the approval of the Special Committee.

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IN WITNESS WHEREOF, Parent, the Company and Merger Sub have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

USA INTERACTIVE

By: /s/ Julius Genachowski

Name: Julius Genachowski
Title: Executive Vice President,
General Counsel and Secretary

EXPEDIA, INC.

By: /s/ Gregory S. Stanger

Name: Gregory S. Stanger
Title: Senior Vice President
and Chief Financial Officer

EQUINOX MERGER CORP.

By: /s/ Julius Genachowski

Name: Julius Genachowski
Title: Vice President

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*SEE IMPORTANT NOTES AT END OF RELEASE

USA INTERACTIVE AND EXPEDIA ANNOUNCE MERGER AGREEMENT
USA TO ACQUIRE THE EXPEDIA SHARES IT DOES NOT ALREADY OWN
IN A \$3.3 BILLION TRANSACTION
USA ANNOUNCES BOARD AUTHORIZATION OF
STOCK REPURCHASE PLAN

New York, NY and Bellevue, WA - March 19, 2003 -- USA Interactive (Nasdaq: USAI) and Expedia, Inc. (NASDAQ: EXPE) announced today that they have entered into an agreement by which USA, already the majority owner of Expedia, would acquire the Expedia shares it does not currently own in a stock-for-stock transaction that is generally tax-free to Expedia shareholders. The transaction is valued at \$3.3 billion, based on the closing price of USA common stock on March 18, 2003. The transaction allows USA to further simplify its corporate structure. The Expedia Board of Directors approved the agreement following the unanimous recommendation and approval of an independent Special Committee of the Expedia Board.

Under the agreement, Expedia shareholders would receive 1.93875 shares of USA common stock for each share of Expedia stock that they own, which represents approximately a 30% premium, based on the closing price of USA stock and Expedia stock on March 18, 2003. In the transaction, USA would issue to Expedia public shareholders approximately 92.5 million basic shares and 124.9 million shares on a fully diluted, treasury method basis. In connection with the merger, Expedia warrants and options will be converted into warrants and options to acquire USA common stock. The transaction is expected to be slightly dilutive to USA's adjusted earnings per share ("EPS") for 2003, however, due to expected over-performance by Expedia and USA's other businesses, USA believes that it will meet its current 2003 budgeted adjusted EPS of \$0.75 per share. In addition, USA expects Q1 2003 EBITA to very significantly exceed last year's Q1 EBITA and to beat its Q1 2003 EBITA budgeted amount, and expects to meet or exceed its Q1 2003 adjusted EPS budget. Please note that USA's projections are based on the expectation of a short conflict in Iraq without any other significant geopolitical disruptions during the year.

USA also announced that its Board of Directors has authorized the repurchase of up to 30 million shares of USA common stock. USA may purchase shares from time to time on the open market or through private transactions, depending on market conditions, share price and other factors.

Barry Diller, Chairman and CEO of USA Interactive, said, "The timing in relation to world events is an accident - as often happens with transactions, they take the time they take to reach conclusion - however, we were of course mindful of events beyond our own - and our decision to acquire the balance of Expedia under these circumstances does dramatically underscore our great belief in the robust growth and long term value of online travel. Travel may be affected by this or that event, for a day or a month or whatever, but if there is life then there is travel - we bet on the latter."

"We all have so much respect for Rich Barton, Erik Blachford and the superb group they have assembled that has executed so flawlessly building Expedia into a leadership position in online travel - we hope by this consolidation of ownership at USA that this great Expedia group will play an ever expanding role across all our 14 Divisions."

"The Special Committee carefully reviewed the transaction in consultation with our financial and legal advisors and we believe that the merger creates significant value for Expedia's minority shareholders," said Jay Hoag, Chairman of the Special Committee of Expedia's Board of Directors. "Expedia shareholders have an opportunity to participate in the significant upside potential of USA, which is further enhanced by its full ownership of Expedia."

"This transaction gives us the opportunity to accelerate our work of building a great travel company," said Erik Blachford, incoming President and CEO of Expedia. "We are looking forward to working with USA and its other entities in

a more integrated fashion, and believe there is substantial value to be created in the process."

USA currently owns approximately 54% of the outstanding Expedia stock and controls approximately 94.9% of the combined voting power of the outstanding Expedia shares. USA has agreed to vote all of its Expedia shares in favor of the merger at the Expedia stockholders meeting relating to the merger. USA shareholders holding a majority of the voting power of USA have acted by written consent to approve the transaction. An information statement will be mailed to USA shareholders and a proxy statement/prospectus will be mailed to Expedia shareholders. The transaction, which is subject to customary conditions, is expected to be completed in the summer of 2003. The transaction is not subject to any material adverse effect conditions (including the possible effects of war).

Based on results through February, Expedia is trending toward revenue of \$194 million and adjusted earnings per share of at least \$0.25 for the first quarter ending March 31. These trends compare with Expedia's operating budget, which calls for revenue of \$186 million and adjusted EPS of \$0.22. Neither the current estimates nor the operating

budget incorporate any assumption relating to war or other significant disruption to the travel industry.

USA and Expedia will audiocast their conference call today, Wednesday, March 19, 2003, at 12:00 p.m. Eastern Time (ET). The live audiocast is open to the public at www.usainteractive.com/investor.relations.

ABOUT USA INTERACTIVE

USA Interactive (Nasdaq: USAI) engages worldwide in the business of interactivity via the Internet, the television and the telephone. USA's multiple brands are organized across three areas: Electronic Retailing, Information & Services and Travel Services. Electronic Retailing is comprised of HSN, America's Store, HSN.com, and Home Shopping Europe and Euvia in Germany. Information & Services includes Ticketmaster, Match.com, uDate (transaction pending), Citysearch, Evite, Entertainment Publications (transaction pending) and Precision Response Corporation. Travel Services consists of Expedia (Nasdaq: EXPE), Hotels.com (Nasdaq: ROOM), Interval International, TV Travel Group and USA's forthcoming U.S. cable travel network.

ABOUT EXPEDIA, INC.

Expedia, Inc. (NASDAQ: EXPE) is the world's leading online travel service and the eighth largest travel agency in the U.S. Expedia's award-winning Expert Searching and Pricing (ESP) technology delivers the most comprehensive flight options available online. ESP also allows customers to dynamically build complete trips that combine flights, Expedia(R) Special Rate hotels and other lodging, ground transportation, and destination services and activities. Expedia's quality and leadership have been recognized in awards such as PC Magazine's "Editors' Choice" and Forbes' "Favorite General Travel Site." Expedia operates Classic Custom Vacations, a leading wholesaler of premiere vacation packages to destinations such as Hawaii, Mexico, Europe and the Caribbean; and Metropolitan Travel, a corporate travel agency. Travelscape, Inc., wholly owned by Expedia, also operates as WWTE(TM), a private-label online travel business that supplies travel inventory to third parties. Expedia is a majority-owned subsidiary of USA Interactive (NASDAQ: USAI).

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This press release contains "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward- looking statements include statements relating to our anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements preceded by, followed by or that include the words "believes," "could," "expects," "anticipates," "estimates," "intends," "plans," "projects," "seeks," or similar expressions. These forward- looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward- looking statements. These forward- looking statements are subject to risks, uncertainties and

assumptions that could have a material adverse effect on the proposed transaction between USA and Expedia and/or on our businesses, financial condition or results of operations. You should understand that the following important factors could affect our future results and could cause those results to differ materially from those expressed in the forward- looking statements: (1) the risk that USA's and Expedia's businesses will not be integrated successfully; (2) costs related to the proposed transaction; (3) material adverse changes in economic conditions generally or in our markets or industries; (4) future regulatory and legislative actions and conditions affecting our operating areas; (5) competition from others; (6) successful integration of our divisions' management structures; (7) product demand and market acceptance; (8) the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms; (9) the ability to expand into and successfully operate in foreign markets; (10) obtaining and retaining skilled workers and key executives; (11) acts of terrorism; and (12) war or political instability. In addition, investors should consider the other information contained in or incorporated by reference into USA's and Expedia's filings with the U.S. Securities and Exchange Commission (the "SEC"), including their Annual Reports on Form 10-K for the fiscal year ended 2001, especially in the Management's Discussion and Analysis section, their most recent Quarterly Reports on Form 10-Q and their Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward- looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward- looking statements contained in this press release to reflect circumstances existing after the date of this press release or to reflect the occurrence of future events 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.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the proposed transaction, USA Interactive and Expedia will file a proxy and information statement/prospectus with the Securities and Exchange Commission. Investors and security holders are urged to read carefully the proxy and information statement/prospectus regarding the proposed transaction when it becomes available, because it will contain important information. Investors and security holders may obtain a free copy of the proxy and information statement/prospectus (when it is available) and other documents containing information about USA Interactive and Expedia, without charge, at the SEC's web site at <http://www.sec.gov>. Free copies of USA Interactive's filings may be obtained by directing a request to USA Interactive, 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations, and free copies of Expedia's filings may be obtained by directing a request to Expedia, Inc. 13810 SE Eastgate Way, Suite 400, Bellevue, Washington 98005, Attention: Investor Relations.

PARTICIPANTS IN SOLICITATION

USA Interactive, Expedia and their respective directors, executive officers and other members of their management and employees may be soliciting proxies from the companies' stockholders in connection with the proposed merger. Information concerning USA Interactive's participants in the solicitation is set forth in USA Interactive's proxy statement for its annual meeting of stockholders, filed with the SEC on April 30, 2002. Information concerning Expedia's participants in the solicitation is set forth in Expedia's proxy statement for its annual meeting of stockholders, filed with the SEC on April, 30 2002.

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Contacts:

Ron Sato, USA Interactive Corporate Communications, 212/314-7254;
Roger Clark/Lauren Rosenfield, USA Interactive Investor Relations, 212/314-7400;
Andrea Riggs, Expedia, Inc. Communications, 425/748-3837;
Marj Charlier, Expedia, Inc. Investor Relations, 425/564-7666

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READ IMPORTANT FOOTNOTES AND DISCLAIMERS

As filed with the Securities and Exchange Commission on March 19, 2003.

TRANSACTION SUMMARY

[LOGO]

(\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

CURRENT EXPEDIA CAPITALIZATION	
Current Expedia Share Price (3/18/03)	\$38.90
Fully Diluted Expedia Shares Outstanding(a)	132
USA Current Fully Diluted Ownership of Expedia(a)	54%
Minority Current Fully Diluted Ownership of Expedia(a)	46%
USA STOCK OFFER FOR EXPEDIA SHARES	
Current USA Share Price (3/18/03)	\$26.49
Exchange Ratio	1.93875
Implied Offer Price per Expedia Share	\$51.36
PREMIUM ANALYSIS	
CURRENT TRADING RATIO (3/18/03)	1.46848
OFFER EXCHANGE RATIO IMPLIED PREMIUM TO CURRENT	32%

OFFER EXCHANGE RATIO IMPLIED PREMIUM TO 5 DAY AVERAGE RATIO(B) 32%
OFFER EXCHANGE RATIO IMPLIED PREMIUM TO 15 DAY AVERAGE RATIO(B) 33%

USA PRO FORMA FULLY DILUTED SHARES OUTSTANDING
Current USA Fully Diluted Shares Outstanding(a)(c) 531
USA Shares Issued for Fully Diluted Minority Interest
of Expedia(a) 125

Pro Forma USA Fully Diluted Shares Outstanding(d) 656

- (a) FULLY DILUTED OWNERSHIP OF PUBLIC SUBSIDIARIES AND FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK.
- (b) AVERAGE RATIOS MEASURED AS THE SIMPLE AVERAGE OF THE DAILY EXCHANGE RATIOS FOR THE SPECIFIED PERIOD (BASED ON TRADING DAYS).
- (c) SHARE COUNT IS PRO FORMA FOR TICKETMASTER MERGER WHICH WAS COMPLETED ON JANUARY 17, 2003 AND USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UDATE.
- (d) ASSUMES LIBERTY MEDIA DOES NOT EXERCISE PREEMPTIVE RIGHT TO PURCHASE USA SECURITIES.

READ IMPORTANT FOOTNOTES AND DISCLAIMERS

As filed with the Securities and Exchange Commission on March 19, 2003.

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 (\$ IN MILLIONS)

	2001A	2002A	2003EA
REVENUE	\$297	\$591	\$845
% GROWTH	NA	99%	43%
EBITA(B)	\$50	\$158	\$221
% MARGIN	17%	27%	26%
% GROWTH	NA	216%	40%
ADJUSTED EARNINGS(C)	\$53	\$108	\$155
% MARGIN	18%	18%	18%
% GROWTH	NA	103%	43%

(a) BASED ON EXPEDIA BUDGET DATED FEBRUARY 5, 2003.

(b) EBITA IS DEFINED AS ADJUSTED NET INCOME MINUS NET INTEREST INCOME AND OTHER; AND PLUS, (1) PROVISION FOR INCOME TAXES AND (2) SHARE OF JOINT VENTURE NET LOSSES.

(c) ADJUSTED EARNINGS IS DEFINED AS NET INCOME EXCLUDING NON-CASH MARKETING EXPENSES RESULTING FROM IN-KIND MARKETING CONTRIBUTIONS BY USA INTERACTIVE, USA MERGER RELATED EXPENSES AND NON-CASH CHARGES FOR AMORTIZATION OF INTANGIBLES AND EQUITY COMPENSATION EXPENSE. EXPEDIA HAS HISTORICALLY PRESENTED "ADJUSTED EARNINGS" AND "ADJUSTED EPS" BEFORE THE TAX EFFECT OF THE ADJUSTED ITEMS. GOING FORWARD, MANAGEMENT INTENDS TO UTILIZE THE "ADJUSTED EARNINGS" AND "ADJUSTED EPS" NUMBERS AFTER AN EFFECT HAS BEEN GIVEN TO THE TAX IMPACT OF THESE ADJUSTMENTS ON THE TAX PROVISION. THE 2002 RESULTS HAVE BEEN RECOMPUTED UNDER THIS NEW "2003 METHODOLOGY" IN ORDER TO PROVIDE COMPARABILITY TO THE 2003 BUDGET.

 READ IMPORTANT FOOTNOTES AND DISCLAIMERS

As filed with the Securities and Exchange Commission on March 19, 2003.

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 (\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	PRE-DEAL	PRO FORMA	ANTICIPATED PERFORMANCE
	-----	-----	-----
USA Share Price (3/18/03)	\$26.49	\$26.49	
Fully Diluted Shares Outstanding(a)	531	656(b)	
MARKET CAPITALIZATION	\$14,055	\$17,365	
Less: Net Cash and VUE Securities(c)	(3,511)	(3,770)	
ENTERPRISE VALUE	\$10,544	\$13,595	
ATTRIBUTABLE EBITA(D)			
2002PF(e)	\$334	\$407 (f)	
2003E(e)	\$595	\$697 (f)	
ENTERPRISE VALUE / ATTRIBUTABLE EBITA			
2002PF	31.6x	33.4x	
2003E	17.7x	19.5x	
ADJUSTED NET INCOME(G)(H)			
2002PF(e)	\$236	\$288 (f)	
2003E(e)	\$414	\$485 (f)	
ADJUSTED EPS(H)			
2002PF(i)	\$0.44	\$0.44	
2003E(i)(j)	\$0.75	\$0.72	\$0.75 (k)
PRICE / ADJUSTED EPS			
2002PF	59.6x	60.3x	
2003E	35.2x	36.9x	

-
- (a) FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK. SHARE COUNT IS PRO FORMA FOR TICKETMASTER MERGER WHICH WAS COMPLETED ON JANUARY 17, 2003 AND USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UDATE.
- (b) ASSUMES LIBERTY MEDIA DOES NOT EXERCISE PREEMPTIVE RIGHT TO PURCHASE USA SECURITIES.
- (c) PRE-DEAL AMOUNTS REPRESENT ATTRIBUTABLE CASH. PRO FORMA CASH REPRESENTS FULLY CONSOLIDATED CASH BALANCE OF EXPEDIA. SEE PAGE 5 FOR DETAIL.
- (d) EBITA IS DEFINED AS OPERATING INCOME PLUS (1) AMORTIZATION OF NON-CASH DISTRIBUTION AND MARKETING EXPENSE, (2) AMORTIZATION OF NON-CASH COMPENSATION EXPENSE, (3) AMORTIZATION OF OTHER INTANGIBLES (AND GOODWILL IN 2001), AND (4) DISENGAGEMENT RELATED PAYMENTS TO CABLE OPERATORS AND MARKETING EXPENSES RELATED TO THE TRANSFER OF HSN'S DISTRIBUTION TO CABLE (WHICH HAS BEEN ACCOMPLISHED). EXCLUDES NON-RECURRING ITEMS. ATTRIBUTABLE EBITA IS DEFINED AS EBITA, LESS THE PERCENTAGE OF EBITA ATTRIBUTABLE TO MINORITY SHAREHOLDERS OF USA'S PUBLIC AND OTHER NON-WHOLLY OWNED SUBSIDIARIES.
- (e) BASED ON USA BUDGET RELEASED ON FEBRUARY 6, 2003.
- (f) ASSUMES NO SYNERGIES OR COST SAVINGS FROM THE TRANSACTION.
- (g) ADJUSTED NET INCOME IS DEFINED AS NET INCOME AVAILABLE TO COMMON SHAREHOLDERS PLUS: (1) AMORTIZATION OF NON-CASH DISTRIBUTION AND MARKETING EXPENSE, (2) AMORTIZATION OF NON-CASH COMPENSATION, (3) AMORTIZATION OF OTHER INTANGIBLES (AND GOODWILL IN 2001), NET OF RELATED TAX AND MINORITY INTEREST EXPENSE AND (4) EQUITY INCOME FROM USA'S 5.44% COMMON INTEREST IN VUE. EXCLUDES NON-RECURRING ITEMS. ALL AMOUNTS ARE PRESENTED ON A FULLY DILUTED, TREASURY METHOD BASIS EXCEPT WITH RESPECT TO RESTRICTED STOCK, ALL OF WHICH IS TREATED AS OUTSTANDING FOR PURPOSES OF ADJUSTED EPS.
- (h) USA EXPECTS TO INCUR SIGNIFICANT NON-CASH CHARGES AS A RESULT OF THIS TRANSACTION FROM (1) AMORTIZATION OF INTANGIBLES THAT WILL BE CREATED AS A RESULT OF PURCHASE PRICE ALLOCATION AND (2) AMORTIZATION OF NON-CASH COMPENSATION RELATED TO THE ASSUMPTION BY USA OF EXISTING UNVESTED EXPEDIA EMPLOYEE OPTIONS, WARRANTS AND RESTRICTED STOCK. USA IS NOT IN A POSITION TO ESTIMATE THESE COSTS, WHICH WILL BE AFFECTED BY A NUMBER OF FACTORS INCLUDING VALUATION ANALYSES, STOCK PRICE VOLATILITY AND OTHER FACTORS.

THESE CHARGES WILL NOT AFFECT ADJUSTED NET INCOME OR ADJUSTED EPS.

- (i) REFLECTS CURRENT FULLY DILUTED SHARES.
- (j) IN CONNECTION WITH THE EXPEDIA TRANSACTION WHICH WAS COMPLETED IN FEBRUARY 2002, USA ISSUED \$656 MILLION FACE VALUE 1.99% CONVERTIBLE PREFERRED STOCK, WHICH IS INITIALLY CONVERTIBLE AT \$33.75 INTO APPROXIMATELY 19.4 MILLION SHARES. THE COMPANY ANTICIPATES THAT THE PREFERRED STOCK WILL HAVE A DILUTIVE IMPACT TO ADJUSTED EPS IN 2003, THUS 19.4 MILLION SHARES WILL BE TREATED ON AN AS CONVERTED BASIS FOR PURPOSES OF ADJUSTED EPS IN 2003.
- (k) THE TRANSACTION IS EXPECTED TO BE SLIGHTLY DILUTIVE TO USA'S ADJUSTED EPS FOR 2003, HOWEVER, DUE TO EXPECTED OVER PERFORMANCE BY EXPEDIA AND USA'S OTHER BUSINESSES, USA BELIEVES THAT IT WILL MEET ITS CURRENT 2003 BUDGETED ADJUSTED EPS OF \$0.75 PER SHARE BASED ON THE EXPECTATION OF A SHORT CONFLICT IN IRAQ WITHOUT ANY OTHER SIGNIFICANT GEOPOLITICAL DISRUPTIONS DURING THE YEAR.

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As filed with the Securities and Exchange Commission on March 19, 2003.

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 (\$ IN MILLIONS)

	PRO FORMA AS OF 12/31/02(A) ATTRIBUTABLE(B)	CONSOLIDATED
CASH		
USA(c)(d)(e)	\$2,681	\$2,681
Expedia(f)(g)	559	559
Hotels.com (f)(h)	219	323
	-----	-----
Total	\$3,459	\$3,562
INVESTMENTS		
Total Value of VUE Securities (Net of Estimated Taxes)(i)	\$2,203	\$2,203
	-----	-----
TOTAL CASH & VUE SECURITIES	\$5,662	\$5,765
	-----	-----
LONG-TERM DEBT (e)	\$1,236	\$1,236
1.99% CONVERTIBLE PREFERRED STOCK(j)	\$656	\$656
	-----	-----
TOTAL DEBT & PREFERRED STOCK	\$1,892	\$1,892
	-----	-----
NET CASH AND VUE SECURITIES	\$3,770	\$3,873
	-----	-----

- (a) PRO FORMA FOR FULL CONSOLIDATION OF EXPEDIA CASH.
 (b) CALCULATED BASED ON USA'S TREASURY METHOD, FULLY DILUTED OWNERSHIP IN USA'S PUBLICLY-TRADED SUBSIDIARIES.
 (c) REFLECTS TICKETMASTER ACQUISITION AND EXCLUDES TICKETMASTER CASH DUE TO CLIENTS.
 (d) PRO FORMA FOR USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UDATE
 (e) REFLECTS \$750 MILLION DEBT ISSUANCE.
 (f) CASH INCLUDES \$149.3 MILLION IN DEFERRED MERCHANT BOOKINGS AT EXPEDIA AND \$76.4 MILLION IN DEFERRED REVENUE AT HOTELS.COM.
 (g) PRO FORMA FOR COMPLETED 0.4M SHARE REPURCHASE IN Q1 2003,
 (h) PRO FORMA FOR COMPLETED 1.6M SHARE REPURCHASE IN Q1 2003.
 (i) BASED ON BALANCE SHEET CARRYING VALUES. TAXES REPRESENT ESTIMATED PRESENT VALUE OF TAXES TO BE PAID UPON MATURITY OF VUE SECURITIES.
 (j) THE BALANCE SHEET CARRYING VALUE OF THE CONVERTIBLE PREFERRED STOCK ISSUED IN THE EXPEDIA TRANSACTION IS BASED ON PAR VALUE, WHICH IS \$0.01 PER SHARE OR APPROXIMATELY \$131,000 AND IS ADJUSTED TO REFLECT THE FACE VALUE OF THE SECURITY, OR \$50 PER SHARE.

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/ / USA BELIEVES:

- / / THE ONLINE MIGRATION OF TRAVEL, ALREADY THE SINGLE LARGEST INTERACTIVE COMMERCE CATEGORY, REMAINS AT AN EARLY STAGE
- / / EXPEDIA'S BRAND, TECHNOLOGY AND MANAGEMENT WILL CONTINUE TO SUPPORT ITS CATEGORY LEADERSHIP
- / / REGARDLESS OF NEAR-TERM WORLD EVENTS, THE BUY-IN OF EXPEDIA WILL DELIVER SIGNIFICANT VALUE TO USA'S SHAREHOLDERS OVER TIME
- / / USA FURTHER BELIEVES THAT:
 - / / IT WILL BE ABLE TO MEET ITS 2003E ADJUSTED EPS BUDGET OF \$0.75 PER SHARE, BASED ON THE EXPECTATION OF A SHORT CONFLICT IN IRAQ WITHOUT ANY OTHER SIGNIFICANT GEOPOLITICAL DISRUPTIONS DURING THE YEAR
 - / / THE FULL CONSOLIDATION OF EXPEDIA WILL SUBSTANTIALLY SIMPLIFY USA'S CORPORATE STRUCTURE AND REMOVE A SOURCE OF MARKET DISCOUNT
 - / / THE TRANSACTION WILL GIVE USA ACCESS TO EXPEDIA'S SUBSTANTIAL FREE CASH FLOW
 - / / EXPEDIA'S MANAGEMENT AND TECHNOLOGY WILL PROVIDE BROADER AND SIGNIFICANTLY INCREASED BENEFITS / LEADERSHIP TO THE WHOLE USA FAMILY AS A RESULT OF THE TRANSACTION

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 (\$ IN BILLIONS)

// ONLINE TRAVEL REPRESENTS APPROXIMATELY ONE-THIRD OF TOTAL ONLINE COMMERCE

U.S. ONLINE TRANSACTION VALUE BY CATEGORY(A) (B)

YEAR	ONLINE TRAVEL	ALL OTHER
2002	\$27.8	\$52.1
2003	\$37.4	\$69.9
2004	\$48.3	\$90.9
2005	\$59.8	\$117.3
2006	\$71.3	\$147.5

// EACH SUBCATEGORY WITHIN TRAVEL IS EXPECTED TO GROW AT ATTRACTIVE RATES

U.S. Online Retail Forecast

	2002	2003	2004	2005	2006	CAGR
Air(a)	\$16.1	\$20.9	\$25.7	\$30.4	\$34.3	21%
Hotel(a)	\$6.8	\$9.6	\$13.0	\$16.8	\$20.8	32%
Car(a)	\$3.7	\$5.2	\$7.1	\$9.1	\$11.3	32%
Vacation / Cruise(a)	\$1.1	\$1.7	\$2.5	\$3.6	\$4.9	45%
Online Travel	\$27.8	\$37.4	\$48.3	\$59.8	\$71.3	27%
All Other(b)	\$52.1	\$69.9	\$90.9	\$117.3	\$147.5	30%
Total Online Retail	\$79.9	\$107.3	\$139.2	\$177.1	\$218.3	29%

(a) ONLINE TRAVEL ESTIMATES BASED ON CSFB EQUITY RESEARCH, JANUARY 21, 2003.

(b) ESTIMATES FOR ALL OTHER ONLINE COMMERCE BASED ON FORRESTER RESEARCH, OCTOBER 10, 2002. ESTIMATES DO NOT INCLUDE ONLINE FINANCIAL SERVICES AND ONLINE CONTENT.

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/ / ONLINE TRAVEL HAS SIMILAR GROWTH CHARACTERISTICS TO ONLINE EVENT TICKETING

/ / USA BELIEVES ONLINE TRAVEL MIGRATION WILL CONTINUE TO ACCELERATE OVER TIME

ONLINE PENETRATION(A)(B)

EVENT TICKETING		TRAVEL	
Year	Online Penetration	Year	Online Penetration
----	-----	----	-----
1999	13%	2002	15%
2000	25%	2003E	19%
2001	32%	2004E	24%
2002	41%	2005E	29%

(a) ONLINE TICKETING PENETRATION BASED ON ONLINE REVENUE FROM TICKETMASTER, AS REPORTED IN USA SEC FILINGS.

(b) ONLINE TRAVEL PENETRATION ESTIMATES BASED ON PHOCUSWRIGHT RESEARCH, FEBRUARY 2003.

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 (\$ IN MILLIONS)

GROSS BOOKINGS VOLUME(A)

	Expedia	Travelocity	ROOM	Orbitz
1Q00	401	504.3	77	
2Q00	450	610.2	78	
3Q00	467.25	649.5	100	
4Q00	475.171	696.4	88	
1Q01	673.592	833.6	132	
2Q01	801.501	879	138	100
3Q01	723	784.8	151	298.7
4Q01	703.98	630.2	142	419.83
1Q02	1,107	783	166	542.581
2Q02	1,333	910	230	
3Q02	1,466	916	277	
4Q02	1380	888	273	

(A) SOURCE: COMPANY REPORTS. ROOM FIGURE REPRESENTS GROSS SALES AS ROOM DOES NOT REPORT GROSS BOOKINGS.

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 (\$ IN MILLIONS)

[] Assuming Expedia grows in line with online travel and margins remain constant, a hypothetical estimate for Expedia implies over \$400 million in EBITA by 2006

[] Expedia has consistently outperformed its online travel peers

HYPOTHETICAL EXPEDIA FINANCIAL PERFORMANCE(A)

	2003E -----	2006 HYPOTHETICAL -----	
Expedia Revenue	\$ 845	\$ 1,600 +	
Expedia EBITA	\$ 221	\$ 420 +	(Represents nearly 2x 2003E EBITA. USA believes Expedia will continue to outperform...)

(A) 2003 ESTIMATES BASED EXPEDIA BUDGET DATED FEBRUARY 5, 2003. THROUGH 2006, REVENUE GROWTH ASSUMED TO BE EQUAL TO THE GROWTH RATE OF ONLINE TRAVEL, AS PER CSFB EQUITY RESEARCH, JANUARY 21, 2003, AND EBITA MARGINS ASSUMED TO BE EQUAL TO 2003 EBITA MARGINS.

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As filed with the Securities and Exchange Commission on March 19, 2003.

 (\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	USA			
	PRO FORMA(A)	AMAZON(B)	EBAY(C)	YAHOO!(C)
Share Price (3/18/03)	\$26.49	\$26.78	\$88.08	\$ 21.97
Shares Outstanding	656	407	314	608
Market Capitalization	\$17,365	\$10,901	\$27,692	\$13,347
Less: Net Cash	(3,770)	976	(1,093)	(1,534)
Enterprise Value	\$13,595	\$11,877	\$26,600	\$11,813
Attributable EBITA				

2002PF	\$407	\$180	\$370	\$118
2003E	\$697	\$252	\$573	\$227
Enterprise Value/ Attributable EBITA				

2002PF	33.4x	65.9x	71.9x	100.2x
2003E	19.5x	47.2x	46.5x	52.1x
Adjusted EPS				

2002PF	\$0.44	\$0.17	\$0.87	\$0.17
2003E	\$0.75(d)	\$0.30	\$1.34	\$0.28
Price/Adjusted EPS				

2002PF	60.3x	157.5x	101.2x	129.2x
2003E	35.3x	89.3x	65.7x	78.5x

COMSCORE MEDIA METRIX(E)

	PROPERTY	UNIQUE VISITORS (000S)
1	AOL Time Warner Network	109,158
2	MSN-Microsoft Sites	106,966
3	Yahoo! Sites	105,554
4	ebay	53,488
5	Terra Lycos	50,037
6	Google Sites	49,405
7	About/Primedia	47,868
8	Amazon Sites	37,721
[9	USA INTERACTIVE	37,556]
10	Gator Network	36,201

(a) Please see important footnotes on page 4 which explain and qualify the USA pro forma figures in this column.

(b) Source: CSFB equity research report dated 1/24/03.

(c) Source: Thomas Weisel Partners equity research report dated 1/7/03 for eBay and 2/13/03 for Yahoo!.

(d) Reflects anticipated performance.

(e) Source: comScore Media Metrix, February 2003. Data for USA is from a comScore Media Metrix unranked custom entity report defined by USA, representing combined home/work unduplicated reach for all of USA's subsidiaries, and is compared to the comScore Media Metrix Top 100 Properties list.

 (\$ IN MILLIONS)

	USA	
	PRO FORMA (A)	EBAY(B)
	-----	-----
2002 GROSS TRANSACTION VALUE(C) 2003E ESTIMATES -----	\$12,903	\$14,868
Revenue	\$6,008	\$1,979
FREE CASH FLOW	\$811(D)	\$459
PEG RATIO(E) -----		
Price / 2003E Adjusted EPS	35.3x	65.7x
2002PF-2003E Adjusted EPS Growth	64%	54%
PEG RATIO(E)	0.6X	1.2X

- (a) Please see important footnotes on page 4 which explain and qualify the USA pro forma figures in this column.
- (b) Source: Thomas Weisel Partners equity research report dated 1/7/03.
- (c) USA gross transaction value based on USA earnings release dated February 6, 2003. eBay gross transaction value reflects gross merchandise sales.
- (d) Free Cash Flow is defined as Net Cash Provided by Operating Activities, less capital expenditures, other investments relating to operations and preferred dividends paid. Free Cash Flow also includes cash received and tax payments related to the VUE securities. Free Cash Flow includes cash distributions of 3.6% of the face value of the VUE Class B preferred interest and assumes in 2003 the receipt of \$29.2 million in tax distributions relating to the VUE preferred interests, which tax distributions are currently the subject of dispute between USA and Vivendi. The tax distributions assume there is sufficient income at VUE and a tax rate of 40%. Estimated tax payments of \$100-\$125 million in 2003 related to the sale of USA Broadcasting to Univision which closed in August 2001 are included in discontinued operations and accordingly have no impact on net cash from operations or free cash flow.
- (e) Reflects current share price divided by 2003E adjusted EPS divided by 2002PF-2003E adjusted EPS growth.

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As filed with the Securities and Exchange Commission on March 19, 2003.

[] Pro forma for the transaction, USA's stock will capture 95% of the value of USA's operating subsidiaries

USA Ownership of Operations(a)

May 31, 2002 Pre-Original Buy-in Announcement(b)		March 18, 2003 Post-Ticketmaster Acquisition (c)		Pro Forma For Expedia Buy-in(d)	
Owned by USA	77%	Owned by USA	81%	Owned by USA	95%
Publicly-Held	23%	Publicly-Held	19%	Publicly-Held	5%

(a) Value owned by USA reflects market capitalization of USA.

(b) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Ticketmaster, Expedia and Hotels.com.

(c) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Expedia and Hotels.com.

(d) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Hotels.com.

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As filed with the Securities and Exchange Commission on March 19, 2003.

[] The transaction will give USA full access to Expedia's substantial cash flow

SOURCES OF USA 2003E EBITA(A)
100% = \$751 MILLION

Wholly-Owned operations	49%
Expedia	29%
Hotels.com	22%

(a) Based on USA budget released on February 6, 2003.

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 (\$ IN MILLIONS)

- [] Transaction moderately increases USA travel concentration
- [] USA will continue to be a balanced company, growing both organically and through targeted acquisitions into new verticals
-

	CURRENT(A)	PRO FORMA(B)
	-----	-----
USA FULLY DILUTED MARKET CAPITALIZATION(C)	\$14,055	\$17,365
Value of USA Fully Diluted Stake in Hotels.com(c)	\$2,076	\$2,076
Value of USA Fully Diluted Stake in Expedia(c)	\$2,757	\$5,135
Value of USA Stake Interval International(d)	\$533	\$533
Value of USA Stake in TV Travel Shop(e)	\$100	\$100
	-----	-----
USA EQUITY VALUE IN TRAVEL	\$5,466	\$7,844
AS % OF TOTAL EQUITY VALUE	38.9%	45.2%
	-----	-----
% INCREASE IN TRAVEL EXPOSURE		6.3%
	-----	-----

- (a) CURRENT DATA REFLECTS PUBLIC MARKET VALUES AS OF MARCH 18, 2003, UNLESS OTHERWISE NOTED.
- (b) PRO FORMA VALUES REFLECT EXPEDIA TRANSACTION ASSUMING CURRENT MARKET VALUES.
- (c) FULLY DILUTED OWNERSHIP OF PUBLIC SUBSIDIARIES AND FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK.
- (d) INTERVAL INTERNATIONAL VALUE BASED ON PURCHASE PRICE.
- (e) TV TRAVEL SHOP VALUE BASED ON PURCHASE PRICE.
-

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As filed with the Securities and Exchange Commission on March 19, 2003.

This supplemental information contains forward-looking statements relating to possible or assumed future results of USA. It refers to the USA budget released on February 6, 2003. The data contained herein is as of the February 6, 2003 budget, other than as specifically mentioned herein. The budgeted and outlook data is not being reconfirmed or updated herein. These forward-looking statements are subject to risks and uncertainties that could cause future results to materially differ. These risks and uncertainties are described in USA's Securities and Exchange Commission filings. Any statements non factual in nature constitute forward-looking statements which are made as of the date this information was initially released, and in all cases, this information is subject to change without notice. USA undertakes no obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events or for any other reason. These statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be completed in the future, other than as specifically mentioned herein.

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