AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 1998.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998
COMMISSION FILE NUMBER 0-20570

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

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

152 WEST 57TH STREET
NEW YORK, NEW YORK
(Address of principal executive offices)

10019
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 1, 1998, there were outstanding 103,079,802 shares of Common Stock and 31,181,726 shares of Class B Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Registrant as of May 1, 1998 was $2,004,923,795.

Assuming the conversion, as of May 1, 1998, of all equity securities of the Registrant and its affiliates convertible into or exchangeable for Common Stock, the Registrant would have had outstanding 265,659,746 shares of Common Stock with an aggregate market value of $6,674,701,118.

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

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USA NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(In thousands, except per share data)	
NET REVENUES		
Home Shopping	$249,196	$261,418
Networks and Television Production	166,162	--
Ticketmaster	93,235	--
Broadcasting and Other	14,518	18,133
Total net revenues	523,111	279,551
Operating costs and expenses:		
Cost of sales	164,364	158,614
Program costs	90,138	--
Other costs	186,571	76,569
Depreciation and amortization	47,268	20,959
Total operating costs and expenses	488,341	256,142
Operating income	34,770	23,409
Other income (expense):		
Interest income	3,604	1,340
Interest expense	(27,153)	(7,021)
Gain on disposition of broadcast station	74,940	--
Miscellaneous	(9,220)	(3,229)
	42,171	(8,910)
Earnings before income taxes and minority interest	76,941	14,499
Income tax expense	(38,712)	(11,129)
Minority interest	(4,298)	400
NET EARNINGS	$ 33,931	$ 3,770
Net earnings per common share		
Basic	$ .28	$ .04
Diluted	$ .17	$ .04
Weighted average shares outstanding	123,062	101,246
Weighted average diluted shares outstanding	212,501	101,246

The accompanying notes are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	MARCH 31, 1998	MARCH 31, 1997	DECEMBER 31, 1997
	(In thousands)		
CURRENT ASSETS			
Cash and cash equivalents	$ 162,191	$ 41,562	$ 116,036
Accounts and notes receivable, net	283,392	53,291	96,867
Inventories, net	400,013	113,479	151,100
Deferred income taxes	37,296	34,718	39,956
Other current assets, net	27,507	6,778	16,723
Total current assets	910,399	249,828	420,682
PROPERTY, PLANT AND EQUIPMENT			
Computer and broadcast equipment	165,913	98,556	145,701
Buildings and leasehold improvements	84,241	63,072	83,851
Furniture and other equipment	70,347	20,889	39,498
	320,501	182,517	269,050
Less accumulated depreciation and amortization	119,501	78,143	120,793
	201,000	104,374	148,257
Land	16,624	14,944	16,602
Projects in progress	16,823	6,519	15,262
	234,447	125,837	180,121
OTHER ASSETS			
Intangible assets, net	6,018,127	1,529,969	1,862,128
Cable distribution fees, net ($44,833, $39,825, and $46,459, respectively, to related parties)	106,771	112,854	111,292
Long-term investments and notes receivable ($7,784, $17,368, and $8,353, respectively, in related parties)	75,692	45,000	59,780
Inventories, net	164,825	--	--
Deferred income taxes	63,190	6,086	3,541
Deferred charges and other, net	139,985	29,726	33,252
	6,568,590	1,723,635	2,069,993
	$7,713,436	$2,099,300	$2,670,796

The accompanying notes are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY	MARCH 31, 1998	MARCH 31, 1997	DECEMBER 31, 1997
	(In thousands)		
CURRENT LIABILITIES			
Current maturities of long-term obligations	$ 35,399	$ 14,734	$ 12,918
Accounts payable	212,006	109,599	185,101
Obligations for program rights and film costs	240,846	--	--
Cable distribution fees payable ($18,487, $8,703; and $19,091, respectively, to related parties)	47,554	35,472	43,553
Other accrued liabilities	298,619	82,572	118,169
Total current liabilities	834,424	242,377	359,741
LONG-TERM OBLIGATIONS (net of current maturities)	1,862,909	269,071	448,346
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	327,114	--	--
OTHER LONG-TERM LIABILITIES	60,621	58,392	43,132
MINORITY INTEREST	2,736,010	365,009	372,223
COMMITMENTS AND CONTINGENCIES	--	--	--
STOCKHOLDERS' EQUITY			
Preferred stock -- $.01 par value; authorized 15,000,000 shares; no shares issued and outstanding	--	--	--
Common stock -- $.01 par value; authorized 800,000,000 shares; issued and outstanding 102,222,772; 72,188,386; and 87,430,586 shares, respectively	1,022	722	874
Class B -- convertible common stock -- $.01 par value; authorized, 200,000,000 shares; issued and outstanding, 32,013,616; 20,450,112; and 24,455,294 shares, respectively	320	204	244
Additional paid-in capital	1,968,386	1,286,208	1,558,037
Accumulated deficit	(69,670)	(112,892)	(103,601)
Unearned compensation	(2,702)	(4,793)	(3,202)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)	(4,998)
	1,892,358	1,164,451	1,447,354
	$7,713,436	$2,099,300	$2,670,796

The accompanying notes are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	UNEARNED COMPENSATION	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE	TOTAL
				(In thousands)			
BALANCE AT JANUARY 1, 1997	$ 720	$204	$1,284,815	$(116,662)	$(5,330)	$(4,998)	$1,158,749
Issuance of common stock upon exercise of stock options	2	--	805	--	--	--	807
Income tax benefit related to executive stock options exercised	--	--	588	--	--	--	588
Amortization of unearned compensation related to stock options and equity participation plans	--	--	--	--	537	--	537
Net earnings for the three months ended March 31, 1997	--	--	--	3,770	--	--	3,770
BALANCE AT MARCH 31, 1997	$ 722	$204	$1,286,208	$(112,892)	$(4,793)	$(4,998)	$1,164,451
BALANCE AT JANUARY 1, 1998	$ 874	$244	$1,558,037	$(103,601)	$(3,202)	$(4,998)	$1,447,354
Issuance of common stock upon exercise of stock options	2	--	1,635	--	--	--	1,637
Income tax benefit related to executive stock options exercised	--	--	1,061	--	--	--	1,061
Issuance of stock in connection with Universal Transaction	71	76	302,007	--	--	--	302,154
Issuance of stock in connection with conversion of debentures	75	--	105,646	--	--	--	105,721
Amortization of unearned compensation related to stock options and equity participation plans	--	--	--	--	500	--	500
Net earnings for the three months ended March 31, 1998	--	--	--	33,931	--	--	33,931
BALANCE AT MARCH 31, 1998	$1,022	$320	$1,968,386	$ (69,670)	$(2,702)	$(4,998)	$1,892,358

The accompanying notes are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(In thousands)	
Cash flows from operating activities:		
Net earnings	$ 33,931	$ 3,770
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	47,268	21,499
Amortization of program rights	78,238	--
Deferred income taxes	4,064	7,615
Equity in losses of unconsolidated affiliates	5,788	3,322
Gain on disposition of broadcast station	(74,940)	--
Minority interest	4,298	(400)
Changes in current assets and liabilities:		
Accounts receivable	(28,252)	3,189
Inventories	(2,129)	(12,240)
Accounts payable	19,519	14,178
Accrued liabilities	63,683	(16,931)
Payment for program rights	(84,329)	--
Other, net	(7,165)	5,536
NET CASH PROVIDED BY OPERATING ACTIVITIES	59,974	29,538
Cash flows from investing activities:		
Acquisition of Universal Transaction, net of cash acquired	(1,306,473)	--
Acquisitions, net of cash acquired	(17,520)	--
Capital expenditures, net	(19,002)	(9,169)
Capital contributions received	--	9,000
Increase in long-term investments	(12,472)	(1,159)
Proceeds from long-term notes receivable	813	815
Proceeds from disposition of broadcast station	80,000	--
Investment of broadcast station proceeds	(80,000)	--
Payment of merger costs	(10,680)	(341)
NET CASH USED IN INVESTING ACTIVITIES	(1,365,334)	(854)
Cash flows from financing activities:		
Borrowings	1,499,380	--
Principal payments on long-term obligations	(149,502)	(30,534)
Proceeds from issuance of common stock	1,637	806
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	1,351,515	(29,728)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,155	(1,044)
Cash and cash equivalents at beginning of period	116,036	42,606
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 162,191	$ 41,562

The accompanying notes are an integral part of these statements.

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A -- COMPANY HISTORY AND BASIS OF PRESENTATION

COMPANY HISTORY

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

In December 1996, the Company consummated mergers with each of Home Shopping Network, Inc. ("Home Shopping") and Savoy Pictures Entertainment, Inc. ("Savoy") (the "Mergers"). In July, 1997, the Company acquired a controlling interest in Ticketmaster Group, Inc. ("Ticketmaster"). On March 20, 1998, the Company entered into a merger agreement with Ticketmaster regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for 1.126 shares of Common Stock for each outstanding share of Ticketmaster common stock. On February 12, 1998, the Company acquired USA Networks, a New York general partnership, consisting of cable television networks USA Network and Sci-Fi Channel ("Networks"), as well as the domestic television production and distribution businesses of Universal Studios ("Studios USA") from Universal Studios, Inc. ("Universal"), an entity controlled by The Seagram Company Ltd. ("Seagram"), and the Company changed its name to USA Networks, Inc. (the "Universal Transaction") -- See Note C.

Following the Universal Transaction, the Company engages in four principal areas of business:

- HOME SHOPPING, which primarily engages in the electronic retailing business.

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

- USA BROADCASTING, which owns and operates television stations.

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

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the year ended December 31, 1997.

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

The Condensed Consolidated Financial Statements include the operations of USA Networks and Studios USA from the date of acquisition on February 12, 1998.

Certain amounts in the Condensed Consolidated Financial Statements for the quarter ended March 31, 1997 have been reclassified to conform to the 1998 presentation.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 Form 10-K") for a summary of significant accounting policies.

CONSOLIDATION

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

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

REVENUE RECOGNITION

Networks and Television Production

Television production revenues are recognized as completed episodes are delivered. Generally, television programs are first licensed for network exhibition and foreign syndication, and subsequently for domestic syndication, cable television and home video. Certain television programs are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video. Television production advertising revenues (i.e., sales of advertising time received by Studios USA in lieu of cash fees for the licensing of program broadcast rights to a broadcast station ("barter syndication")) are recognized upon both the commencement of the license period of the program and the sale of advertising time pursuant to non-cancelable agreements, provided that the program is available for its first broadcast. Foreign minimum guaranteed amounts or inducement fees are recognized as revenues on the date of the license agreement, provided the program is available for exhibition.

Networks advertising revenue is recognized in the period in which the advertising commercials are aired on cable networks. Provisions are recorded against advertising revenues for audience under deliveries ("makegoods"). Affiliate fees are recognized in the period during which the programming is provided.

EARNINGS PER SHARE

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

COMPREHENSIVE INCOME

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. The adoption of this Statement had no impact on the Company's net earnings or shareholders' equity.

During the first quarter of 1998 and 1997, total comprehensive income substantially equaled net income.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements and notes include the inventory carrying adjustment, sales return accrual, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, management's forecast of anticipated revenues from the distribution of television product in order to evaluate the ultimate recoverability of film inventory and amortization of program usage.

RECENTLY ISSUED PRONOUNCEMENTS

During fiscal 1997, Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") was issued. SFAS 131 requires disclosure of financial and descriptive information about an entity's reportable operating segments under the "management approach" as defined in the Statement. The Company will adopt SFAS 131 as of December 31, 1998. The impact of adoption of this standard on the Company's financial statements is not expected to be material.

FILM COSTS

Film costs consist of direct production costs and production overhead, less accumulated amortization. Development roster (and related costs) and abandoned story and development costs are charged to production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value on a production-by-production basis.

Generally, the estimated ultimate costs of completed television productions are amortized, and participation expenses are accrued, for each production in the proportion that current period revenue recognized bears to the estimated future revenue to be received from all sources. Amortization and accruals are made under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value are made as required.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of television program productions allocated to network, first run syndication and initial international distribution markets. The allocated portion of released film costs expected to be recovered from secondary markets or other exploitation is reported as a noncurrent asset. Other costs relating to television productions, such as television program development costs, in-process productions and the television program library, are classified as noncurrent assets.

PROGRAM RIGHTS

License agreements for program material are accounted for as a purchase of program rights. The asset related to the program rights acquired and the liability for the obligation incurred are recorded at their net present value when the license period begins and the program is available for its initial broadcast. The asset is amortized primarily based on the estimated number of airings. Amortization is computed generally on the straight-line basis as programs air; however, when management estimates that the first airing of a program has more value than subsequent airings, an accelerated method of amortization is used. Other costs related to programming, which include program assembly, commercial integration and other costs, are expensed as incurred. Management periodically reviews the carrying value of program rights and records write-offs, as warranted, based on changes in programming usage.

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

NOTE C -- BUSINESS ACQUISITIONS

In connection with the Universal Transaction, USAi paid Universal approximately $4.1 billion including a cash payment of approximately $1.63 billion, a portion of which ($300 million) has been deferred until no later than June 30, 1998, and an effective 45.8% interest in the Company (assuming completion of the Liberty transaction described below) through shares of common stock, par value $.01 per share, of the Company (the "Common Stock") and Class B common stock, par value $.01 per share, of the Company (the "Class B Common Stock"), and shares ("LLC Shares") of a newly formed limited liability company ("USANi LLC") which are exchangeable (subject to regulatory restrictions) into shares of Common Stock and Class B Common Stock. At the closing of the Universal Transaction, USAi contributed its Home Shopping business to USANi LLC, a subsidiary of USAi. Simultaneously with this transaction, the remaining 1,178,322 shares of Class B Common Stock, contingently issuable to Liberty in connection with the Mergers, were issued.

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

The Universal Transaction has been accounted for using the purchase method of accounting . The purchase price of $4.1 billion including expenses, has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The fair value of the assets acquired and liabilities assumed are summarized below, along with the excess of the purchase price, including expenses, over the fair value of net assets, which has been assigned to goodwill.

	(In thousands)
Current assets	$ 478,000
Non-current assets	267,000
Goodwill	4,153,000
Current liabilities	420,000
Non-current liabilities	345,000

The following unaudited pro forma condensed consolidated financial information for the quarters ended March 31, 1998 and 1997, is presented to show the results of the Company for the full periods, as if the Universal Transaction occurred at the beginning of the periods presented. The pro forma results include certain adjustments, including increased amortization related to goodwill, the reduction of programming costs for fair value adjustments related to purchase accounting and the elimination of intercompany revenues and expenses, and are not necessarily indicative of what the results would have been had the Universal Transaction actually occurred on the aforementioned dates.

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(In thousands, except per share data)	
Net revenues	$680,475	$623,282
Net earnings (loss)	34,018	(9,999)
Basic earnings (loss) per common share	$ .26	$ (.09)
Diluted earnings (loss) per common share	$ .15	(.09)

NOTE D -- CREDIT FACILITIES AND CONVERTIBLE SUBORDINATED DEBENTURES

On February 12, 1998, the Company, and certain of its subsidiaries, including USANi LLC as borrower, entered into a new $1.6 billion credit facility (the "New Facility") with a $40.0 million sub-limit for letters of credit. The New Facility was used to finance the Universal Transaction and to refinance the Company's existing facility. The New Facility consists of a $600.0 million revolving credit facility, a $750.0 million "Tranche A Term Loan" and a $250.0 million "Tranche B Term Loan". The revolving credit facility and Tranche A Term Loan mature on December 31, 2002 and the Tranche B Term Loan matures on December 31, 2003. The New Facility is guaranteed by, and secured by stock in, substantially all of the Company's material subsidiaries. The interest rate on borrowings under the New Facility is tied to an alternate base rate or the London InterBank Rate, in each case, plus an applicable margin. The interest rate under the New Facility was 7.2% at March 31, 1998. As of March 31, 1998, there was $1.445 billion in outstanding borrowings under the New Facility and $151.7 million was available for borrowing after taking into account outstanding letters of credit.

As of March 1, 1998, the 5 7/8% Convertible Subordinated Debentures were converted into 7,499,022 shares of Common Stock.

NOTE E -- INCOME TAXES

The Company's effective tax rate of 50% for the quarter ended March 31, 1998 is higher than the statutory rate due primarily to non-deductible goodwill and other acquired intangibles and state income taxes. During the remainder of 1998, the Company's effective tax rate is expected to be higher than the statutory rate as a result of the items mentioned above and higher than the first quarter rate because the gain on the sale of the Baltimore television station in the first quarter had the effect of lowering the Company's effective tax rate.

NOTE F -- CONSOLIDATED STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE QUARTER ENDED MARCH 31, 1998:

	(In thousands)
ACQUISITION OF USA NETWORKS AND STUDIOS USA	
Acquisition price	$ 4,124,771
Less: Amount paid in cash	(1,310,223)
Total Non-Cash Consideration	$ 2,814,548
Components of Non-Cash Consideration:	
Deferred purchase price liability	$ 300,000
Issuance of Common Shares and Class B Shares	277,898
Issuance of USANi LLC Shares	2,236,650
	$ 2,814,548
Exchange of Minority Interest in USANi LLC for Deferred Purchase Price Liability	$ 122,711

As of March 1, 1998 the 5 7/8% Convertible Subordinated Debentures were converted to 7,499,022 shares of Common Stock.

In addition, during the quarter ended March 31, 1998, the Company acquired computer equipment through a capital lease totaling $15.5 million.

In connection with the Universal Transaction, the Company issued 1,178,322 Class B Common Stock to Liberty, which represents the remaining contingently issuable shares in connection with the Merger.

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

NOTE G -- INVENTORIES

INVENTORIES CONSIST OF	MARCH 31, 1998 CURRENT	MARCH 31, 1998 NONCURRENT	DECEMBER 31, 1997 CURRENT	DECEMBER 31, 1997 NONCURRENT
	(In thousands)			
Film costs:				
Released, less amortization	$ 94,945	$ 64,322		
In process and unreleased	18,613	--		
Programming costs, net of amortization	133,226	100,503		
Merchandise held for sale	148,416	--	$151,100	$ --
Other	4,813			
Total	$400,013	$164,825	$151,100	$ --

The Company estimates that approximately 70% of unamortized film costs (including amounts allocated under purchase accounting) at March 31, 1998 will be amortized within the next three years.

NOTE H -- SAVOY SUMMARIZED FINANCIAL INFORMATION (UNAUDITED)

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

SUMMARIZED OPERATING INFORMATION	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
	(In thousands)	
Net revenue	$14,286	$ 17,659
Operating expenses	15,028	19,757
Operating loss	(742)	(2,098)
Net loss	(1,590)	(3,652)

SUMMARY BALANCE SHEET INFORMATION	MARCH 31, 1998	MARCH 31, 1997	DECEMBER 31, 1997
	(In thousands)		
Current assets	$ 30,596	$ 42,789	$ 31,898
Non-current assets	284,983	288,099	289,381
Current liabilities	30,821	24,299	32,836
Non-current liabilities	106,521	123,449	110,470
Minority interest	118,302	120,233	119,427

Amounts include the operations of SF Broadcasting, which the Company has agreed to sell -- See Note J.

NOTE I -- PROGRAM RIGHTS AND FILM COSTS

As of March 31, 1998, the liability for program rights, representing future payments to be made under program contract agreements amounted to $486.7 million. Annual payments required are $120.9 million in 1998, $106.2 million in 1999, $40.8 million in 2000, $12.4 million in 2001, $3.8 million in 2002 and $202.6 million in 2003 and thereafter. Amounts representing interest are $57.5 million and the present value of future payments is $429.2 million.

As of March 31, 1998, the liability for film costs amounted to $138.7. Annual payments are $103.1 in 1998 and $35.6 in 1999.

Unrecorded commitments for program rights consist of programs for which the license period has not yet begun or the program is not yet available to air. As of March 31, 1998, the unrecorded commitments amounted to $855.6 million. Annual commitments are $123.7 million for the remainder of 1998, $119.7 million in 1999, $128.9 million in 2000, $137.0 million in 2001, $116.5 million in 2002 and $229.8 million in 2003 and thereafter.

NOTE J -- BROADCAST STATION TRANSACTIONS

On January 20, 1998, the Company consummated the sale of its Baltimore television station for $80.0 million resulting in a gain of $74.9 million during the first quarter of 1998.

On March 30, 1998, the Company announced that it had signed an agreement to sell its interest in SF Broadcasting ("SF"), which owns and operates four television stations. The total consideration to be received for SF is $307 million, of which the Company's share is $120 million, net of repayment of bank debt outstanding. No significant gain or loss is expected to be realized on the disposition of these assets.

ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

USA Networks, Inc. (the "Company" or "USAi"), formerly known as HSN, Inc., is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses. At December 31, 1997, the Company owned a controlling interest in Ticketmaster Group, Inc. ("Ticketmaster"). On March 20, 1998, the Company and Ticketmaster entered into a merger agreement regarding the acquisition by the Company in a tax-free merger of the remaining Ticketmaster common stock for 1.126 shares of Common Stock for each outstanding share of Ticketmaster common stock. On February 12, 1998, the Company acquired cable television networks USA Network and Sci-Fi Channel ("Networks") as well as the domestic television production and distribution business of Universal Studio ("Studios USA") from Universal (the "Universal Transaction") and changed the Company's name to USA Networks, Inc. Following the Universal Transaction, the Company's principal areas of business are electronic retailing (through its Home Shopping business), the operation of cable networks and the production and distribution of television programming (through its Networks and television production business), the ownership and operation of television stations (through USA Broadcasting) and automated ticketing services (through Ticketmaster). During 1996, the Company merged with Home Shopping Network, Inc. ("Home Shopping") and Savoy Pictures Entertainment, Inc. ("Savoy"), (collectively, the "Mergers"). The acquisition of the controlling interest in Ticketmaster (the "Ticketmaster Transaction"), the Universal Transaction and the Mergers were accounted for using the purchase method of accounting.

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

EBITDA

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

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

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the past two years, the Company has pursued several strategic initiatives that have resulted in the acquisition and development of several new businesses. As a result, the following changes should be considered when comparing the Company's results of operations and financial position. These include the Universal Transaction in February 1998 and the acquisition of a controlling interest in Ticketmaster in July 1997. The acquisitions caused a significant increase in net revenues, operating costs and expenses and operating profit. To enhance comparability, the discussion of consolidated results of operations is supplemented, where appropriate, with separate pro forma financial information that gives effect to the above transactions as if they had occurred at the beginning of the respective periods presented. The pro forma information is not necessarily indicative of the revenues and cost of revenues that would have actually been reported had the Universal Transaction and the Ticketmaster Transaction occurred at the beginning of the respective periods, nor is it necessarily indicative of future results.

A. CONSOLIDATED RESULTS OF OPERATIONS

The following discussions present the material changes in the consolidated results of operations of the Company for the quarter ended March 31, 1998, compared with the quarter ended March 31, 1997. The operations of the quarter ended March 31, 1997, consist of the operations of Home Shopping, Savoy and USA Broadcasting while the operations of the quarter ended March 31, 1998 reflect Home Shopping, Savoy, USA Broadcasting, Ticketmaster and, since February 12, 1998, the results of USA Networks and Studios USA. Reference should also be made to the unaudited Condensed Consolidated Financial Statements included herein.

QUARTER ENDED MARCH 31, 1998 VS. QUARTER ENDED MARCH 31, 1997

The Universal Transaction and the Ticketmaster Transaction resulted in significant increases in net revenues, operating costs and expenses, other income (expense) and income taxes and will continue to materially impact the Company's operations for the remainder of 1998 when compared to 1997, and accordingly, no significant discussion of these fluctuations is presented.

NET REVENUES

For the quarter ended March 31, 1998, revenues increased $244 million compared to 1997 primarily due to increases of $166 million and $93 million from the Networks and television production business and Ticketmaster, respectively, offset by a $12 million decrease at Home Shopping.

OPERATING COSTS AND EXPENSES

For the quarter ended March 31, 1998, total operating costs and expenses increased $232 million compared to 1997 primarily due to increases of $138 million and $88 million from the Networks and television production business and Ticketmaster, respectively.

OTHER INCOME (EXPENSE), NET

For the quarter ended March 31, 1998, interest income increased $2.3 million compared to 1997 due to higher cash balances of the combined entities, specifically from Ticketmaster.

For the quarter ended March 31, 1998, interest expense increased $20.1 million compared to 1997 primarily due to interest incurred on the new credit facility to finance the Universal Transaction and non-cash interest expense on long-term program liabilities at the Networks and television production business.

For the quarter ended March 31, 1998, other expense increased $6.0 million compared to 1997 primarily due to equity losses relating to foreign investments at Home Shopping and losses from an international joint venture at the Networks and television production business.

INCOME TAXES

The Company's effective tax rate of 50% for the quarter ended March 31, 1998 is higher than the statutory rate due primarily to non-deductible goodwill and other acquired intangible and state income taxes. During the remainder of 1998, the Company's effective tax rate is expected to be higher than the statutory rate as a result of the items mentioned above and higher than the first quarter rate because the gain on the sale of the Baltimore television station in the first quarter had the effect of lowering the Company's effective tax rate.

MINORITY INTEREST

For the quarter ended March 31, 1998, minority interest represents Universal's ownership interest in USANi LLC for the period February 12 through March 31, 1998, Liberty's ownership interest in Home Shopping, Fox Broadcasting Company's 50% ownership interest in SF Broadcasting and the public's ownership interest in Ticketmaster.

PRO FORMA QUARTER ENDED MARCH 31, 1998 VS. PRO FORMA QUARTER ENDED MARCH 31, 1997

The following unaudited pro forma operating results of the Company presents combined results of operations as if the Universal Transaction and Ticketmaster Transaction had occurred on January 1, 1998 and 1997, respectively.

The Unaudited Combined Condensed Pro Forma Statements of Operations are presented for illustrative purposes only and are not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 1998 and 1997, nor are they necessarily indicative of future results of operations.

USA NETWORKS, INC. AND SUBSIDIARIES

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	(In thousands, except per share data)	
NET REVENUES:		
Home Shopping	$249,196	$261,418
Ticketing operations	93,235	80,655
Networks and television production	323,526	263,076
Other	14,518	18,133
Total net revenues	680,475	623,282
Operating costs and expenses:		
Cost of sales	342,186	322,395
Program and other costs	215,343	205,862
Depreciation and amortization	60,492	55,579
Total operating costs and expenses	618,021	583,836
Operating profit	$ 62,454	$ 39,446

For the quarter ended March 31, 1998, pro forma revenues for the Company increased $57 million, or 9.2%, to $680 million from $623 million compared to 1997. For the quarter ended March 31, 1998, cost of revenues and other costs increased $29 million, or 5.5%, to $557 million from $528 million compared to 1997.

For the quarter ended March 31, 1998, pro forma EBITDA increased $28 million, or 29.4%, to $123 million from $95 million compared to 1997.

The following discussion provides an analysis of the aforementioned increases in pro forma revenues and costs of revenues and other costs by significant business segment.

Electronic Retailing

Net revenue for the quarter ended March 31, 1998 decreased by $12.2 million, or 4.7%, to $249.2 million from $261.4 million compared to 1997. The decrease primarily results from an unanticipated shift in consumer demand away from jewelry to hardgoods, which includes consumer electronics, collectibles and housewares. The shift resulted in not having the necessary mix of inventory to satisfy consumer demand and resulted in the sale of certain inventory at lower prices.

Net sales of HSN decreased $12.2 million, or 4.7%, for the quarter ended March 31, 1998, reflecting a 4.0% decrease in the average price per unit sold on a comparable number of packages shipped compared to the quarter ended March 31, 1997.

Cost of revenues and other costs increased by $3.7 million, or 1.8%, to $219.1 million from $215.4 million. This increase resulted primarily from the sale of merchandise at lower gross margins (38.9% in 1998 compared to 41.7% in 1997) and from disengagement costs for certain affiliates, severance costs for the call center and higher merchandising personnel costs.

EBITDA for the quarter ended March 31, 1998 decreased $16.0 million, or 34.7%, to $30.0 million from $46.0 million compared to 1997.

Ticketing Operations

Net revenue for the quarter ended March 31, 1998 increased by $12.6 million, or 15.6%, to $93.2 million from $80.6 million compared to 1997. The increase primarily resulted from an increase in the number of tickets sold, including a significant increase in the number of tickets (400,000) sold on-line.

Cost of revenues and other costs increased by $10.3 million, or 14.9%, to $79.3 million from $69.0 million. This increase resulted primarily from higher ticketing operation costs as a result of higher ticketing revenue.

EBITDA for the quarter ended March 31, 1998 increased $2.3 million, or 19.8%, to $13.9 million from $11.6 million compared to 1997.

Networks and Television Production

Net revenue for the quarter ended March 31, 1998 increased by $60.4 million, or 23.0%, to $323.5 million from $263.1 million compared to 1997. The increase primarily resulted from an increase in advertising revenues at USA Network and Sci-Fi channels, an increase in affiliate revenues at both networks and increased deliveries of both network product and first run product at the television production business. Also contributing to higher revenues was the increase in ratings of USA Network in the first quarter 1998 compared to 1997.

Cost of revenues and other costs increased by $15.6 million, or 7.0%, to $239.6 million from $224.0 million. This increase results primarily from the cost of increased deliveries of network and first run product, partially offset by the lower cost of programming on USA Network.

EBITDA for the quarter ended March 31, 1998 increased $44.9 million, or 115.1%, to $83.9 million from $39.0 million compared to 1997.

Broadcasting and Other

Other revenue includes revenue generated from the distribution of films from the Savoy library acquired as a result of the Mergers and broadcasting revenue from the SF stations.

Other costs of revenues and other costs include the costs to generate the Savoy revenues, the SF Broadcasting station costs, corporate expenses and $2.3 million of cost in the quarter ended March 31, 1998 to launch the Miami station.

B. FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $60.0 million for the quarter ended March 31, 1998. These cash proceeds were used to pay for capital expenditures of $19.0 million, and pay for long-term investments of $12.5 million.

Consolidated capital expenditures for the quarter ended March 31, 1998 relate in part to the build-out of the Miami station. Consolidated capital expenditures are expected to range from $70.0 million to $95.0 million in 1998.

On February 12, 1998, the Company, and certain of its subsidiaries, including USANi LLC as borrower, entered into a new $1.6 billion credit facility (the "New Facility") with a $40.0 million sub-limit for letters of credit. The New Facility was used to finance the Universal Transaction and to refinance the Company's existing $275.0 million revolving credit facility. The New Facility consists of a $600.0 million revolving credit facility, a $750.0 million "Tranche A Term Loan" and a $250.0 million "Tranche B Term Loan". The revolving credit facility and Tranche A Term Loan mature on December 31, 2002 and the Tranche B Term Loan matures on December 31, 2003. The New Facility is guaranteed by, and secured by stock in, substantially all of the Company's material subsidiaries. The interest rate on borrowings under the New Facility is tied to an Alternate Base Rate or the London InterBank Offered Rate, in each case, plus an applicable margin. As of May 6, 1998, there was $1.410 billion in outstanding borrowings under the New Facility and $188.8 million was available for borrowings after taking into account outstanding letters of credit.

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

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

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

The Company is implementing its plans to disaffiliate its station in the Miami, Florida market in 1998. The Company will incur expenditures to develop programming and promotion of this station, which during the development and transitional stage, may not be offset by sufficient advertising revenues. The Company may also transition additional broadcasting stations to the new format later in 1998. The Company believes that the process of disaffiliation can be successfully managed so as not to have a material adverse effect on the Company and so as to maximize the value of the broadcasting stations.

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

The maximum amount available under Ticketmaster's credit agreement was $165.0 at March 31, 1998 and will decrease to $150.0 million at December 31, 1998. At May 6, 1998, Ticketmaster had $142.0 million in outstanding borrowings under its credit agreement and $23.0 million was available for borrowing.

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

During the quarter ended March 31, 1998, the Company received cash proceeds of $1.6 million from the exercise of 173,100 options to purchase the Company's common stock. At May 6, 1998, 10.6 million options to purchase the Company's common stock were outstanding and exercisable at prices ranging between $1.00 and $24.75. The exercise of such options would result in a cash inflow to the Company of $109.4 million.

On January 20, 1998, the Company consummated the sale of its Baltimore, Maryland television station for $80.0 million. The Company has also entered into an agreement to acquire a television station serving the Atlanta, Georgia, market and an agreement to acquire the remaining interest in an entity partially owned by the Company, which owns television stations serving the Orlando, Florida and Rapid City, South Dakota markets. The aggregate purchase prices for these transactions is approximately $67.0 million. The proceeds from the sale of the Baltimore station are temporarily invested and will be used to complete the purchase of the Atlanta station.

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

As of March 1, 1998, the Company redeemed, at a redemption price of 104.7% of the principal amount, all of Home Shopping's outstanding 5.875% Convertible Subordinated Debentures (the "Home Shopping Debentures"). The Home Shopping Debentures were all converted by the holders into 7,499,022 shares of USAi Common Stock on or prior to the Redemption Date. In connection with its preemptive and mandatory rights with respect to issuances of shares by the Company, Universal exercised its right in connection with the redemption of the Home Shopping Debentures which resulted in the issuance of 6,135,563 USANi LLC shares, generating an increase in minority interest in USANi LLC of $122.7 million. This amount reduced the Company's deferred purchase price liability by that amount. In addition to the Universal purchase described in this paragraph, Universal and Liberty have both exercised certain optional preemptive rights (related to the redemption of the Home Shopping Debentures) for the maximum number of either USAi shares or USANi LLC shares, as the case may be, for which the rights are exercisable. These purchases are conditioned upon the transaction receiving the required clearances under the Hart-Scott-Rodino Antitrust Improvements Act, which are pending. Upon consummation of the transaction, USAi and/or USANi LLC will, as the case may be, issue an additional 8,540,594 shares, generating proceeds and reducing the deferred purchase price liability by approximately $170.8 million in the aggregate.

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

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

During the quarter ended March 31, 1998, the Company did not pay any cash dividends, and none are permitted under the Company's existing credit facility.

OTHER MATTERS

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

SEASONALITY

The Company's businesses are subject to the effects of seasonality. Consequently, the operating results for the quarter ended March 31, 1998 for each line of business, and for the Company as a whole, are not necessarily indicative of results for the full year.

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

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

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

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Jovon litigation, previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 Form 10-K"), Jovon Broadcasting Corporation's petition for reconsideration by the Federal Communications Commission of its 1996 ruling regarding USA Capital Corporation's option to acquire a 45 percent interest in Jovon remains pending. On January 9, 1998, the Circuit Court of Pinellas County, Florida denied Jovon's motion to dismiss litigation brought by certain entities controlled by the Company against Jovon. However, the court stayed the action for a period of six months. A status conference is expected to be held in July 1998, at which time the court will decide whether an extension of the stay is warranted.

The following is based on information available to the Company, as previously disclosed by Ticketmaster in its Annual Report on Form 10-K for the fiscal year ended January 31, 1998:

During 1994, Ticketmaster was named as a defendant in 16 federal class action lawsuits filed in United States District Courts purportedly on behalf of consumers who were alleged to have purchased tickets to various events through Ticketmaster. These lawsuits alleged that Ticketmaster's activities violated antitrust laws. On December 7, 1994, the Judicial Panel on Multidistrict Litigation transferred all of the lawsuits to the United States District Court for the Eastern District of Missouri (the "District Court") for coordinated and consolidated pretrial proceedings. After an amended and consolidated complaint was filed by the plaintiffs, Ticketmaster filed a motion to dismiss and, on May 31, 1996, the District Court granted that motion ruling that the plaintiffs had failed to state a claim upon which relief could be granted. On April 10, 1998, the Court of Appeals issued an opinion affirming the district court's ruling that the plaintiffs in the consolidated consumer class action lawsuit lack standing to pursue their claims for damages under the antitrust laws. However, the Appellate Court held that the plaintiffs' status as indirect purchasers of Ticketmaster's services did not bar them from seeking injunctive relief against Ticketmaster.

Ticketmaster has stated that the Court's affirmance of the decision prohibiting plaintiffs from obtaining monetary damages against Ticketmaster eliminates the substantial portion of plaintiffs' claims. With respect to injunctive relief, the Antitrust Division of the United States Department of Justice had previously investigated Ticketmaster for in excess of 15 months and closed its investigation with no suggestion of any form of injunctive relief or modification of the manner in which Ticketmaster does business.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

As previously reported in the Company's 1997 Form 10-K, on February 11, 1998, the Company's stockholders approved certain amendments to the Certificate of Incorporation of the Company. These amendments and their effect upon the holders of Common Stock and Class B Common Stock were previously reported in the Company's Proxy Statement, dated January 12, 1998, relating to its 1998 Annual Meeting of Stockholders under the headings "The Annual Meeting -- Description of Proposals and HSNi Board Recommendations -- Authorized Capital Stock Proposal; Ownership Proposal; Name Change Proposal; Director Number Proposal; and Removal Proposal".

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER		DESCRIPTION
2.2	--	Investment Agreement among Universal Studios, Inc., HSN, Inc., Home Shopping Network, Inc. and Liberty Media Corporation dated as of October 19, 1997, as amended and restated as of December 18, 1997, filed as Appendix A to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
3.1	--	Restated Certificate of Incorporation of the Registrant, filed as Exhibit 3.1 to the Company's Form 8-K, February 23, 1998, is incorporated herein by reference.
3.2	--	Amended and Restated By-Laws of the Registrant, filed as Exhibit 3.1 to the Company's Form 8-K, January 9, 1998, is incorporated herein by reference.
4.1	--	Form of Common Stock Certificate filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 10-K") is incorporated herein by reference.
10.1	--	$1,600,000,000 Credit Agreement dated February 12, 1998 among USA Networks, Inc., USANi LLC, as Borrower, Various Lenders, The Chase Manhattan Bank as Administrative Agent, Syndication Agent and Collateral Agent, and Bank of America National Trust & Savings Association and The Bank of New York as Co-Documentation Agents, filed as Exhibit 10.50 to the 1997 10-K is incorporated herein by reference.
10.2	--	Form of Governance Agreement among HSN, Inc., Universal Studios, Inc., Liberty Media Corporation and Barry Diller, dated as of October 19, 1997, filed as Appendix B to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
10.3	--	Form of Stockholders Agreement among Universal Studios, Inc., Liberty Media Corporation, Barry Diller, HSN, Inc. and The Seagram Company Ltd. dated as of October 19, 1997, filed as Appendix C to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
10.4	--	Form of Spinoff Agreement between Liberty Media Corporation and Universal Studios, Inc., dated as of October 19, 1997, filed as Appendix D to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
*10.5	--	HSN, Inc. 1997 Stock and Annual Incentive Plan filed as Appendix F to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.
*10.6	--	Employment Agreement between Jed B. Trosper and Home Shopping Network, Inc. dated January 13, 1997, filed as Exhibit 10.55 to the 1997 10-K is incorporated herein by reference.
*10.7	--	Employment Agreement between Thomas J. Kuhn and HSN, Inc. dated February 9, 1998, filed as Exhibit 10.56 to the 1997 10-K is incorporated herein by reference.
*10.8	--	Employment Agreement between Dara Khosrowshahi and USA Networks, Inc., dated March 2, 1998, filed as Exhibit 10.57 to the 1997 10-K is incorporated herein by reference.
*10.9	--	Employment Agreement between Michael P. Durney and USA Networks, Inc. dated March 30, 1998.
*10.10	--	HSN, Inc. Retirement Savings Plan filed as Exhibit 10.58 to the 1997 10-K is incorporated herein by reference.
10.11	--	Amended and Restated Limited Liability Company Agreement of USANi LLC, dated as of February 12, 1998, filed as Exhibit 10.59 to the 1997 10-K, is incorporated herein by reference.
10.12	--	Exchange Agreement dated as of October 19, 1997 by and among HSN, Inc. (renamed USA Networks, Inc.), Universal Studios, Inc. (and certain of its subsidiaries) and Liberty Media Corporation (and certain of its subsidiaries), filed as Exhibit 10.60 to the 1997 10-K, is incorporated herein by reference.

EXHIBIT NUMBER		DESCRIPTION
10.13	--	Agreement and Plan of Merger by and among USA Networks, Inc., Brick Acquisition Corp. and Ticketmaster Group, Inc. dated as of March 20, 1998, filed as Exhibit 10.61 to the 1997 10-K, is incorporated herein by reference.
27.1	--	Financial Data Schedule (for SEC use only)
27.2	--	Restated Financial Data Schedule

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* Reflects management contracts and compensatory plans.

(b) Reports on Form 8-K

A current report on Form 8-K/A dated February 13, 1996 was filed by the Company on January 9, 1998 announcing a change in the Company's certified public accountant.

A current report on Form 8-K dated January 9, 1998 was filed by the Company on January 16, 1998 containing amended and restated by-laws adopted on January 9, 1998.

A current report on Form 8-K dated January 23, 1998 was filed by the Company on January 23, 1998 announcing Home Shopping Network, Inc.'s election to redeem all of the outstanding Home Shopping Network 5.875% Convertible Subordinated Debentures due March 1, 2006.

A current report on Form 8-K dated February 12, 1998 was filed by the Company on February 13, 1998 announcing the closing of the transaction between HSN, Inc. and Universal Studios, Inc.

A current report on Form 8-K dated February 23, 1998 was filed by the Company on February 23, 1998 announcing a two-for-one stock split and the filing of the Company's Restated Certificate of Incorporation.

A current report on Form 8-K dated March 26, 1998 was filed by the Company on April 1, 1998 announcing the completion of the two-for-one stock split.

SIGNATURES

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

USA NETWORKS, INC.
(Registrant)

Dated May 15, 1998	/s/ BARRY DILLER Barry Diller Chairman of the Board and Chief Executive Officer
Dated May 15, 1998	/s/ VICTOR A. KAUFMAN Victor A. Kaufman Office of the Chairman, Chief Financial Officer (Principal Financial Officer)
Dated May 15, 1998	/s/ MICHAEL P. DURNEY Michael P. Durney Vice President, Controller (Chief Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT NUMBER		DESCRIPTION	PAGE
2.2	--	Investment Agreement among Universal Studios, Inc., HSN, Inc., Home Shopping Network, Inc. and Liberty Media Corporation dated as of October 19, 1997, as amended and restated as of December 18, 1997, filed as Appendix A to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.	
3.1	--	Restated Certificate of Incorporation of the Registrant, filed as Exhibit 3.1 to the Company's Form 8-K, February 23, 1998, is incorporated herein by reference.	
3.2	--	Amended and Restated By-Laws of the Registrant, filed as Exhibit 3.1 to the Company's Form 8-K, January 9, 1998, is incorporated herein by reference.	
4.1	--	Form of Common Stock Certificate filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "1997 10-K") is incorporated herein by reference.	
10.1	--	$1,600,000,000 Credit Agreement dated February 12, 1998 among USA Networks, Inc., USANi LLC, as Borrower, Various Lenders, The Chase Manhattan Bank as Administrative Agent, Syndication Agent and Collateral Agent, and Bank of America National Trust & Savings Association and The Bank of New York as Co-Documentation Agents, filed as Exhibit 10.50 to the 1997 10-K is incorporated herein by reference.	
10.2	--	Form of Governance Agreement among HSN, Inc., Universal Studios, Inc., Liberty Media Corporation and Barry Diller, dated as of October 19, 1997, filed as Appendix B to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.	
10.3	--	Form of Stockholders Agreement among Universal Studios, Inc., Liberty Media Corporation, Barry Diller, HSN, Inc. and The Seagram Company Ltd. dated as of October 19, 1997, filed as Appendix C to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.	
10.4	--	Form of Spinoff Agreement between Liberty Media Corporation and Universal Studios, Inc., dated as of October 19, 1997, filed as Appendix D to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.	
*10.5	--	HSN, Inc. 1997 Stock and Annual Incentive Plan filed as Appendix F to the Company's Definitive Proxy Statement, January 12, 1998, is incorporated herein by reference.	
*10.6	--	Employment Agreement between Jed B. Trosper and Home Shopping Network, Inc. dated January 13, 1997, filed as Exhibit 10.55 to the 1997 10-K is incorporated herein by reference.	
*10.7	--	Employment Agreement between Thomas J. Kuhn and HSN, Inc. dated February 9, 1998, filed as Exhibit 10.56 to the 1997 10-K is incorporated herein by reference.	
*10.8	--	Employment Agreement between Dara Khosrowshahi and USA Networks, Inc., dated March 2, 1998, filed as Exhibit 10.57 to the 1997 10-K is incorporated herein by reference.	
*10.9	--	Employment Agreement between Michael P. Durney and USA Networks, Inc. dated March 30, 1998.	
*10.10	--	HSN, Inc. Retirement Savings Plan filed as Exhibit 10.58 to the 1997 10-K, is incorporated herein by reference.	
10.11	--	Amended and Restated Limited Liability Company Agreement of USANi LLC, dated as of February 12, 1998, filed as Exhibit 10.59 to the 1997 10-K is incorporated herein by reference.	

EXHIBIT NUMBER		DESCRIPTION	PAGE
10.12	--	Exchange Agreement dated as of October 19, 1997 by and among HSN, Inc. (renamed USA Networks, Inc.), Universal Studios, Inc. (and certain of its subsidiaries) and Liberty Media Corporation (and certain of its subsidiaries), filed as Exhibit 10.60 to the 1997 10-K, is incorporated herein by reference.	
10.13	--	Agreement and Plan of Merger by and among USA Networks, Inc., Brick Acquisition Corp. and Ticketmaster Group, Inc. dated as of March 20, 1998, filed as Exhibit 10.61 to the 1997 10-K, is incorporated herein by reference.	
27.1	--	Financial Data Schedule (for SEC use only)	
27.2	--	Restated Financial Data Schedule	

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* Reflects management contracts and compensatory plans.

Exhibit 10.9

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Michael Durney ("Employee") and USA Networks, Inc., a Delaware corporation (the "Company"), and is effective March 30, 1998 (the "Effective Date").

WHEREAS, the Company desires to establish its right to the services of Employee, in the capacity described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Employee and the Company have agreed and do hereby agree as follows:

1A. EMPLOYMENT. The Company agrees to employ Employee as Vice President - Controller of the Company, and Employee accepts and agrees to such employment. During Employee's employment with the Company, Employee shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with Employee's position and shall render such services on the terms set forth herein. During Employee's employment with the Company, Employee shall report directly to the Chief Financial Officer and/or the senior executive officer who has responsibility for corporate staff functions (such person(s) as from time to time may be designated by the Company, hereinafter referred to as the "Reporting Officer"). Employee shall have such powers and duties with respect to the Company as may reasonably be assigned to Employee by the Reporting Officer, to the extent consistent with Employee's position and status. Employee agrees to devote all of Employee's working time, attention and efforts to the Company and to perform the duties of Employee's position in accordance with the Company's policies as in effect from time to time. Employee's principal place of employment shall be the Company's offices located in New York City; however, Employee's position shall require long-distance travel on Company business.

2A. TERM OF AGREEMENT. The term ("Term") of this Agreement shall commence on the Effective Date and shall continue for a period of three years, unless sooner terminated in accordance with the provisions of Section 1 of the Standard Terms and Conditions attached hereto.

3A. COMPENSATION.

(a) BASE SALARY. During the Term, the Company shall pay Employee an annual base salary of $250,000 (the "Base Salary"), payable in equal biweekly installments or in accordance with the Company's payroll practice as in effect from time to time. For all purposes under this Agreement, the term "Base Salary" shall refer to Base Salary, including adjustments thereto, if any, as made from time to time.

(b) DISCRETIONARY BONUS. During the Term, Employee shall be eligible to receive discretionary annual bonuses on the same basis as peer employees of the Company.

(c) STOCK OPTION. In consideration of Employee's entering into this Agreement and as an inducement to join the Company, Employee shall be granted under USA Networks, Inc.'s 1997 Stock and Annual Incentive Plan (the "Plan") a non-qualified stock option (the "Option") to purchase 50,000 shares of USA Networks, Inc. ("USAi") common stock, par value $.0l per share (the "Common Stock"), after giving effect to the two-for-one stock split paid to holders of record of the Common Stock on March 12, 1998. The date of grant of the Option shall be the Effective Date. The exercise price of the Option shall equal the last reported sales price of the Common Stock in the over-the-counter market on the date preceding the Effective Date. Such Option shall vest and become exercisable in four equal installments on each of the first, second, third and fourth anniversaries of the Effective Date, provided that the Option shall become 100% vested and exercisable upon a Change in Control (as such term is defined in the Plan). The Option shall expire upon the earlier to occur of (i) ten years from the date of grant (the "Option Term") or (ii) except as otherwise provided in the Option award agreement, 90 days following the termination of Employee's employment with the Company for any reason.

(d) BENEFITS. During the Term, Employee shall be entitled to participate in any welfare, health and life insurance and pension benefit and incentive programs as may be adopted from time to time by the Company on the same basis as that provided to other senior executives of the Company. Without limiting the generality of the foregoing, Employee shall be entitled to the following benefits:

(i) Reimbursement for Business Expenses. During the Term, the Company shall reimburse Employee for all reasonable and necessary expenses incurred by Employee in performing Employee's duties for the Company, on the same basis as similarly situated employees and in accordance with the Company's policies as in effect from time to time.

(ii) Vacation. During the Term, Employee shall be entitled to four weeks of paid vacation per year, in accordance with the plans, policies, programs and practices of the Company applicable to similarly situated employees of the Company generally.

4A. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by the recipient personally, and shall be deemed to have been duly given three days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

If to the Company:

USA Networks, Inc.
152 West 57 Street
New York, NY 10019
Attention: General Counsel

If to Employee: Michael Durney
44 Dorchester Road
Rockville Centre, NY 11570

Either party may change such party's address for notices by notice duly given pursuant hereto.

5A. GOVERNING LAW. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of New York without reference to the principles of conflicts of laws.

6A. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Employee expressly understands and acknowledges that the Standard Terms and Conditions attached hereto are incorporated herein by reference, deemed a part of this Agreement and are binding and enforceable provisions of this Agreement. References to "this Agreement" or the use of the term "hereof" shall refer to this Agreement and the Standard Terms and Conditions attached hereto, taken as a whole.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Employee has executed and delivered this Agreement on March 31, 1998.

USA NETWORKS, INC.

By: Thomas J. Kuhn
Title: Senior Vice President & General Counsel

MICHAEL DURNEY

STANDARD TERMS AND CONDITIONS

1. TERMINATION OF EMPLOYEE'S EMPLOYMENT.

(a) DEATH. In the event Employee's employment hereunder is terminated by reason of Employee's death, the Company shall pay Employee's designated beneficiary or beneficiaries, within 30 days of Employee's death in a lump sum in cash, Employee's Base Salary through the end of the month in which death occurs and any Accrued Obligations (as defined in paragraph 1(f) below).

(b) DISABILITY. If, as a result of Employee's incapacity due to physical or mental illness ("Disability"), Employee shall have been absent from the full-time performance of Employee's duties with the Company for a period of four consecutive months and, within 30 days after written notice is provided to Employee by the Company (in accordance with Section 6 hereof), he shall not have returned to the full-time performance of Employee's duties, Employee's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which Employee is absent from the full-time performance of Employee's duties with the Company due to Disability, the Company shall continue to pay Employee's Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Employee under any disability insurance plan or policy provided by the Company. Upon termination of Employee's employment due to Disability, the Company shall pay Employee within 30 days of such termination (i) Employee's Base Salary through the end of the month in which termination occurs in a lump sum in cash, offset by any amounts payable to Employee under any disability insurance plan or policy provided by the Company; and (ii) any Accrued Obligations (as defined in paragraph 1(f) below).

(c) TERMINATION FOR CAUSE. The Company may terminate Employee's employment under this Agreement for Cause at any time prior to the expiration of the Term. As used herein, "Cause" shall mean: (i) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony offense by Employee; provided, however, that after indictment, the Company may suspend Employee from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Employee of a fiduciary duty owed to the Company; (iii) a material breach by Employee of any of the covenants made by Employee in Section 2 hereof; or (iv) the willful and gross neglect by Employee of the material duties required by this Agreement. In the event of Employee's termination for Cause, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in paragraph 1(f) below).

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE. If Employee's employment is terminated by the Company for any reason other than Employee's death or Disability or for Cause, then (i) the Company shall pay Employee the Base Salary through the end of the Term over the course of the then remaining

Term; and (ii) the Company shall pay Employee within 30 days of the date of such termination in a lump sum in cash any Accrued Obligations (as defined in paragraph 1(f) below).

(e) MITIGATION; OFFSET. In the event of termination of Employee's employment prior to the end of the Term, Employee shall use reasonable best efforts to seek other employment and to take other reasonable actions to mitigate the amounts payable under Section 1 hereof. If Employee obtains other employment during the Term, the amount of any payment or benefit provided for under Section 1 hereof which has been paid to Employee shall be refunded to the Company by Employee in an amount equal to any compensation earned by Employee as a result of employment with or services provided to another employer after the date of Employee's termination of employment and prior to the otherwise applicable expiration of the Term, and all future amounts payable by the Company to Employee during the remainder of the Term shall be offset by the amount earned by Employee from another employer. For purposes of this Section 1(e), Employee shall have an obligation to inform the Company regarding Employee's employment status following termination and during the period encompassing the Term.

(f) ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Employee's Base Salary through the date of death or termination of employment for any reason, as the case may be, which has not yet been paid; and (ii) any compensation previously earned but deferred by Employee (together with any interest or earnings thereon) that has not yet been paid.

2. CONFIDENTIAL INFORMATION; NON-SOLICITATION; AND PROPRIETARY RIGHTS.

(a) CONFIDENTIALITY. Employee acknowledges that while employed by the Company he will occupy a position of trust and confidence. Employee shall not, except as may be required to perform Employee's duties hereunder or as required by applicable law, without limitation in time or until such information shall have become public other than by Employee's unauthorized disclosure, disclose to others or use, whether directly or indirectly, any Confidential Information regarding the Company or any of its subsidiaries or affiliates. "Confidential Information" shall mean information about the Company or any of its subsidiaries or affiliates, and their clients and customers that is not disclosed by the Company or any of its subsidiaries or affiliates for financial reporting purposes and that was learned by Employee in the course of employment by the Company or any of its subsidiaries or affiliates, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its subsidiaries or affiliates, and that such information gives the Company and its subsidiaries or affiliates a competitive advantage. Employee agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of Employee's employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the

Company and its subsidiaries or affiliates or prepared by Employee in the course of Employee's employment by the Company and its subsidiaries or affiliates. As used in this Agreement, "subsidiaries" and "affiliates" shall mean any company controlled by, controlling or under common control with the Company.

(b) NON-SOLICITATION OF EMPLOYEES. Employee recognizes that he will possess confidential information about other employees of the Company and its subsidiaries or affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its subsidiaries or affiliates. Employee recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its subsidiaries or affiliates in developing their respective businesses and in securing and retaining customers, and will be acquired by Employee because of Employee's business position with the Company. Employee agrees that, during the Term (and for a period of 12 months beyond the expiration of the Term), he will not, directly or indirectly, solicit or recruit any employee of the Company or any of its subsidiaries or affiliates for the purpose of being employed by Employee or by any business, individual, partnership, firm, corporation or other entity on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of the Company or any of its subsidiaries or affiliates to any other person except within the scope of Employee's duties hereunder.

(c) PROPRIETARY RIGHTS; ASSIGNMENT. All Employee Developments shall be made for hire by the Employee for the Company or any of its subsidiaries or affiliates. "Employee Developments" means any idea, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work or authorship that (i) relates to the business or operations of the Company or any of its subsidiaries or affiliates, or (ii) results from or is suggested by any undertaking assigned to the Employee or work performed by the Employee for or on behalf of the Company or any of its subsidiaries or affiliates, whether created alone or with others, during or after working hours. All Confidential Information and all Employee Developments shall remain the sole property of the Company or any of its subsidiaries or affiliates. The Employee shall acquire no proprietary interest in any Confidential information or Employee Developments developed or acquired during the Term. To the extent the Employee may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Employee Development, the Employee hereby assigns to the Company all such proprietary rights. The Employee shall, both during and after the Term, upon the Company's request, promptly execute and deliver to the Company all such assignments, certificates and instruments, and shall promptly perform such other acts, as the Company may from time to time in its discretion deem necessary or desirable to evidence, establish, maintain, perfect, enforce or defend the Company's rights in Confidential Information and Employee Developments.

(d) COMPLIANCE WITH CODE OF CONDUCT. During the Term, Employee shall adhere to the policies and standards of professionalism set forth in the Company's Code of Conduct as it may exist from time to time.

(e) REMEDIES FOR BREACH. Employee expressly agrees and understands that the remedy at law for any breach by Employee of this Section 2 will be inadequate and that damages flowing from such breach are not usually susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon Employee's violation of any provision of this Section 2 the Company shall be entitled to obtain from any court of competent jurisdiction immediate injunctive relief and obtain a temporary order restraining any threatened or further breach as well as an equitable accounting of all profits or benefits arising out of such violation. Nothing in this Section 2 shall be deemed to limit the Company's remedies at law or in equity for any breach by Employee of any of the provisions of this Section 2, which may be pursued by or available to the Company.

(f) SURVIVAL OF PROVISIONS. The obligations contained in this Section 2 shall, to the extent provided in this Section 2, survive the termination or expiration of Employee's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

3. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings (whether written or oral) among the parties with respect to the subject matter of this Agreement. Employee acknowledges and agrees that neither the Company nor anyone acting on its behalf has made, and is not making, and in executing this Agreement, the Employee has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement. Employee hereby represents and warrants that by entering into this Agreement, he will not rescind or otherwise breach an employment agreement with Employee's current employer prior to the natural expiration date of such agreement

4. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and none of the parties hereto shall, without the consent of the others, assign or transfer this Agreement or any rights or obligations hereunder, provided that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and all references herein to the "Company" shall refer to such successor.

5. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment and benefit made or provided to Employee hereunder, as may be required from time to time by applicable law, governmental regulation or order.

6. HEADING REFERENCES. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other

purpose. References to "this Agreement" or the use of the term "hereof" shall refer to these Standard Terms and Conditions and the Employment Agreement attached hereto, taken as a whole.

7. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

8. SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portions of this Agreement that violate such law or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

9. INDEMNIFICATION. The Company shall indemnify and hold Employee harmless for acts and omissions in Employee's capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, however, that neither the Company, nor any of its subsidiaries or affiliates shall indemnify Employee for any losses incurred by Employee as a result of acts described in Section 1(c) of this Agreement.

ACKNOWLEDGED AND AGREED:

Date: March 31, 1998

THE COMPANY

By:

EMPLOYEE

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