AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 14, 2000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

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

COMMISSION FILE NO. 0-20570

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

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

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

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

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

Common Stock	305,082,551
Class B Common Stock	63,033,452
Total	368,116,003
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,846
Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	729,268,849

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of October 20, 2000 was $4,107,195,198. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of October 20, 2000, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 729,268,849 shares of Common Stock with an aggregate market value of $13,126,839,282.

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

PART I--FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
NET REVENUES				
USA ENTERTAINMENT				
Networks and television production	$ 336,047	$307,094	$1,105,688	$ 955,032
Filmed entertainment	14,468	27,912	65,548	39,687
Broadcasting	5,263	2,341	13,620	5,691
Emerging networks	8,591	266	12,862	693
USA ELECTRONIC RETAILING				
Electronic retailing	426,549	314,718	1,243,756	941,467
USA INFORMATION AND SERVICES				
Ticketing operations	124,929	105,188	395,909	324,615
Hotel reservations	94,619	47,652	227,964	70,670
Teleservicing	70,162	--	140,374	--
Interactive	26,709	16,333	76,331	43,851
Electronic commerce and services	7,174	6,168	15,634	14,470
OTHER	509	--	1,568	6,894
Total net revenues	1,115,020	827,672	3,299,254	2,403,070
Operating costs and expenses:				
Cost of sales	527,539	279,813	1,485,297	767,962
Program costs	146,000	147,549	485,037	466,896
Selling and marketing	141,841	129,720	401,975	378,050
General and administrative	110,174	126,971	320,196	330,582
Other operating costs	31,638	14,805	86,162	58,525
Amortization of cable distribution fees	8,845	6,938	25,335	19,214
Non-cash distribution and marketing expense	2,693	--	4,414	--
Depreciation and amortization	141,564	83,544	380,830	230,581
Total operating costs and expenses	1,110,294	789,340	3,189,246	2,251,810
Operating profit	4,726	38,332	110,008	151,260
Other income (expense):				
Interest income	10,862	8,948	35,141	24,297
Interest expense	(20,417)	(21,170)	(62,097)	(61,233)
Gain on sale of securities	--	39,451	--	89,721
Other, net	69,907	(509)	67,362	1,986
	60,352	26,720	40,406	54,771
Earnings before income taxes and minority interest	65,078	65,052	150,414	206,031
Income tax expense	(22,313)	(24,947)	(72,813)	(65,302)
Minority interest	(63,004)	(47,785)	(145,299)	(150,582)
NET LOSS	$ (20,239)	$ (7,680)	$ (67,698)	$ (9,853)
Basic and diluted loss per common share	$ (.06)	$ (.02)	$ (.19)	$ (.03)

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 359,079	$ 424,239
Marketable securities, available for sale	74,817	--
Accounts and notes receivable, net of allowance of $58,860 and $41,993, respectively	619,016	454,341
Inventories, net	595,073	470,844
Investments held for sale	2,381	11,512
Other current assets, net	66,321	27,519
Total current assets	1,716,687	1,388,455
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	385,193	324,412
Buildings and leasehold improvements	149,906	110,403
Furniture and other equipment	97,743	85,487
Land	15,334	16,094
Projects in progress	53,293	41,438
	701,469	577,834
Less accumulated depreciation and amortization	(226,065)	(221,203)
	475,404	356,631
OTHER ASSETS		
Intangible assets, net	7,773,464	6,831,487
Cable distribution fees, net ($30,235 and $35,181, respectively, to related parties)	146,155	130,988
Long-term investments	63,989	121,383
Notes and accounts receivable, net of current portion ($3,283 and $2,562, respectively, from related parties)	36,671	26,248
Advance to Universal	102,362	163,814
Inventories, net	197,447	166,477
Deferred income taxes	18,254	--
Deferred charges and other, net	80,660	67,669
	$10,611,093	$9,253,152

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(UNAUDITED)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 27,293	$ 10,801
Accounts payable, trade	192,116	188,343
Accounts payable, client accounts	102,442	98,586
Obligations for program rights and film costs	307,935	272,945
Amount due under acquisition agreement	--	17,500
Cable distribution fees payable ($18,431 and $18,733, respectively, to related parties)	28,993	43,993
Deferred revenue	129,232	83,811
Deferred income taxes	21,872	4,050
Other accrued liabilities	391,138	311,724
Total current liabilities	1,201,021	1,031,753
LONG-TERM OBLIGATIONS (net of current maturities)	572,449	574,979
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	292,198	262,810
OTHER LONG-TERM LIABILITIES	102,456	116,695
DEFERRED INCOME TAXES	--	5,120
MINORITY INTEREST	4,941,036	4,492,066
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Preferred stock--$.01 par value; authorized 15,000,000 shares; no shares issued and outstanding	--	--
Common stock--$.01 par value; authorized 1,600,000,000 shares; issued and outstanding, 305,082,551 and 274,013,418 shares, respectively	3,051	2,740
Class B--convertible common stock--$.01 par value; authorized, 400,000,000 shares; issued and outstanding, 63,033,452 shares	630	630
Additional paid-in capital	3,780,587	2,830,506
Accumulated deficit	(122,056)	(54,358)
Accumulated other comprehensive income	(15,867)	4,773
Treasury stock, at cost	(139,414)	(9,564)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
Total stockholders' equity	3,501,933	2,769,729
	$10,611,093	$9,253,152

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDIT. PAID-IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMP. INCOME	TREASURY STOCK	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE
				(IN THOUSANDS)				
BALANCE AT DECEMBER 31, 1999	$2,769,729	$2,740	$630	$2,830,506	$ (54,358)	$ 4,773	$ (9,564)	$(4,998)
Comprehensive income:								
Net loss for the nine months ended September 30, 2000	(67,698)	--	--	--	(67,698)	--	--	--
Decrease in unrealized gains in available for sale securities	(14,588)	--	--	--	--	(14,588)	--	--
Foreign currency translation	(6,052)	--	--	--	--	(6,052)	--	--
Comprehensive loss	(88,338)							
Issuance of common stock upon exercise of stock options	34,493	42	--	34,451	--	--	--	--
Income tax benefit related to stock options exercised	19,808	--	--	19,808	--	--	--	--
Issuance of stock in connection with PRC acquisition	887,451	322	--	887,129	--	--	--	--
Issuance of stock in connection with other transactions	8,697	4	--	8,693	--	--	--	--
Purchase of treasury stock in connection with stock repurchase program	(129,907)	(57)	--	--	--	--	(129,850)	--
BALANCE AT SEPTEMBER 30, 2000	$3,501,933	$3,051	$630	$3,780,587	$(122,056)	$(15,867)	$(139,414)	$(4,998)

Comprehensive loss for the three months ended September 30, 2000 was $30,946.

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net loss	$ (67,698)	$ (9,853)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	380,830	230,467
Amortization of cable distribution fees	25,335	19,214
Amortization of program rights and film costs	489,887	420,285
Amortization of non-cash distribution and marketing costs	4,414	--
Amortization of deferred financing costs and non-cash interest	1,676	2,545
Equity in losses (earnings) of unconsolidated affiliates	40,896	(812)
Gain on sale of subsidiary stock	(108,343)	--
Gain on sale of securities	--	(89,721)
Non-cash interest income	(5,559)	(3,965)
Non-cash stock compensation	8,380	3,754
Minority interest	145,299	150,582
Changes in current assets and liabilities:		
Accounts receivable	(54,469)	2,607
Inventories	(1,888)	(18,343)
Accounts payable	(68,078)	(25,488)
Accrued liabilities and deferred revenue	105,083	48,453
Payment for program rights and film costs	(614,406)	(448,975)
Increase in cable distribution fees	(39,251)	(35,624)
Other, net	14,505	4,306
NET CASH PROVIDED BY OPERATING ACTIVITIES	256,613	249,432
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(221,329)	(184,671)
Capital expenditures	(116,491)	(87,795)
Advance to Universal	--	(200,000)
Recoupment of advance to Universal	70,295	20,741
Increase in long-term investments and notes receivable	(15,306)	(17,746)
Purchase of marketable securities	(78,172)	--
Proceeds from sale of securities	--	107,231
Other, net	(14,446)	5,845
NET CASH USED IN INVESTING ACTIVITIES	(375,449)	(356,395)
Cash flows from financing activities:		
Borrowings	50,166	--
Principal payments on long-term obligations	(81,926)	(337,636)
Purchase of treasury stock	(129,907)	(7,226)
Payment of mandatory tax distribution to LLC partners	(68,065)	(28,830)
Proceeds from sale of subsidiary stock	92,604	2,490
Proceeds from minority interest shareholders	--	4,050
Cash acquired in merger transactions	--	1,209
Proceeds from issuance of common stock and LLC shares	207,795	413,318
Other, net	(12,858)	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	57,809	47,375
Effect of exchange rate changes on cash and cash equivalents	(4,133)	264
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,160)	(59,324)
Cash and cash equivalents at beginning of period	424,239	445,356
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 359,079	$ 386,032

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

USA Networks, Inc. (the "Company" or "USAi") is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

On July 27, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

On April 5, 2000, the Company acquired Precision Response Corporation ("PRC") (the "PRC Transaction"). See Note 3.

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

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

The Company engages in ten principal areas of business. In the second quarter, the Company reorganized the segments into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services. The units and segments are as follows:

USA ENTERTAINMENT

- 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.

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

- BROADCASTING, which owns and operates television stations.

- EMERGING NETWORKS, which primarily represents recently acquired cable television properties Trio and News World International and SciFi.com, an emerging Internet content and commerce site.

USA ELECTRONIC RETAILING

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

USA INFORMATION AND SERVICES

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

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

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

- TELESERVICES, consisting of Precision Response Corporation, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies.

- INTERACTIVE, which includes Styleclick, Inc. (see more information in Note 3), a facilitator of e commerce websites and Internet enabled applications and the Company's online retailing networks First Auction and First Jewelry, and local city guide business.

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

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

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 1999. Certain amounts in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 1999 have been reclassified to conform to the 2000 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

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

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NEW ACCOUNTING PRONOUNCEMENTS

In June 2000, the Securities and Exchange Commission issued an amendment to Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS ("SAB 101") which delayed the effective date for adoption of SAB 101 to the fourth quarter of 2000. SAB 101 provides guidance on revenue recognition criteria for certain types of transactions. SAB 101 also provides guidance on the disclosures that companies should make about their revenue recognition policies and the impact of events and trends on revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2000, the Accounting Standards Executive Committee ("AcSEC") issued SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS("SOP 00-2"), which replaces FASB Statement No. 53, FINANCIAL ACCOUNTING BY PRODUCERS AND DISTRIBUTORS OF MOTION PICTURE FILMS. AcSEC concluded that film costs would be accounted for under an inventory model. In addition, the SOP considers such topics as revenue recognition (fixed fees and minimum guarantees in variable fee arrangements), fee allocation in multiple films, accounting for exploitation costs, and impairment assessment. The SOP is effective for financial statements issued for fiscal years beginning after December 15, 2000.

The Company is currently evaluating the impact of SAB 101 and SOP 00-2, although the impact is not expected to be material.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under the bridge loan.

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USAi..........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com................................	37,989
Transaction costs..	2,144
Total acquisition costs....................................	211,914

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

assets acquired of $170.5 million has been allocated to goodwill, which is being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$39,095
Non-current assets	4,039
Goodwill	170,526
Current liabilities	1,746
Non-current liabilities	--

PRC TRANSACTION

On April 5, 2000, USAi acquired PRC in a tax-free merger by issuing approximately 24.3 million shares of USAi common stock for all of the outstanding stock of PRC for a total value of approximately $711.1 million. In connection with the acquisition, the Company repaid approximately $32.3 million of outstanding borrowings under PRC's existing revolving credit facility.

The PRC Transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $649.8 million has been allocated to goodwill, which is being amortized over 20 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets	$ 65,335
Non-current assets	90,001
Goodwill	649,750
Current liabilities	60,292
Non-current liabilities	33,739

HOTEL RESERVATIONS NETWORK TRANSACTION

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

Furthermore, in conjunction with HRN's initial public offering (see below), USAi issued to the sellers the number of shares of HRN class A common stock equal to 10% of the aggregate value of the equity of HRN immediately prior to a transaction, as defined. USAi issued the sellers approximately 4.9 million shares of HRN class A common stock valued at $78.4 million. Pursuant to an amendment of the asset

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

purchase agreement with the sellers of HRN's predecessor business entered into in contemplation of the initial public offering, HRN agreed to issue HRN class A common stock to the sellers in exchange for releasing the obligation to make additional performance-based payments covering the twelve month periods ending March 31, 2001 and 2002. HRN issued the sellers approximately 5.1 million shares of HRN class A common stock valued at $81.6 million. The contingent payment for the twelve month period ending March 31, 2000 of approximately $45.8 million has been paid. The payment resulted in additional goodwill which is being amortized over the remaining life of the goodwill.

The acquisition has been accounted for under the purchase method of accounting. The purchase price, including the initial contingent payments of $50 million for the year ended December 31, 1999, the stock issued to the sellers in conjunction with the initial public offering, and the estimated contingent payment for the twelve months ended March 31, 2000 has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase, resulting in goodwill of approximately $405.9 million which is being amortized over a ten year life.

On March 1, 2000, HRN completed an initial public offering for approximately 6.2 million shares of its class A common stock, resulting in net cash proceeds of approximately $90.0 million. At the completion of the offering, USAi owned approximately 70.6% of the outstanding shares of HRN. USAi recorded a gain related to the initial public offering of approximately $3.7 million in the nine months ended September 30, 2000.

OCTOBER FILMS/PFE TRANSACTION

In connection with the acquisition of October Films, Inc., as of May 28, 1999, the Company issued 600,000 shares of Common Stock to Universal and paid cash consideration of approximately $12.0 million to October Films shareholders (other than Universal) for total consideration of $23.6 million. To fund the cash consideration portion of the transaction, Universal purchased from USAi 600,000 additional shares of Common Stock at $20.00 per share. In addition, the Company assumed $83.2 million of outstanding debt under October Films' credit agreement which was repaid from cash on hand on August 20, 1999.

Also on May 28, 1999, USAi acquired from Universal the domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses. The acquisition included PFE's domestic production assets such as Interscope Communications and Propaganda Films, as well as the following distribution assets: PolyGram Video, Polygram Filmed Entertainment Canada, Gramercy Pictures, and PolyGram Films. In connection with the transaction, USAi agreed to assume certain liabilities related to the PFE businesses acquired. In addition, USAi advanced $200.0 million to Universal pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement pursuant to which USAi will distribute, in the U.S. and Canada, certain Polygram theatrical films which were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through September 30, 2000, approximately $111.3 million had been offset against the advance and $13.6 million of interest had accrued.

The October Films/PFE Transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $184.5 million has been allocated to goodwill, which is being amortized over 20 years.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The following unaudited pro forma condensed consolidated financial information for the three and nine months ended September 30, 2000 and 1999 is presented to show the results of the Company as if the Styleclick Transaction, the PRC Transaction, the Hotel Reservations Network Transaction and the October Films/PFE Transaction had occurred on January 1, 1999. The pro forma results reflect certain adjustments, including increased amortization related to goodwill and other intangibles, changes in programming and film costs amortization and an increase in interest expense, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	NINE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS EXCEPT SHARE DATA)			
Net revenues.........	$3,307,792	$1,115,164	$2,616,554	$885,465
Net loss.............	(86,698)	(19,486)	(56,883)	(5,674)
Basic and diluted loss per share.....	(.24)	(.05)	(.16)	(.05)

NOTE 4--STOCK-BASED WARRANTS

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

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

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

NOTE 5--INVESTMENTS

During the quarter and nine months ended September 30, 1999, the Company recognized pre-tax gains of $39.5 and $89.7 million, respectively, on the sale of securities in a publicly traded entity.

NOTE 6--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:

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

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

On January 31, 2000, TMCS completed its acquisition of 2b Technology, Inc. ("2b"), by issuing approximately 458,005 shares of TMCS Class B Common Stock for all the outstanding stock of 2b, for a total value of approximately $17.1 million.

On April 5, 2000, USAi completed its acquisition of PRC by issuing approximately 24.3 million shares of USAi common stock for all of the outstanding stock of PRC, for a total value of approximately $711.1 million.

On May 26, 2000, TMCS completed its acquisition of Ticketweb, Inc. ("Ticketweb"), by issuing approximately 1.8 million shares of TMCS Class B Common Stock for all the outstanding stock of Ticketweb, for a total value of approximately $35.3 million.

For the three and nine months ended September 30, 2000, interest accrued on the $200.0 million advance to Universal amounted to $2.0 million and $6.9 million, respectively.

For the three and nine months ended September 30, 2000, the Company incurred non-cash distribution and marketing expense of $2.7 million and $4.4 million, respectively.

During the second quarter, the Company recorded $11.6 million of expense related to an agreement with an executive. Of this amount, $3.8 million is a non-cash stock compensation charge related to restricted stock.

During the third quarter, the Company realized a pre-tax loss of $30.5 million related to the write-off of investments to fair value.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999:

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

On May 28, 1999, the Company completed the October Films/ PFE Transaction by issuing 600,000 shares of Common Stock, for a value of $11.6 million.

On September 14, 1999, TMCS completed its acquisition of Match.com, Inc., ("Match"), an Internet personals company. In connection with the acquisition, TMCS issued 1,924,777 shares of Class B Common Stock to the former owners of Match representing a total purchase price of approximately $45.0 million.

On September 13, 1999, TMCS purchased all the outstanding limited liability company units ("Units") of Web Media Ventures, L.L.C. ("Web Media"). Web Media is an Internet personals company distributing its services through a network of affiliated Internet sites. In connection with the acquisition, TMCS issued 1.2 million shares of Class B Common Stock in exchange for all of the Web Media Units. In

NOTE 6--STATEMENTS OF CASH FLOWS (CONTINUED)

addition, TMCS is obligated to issue additional contingent shares related to certain revenue targets. The total purchase price recorded at September 13, 1999 was $36.6 million.

On September 18, 1999, the Company acquired certain assets associated with the entertainment city guide (A&E) portion of the Sidewalk.com web site ("Sidewalk") from Microsoft Corporation ("Microsoft"). The Company also entered into a four year distribution agreement with Microsoft pursuant to which the Company became the exclusive provider of local city guide content on the Microsoft Network ("MSN") and the Company's internet personals Web sites became the premier provider of personals content to MSN. In addition, the Company and Microsoft entered into additional cross-promotional arrangements. TMCS issued Microsoft 7.0 million shares of TMCS Class B Common Stock. The fair value of the consideration provided in exchange for the Sidewalk assets and distribution agreement amounted to $338.5 million.

During the nine months ended September 30, 1999, the Company acquired post-production equipment through a capital lease totaling $2.5 million.

NOTE 7--INDUSTRY SEGMENTS

For the three and nine months ended September 30, 2000, the Company operated principally in ten industry segments: Networks and television production, Electronic retailing, Ticketing operations, Hotel reservations, Teleservices, Interactive, Filmed entertainment, Electronic commerce and services, Broadcasting and Emerging networks. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists principally of the Home Shopping Network, America's Store and HOT Germany, which are engaged in the sale of merchandise through electronic retailing. The Ticketing operations segment provides automated ticketing services primarily in the United States. The Hotel reservations segment was formed on May 10, 1999 in conjunction with the acquisition of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States. The Teleservices segment was formed on April 5, 2000 in conjunction with the acquisition of PRC, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies. The Interactive segment represents Styleclick and local city guide business. The Filmed entertainment segment represents USA Films, which consists of domestic theatrical film distribution and production businesses which were acquired May 28, 1999, and Savoy. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Broadcasting segment includes the operations of broadcast television stations in twelve markets that principally transmit Home Shopping Network programming although three transmit other programming. The Emerging networks segment consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

In addition, in the second quarter, the Company reorganized the segments into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services. USA Entertainment consists of Networks and television production, Filmed entertainment, Broadcasting and Emerging networks. USA Electronic Retailing consists of Electronic retailing. USA Information and Services consists of Ticketing operations, Hotel reservations, Teleservices, Interactive and Electronic commerce and services.

NOTE 7--INDUSTRY SEGMENTS (CONTINUED)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)		(IN THOUSANDS)	
Revenue				
USA ENTERTAINMENT				
Networks and television production	$ 336,047	$307,094	$1,105,688	$ 955,032
Filmed entertainment	14,468	27,912	65,548	39,687
Broadcasting	5,263	2,341	13,620	5,691
Emerging networks	8,591	266	12,862	693
USA ELECTRONIC RETAILING				
Electronic retailing	426,549	314,718	1,243,756	941,467
USA INFORMATION AND SERVICES				
Ticketing operations	124,929	105,188	395,909	324,615
Hotel reservations	94,619	47,652	227,964	70,670
Teleservices	70,162	--	140,374	--
Interactive	26,709	16,333	76,331	43,851
Electronic commerce and services	7,174	6,168	15,634	14,470
OTHER	509	--	1,568	6,894
	1,115,020	827,672	3,299,254	2,403,070
Operating profit (loss)				
USA ENTERTAINMENT				
Networks and television production	$ 90,394	64,555	$ 312,371	223,170
Filmed entertainment	(8,244)	904	(12,794)	262
Broadcasting	(18,115)	(11,525)	(52,118)	(36,609)
Emerging networks	(1,875)	(787)	(6,669)	(1,885)
USA ELECTRONIC RETAILING				
Electronic retailing	27,723	27,075	93,228	74,894
USA INFORMATION AND SERVICES				
Ticketing operations	9,275	6,382	42,952	21,521
Hotel reservations	1,899	1,500	3,650	2,159
Teleservices	(1,597)	--	(4,586)	--
Interactive	(75,122)	(42,563)	(200,383)	(103,551)
Electronic commerce and services	(7,451)	483	(19,961)	768
OTHER	(8,761)	(7,692)	(42,282)	(29,469)
One-time settlement of litigation	(3,400)	--	(3,400)	--
	$ 4,726	$ 38,332	$ 110,008	$ 151,260

In the third quarter of 2000, the Company recorded a one-time charge of $3.4 million for the settlement of litigation related to ticketing operations. The settlement was reached on November 13, 2000 after a judgment was reached by a jury on November 9, 2000.

NOTE 7--INDUSTRY SEGMENTS (CONTINUED)

The Company operates principally within the United States.

NOTE 8--SAVOY SUMMARIZED FINANCIAL INFORMATION

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

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999
	(IN THOUSANDS)	
Net sales	$4,632	$4,687
Operating expenses	1,408	4,882
Operating income (loss)	3,224	(195)
Net income	4,165	3,258

SUMMARY CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Current assets	$ 591	$ 191
Non-current assets	154,244	150,236
Current liabilities	14,834	12,273
Non-current liabilities	38,961	39,081

NOTE 9-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

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

NOTE 9-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

The following tables present condensed consolidating financial information for the three and nine months ended September 30, 2000 and 1999 for: (1) the Company on a stand-alone basis, (2) Holdco on a stand-alone basis, (3) USANi LLC on a stand-alone basis, (4) the combined Wholly Owned Subsidiary Guarantors (including Wholly Owned Subsidiary Guarantors that are wholly owned subsidiaries of USANi LLC), (5) the combined non-guarantor subsidiaries of the Company (including the non-guarantor subsidiaries of USANi LLC (collectively, the "Non-Guarantor Subsidiaries")), and (6) the Company on a consolidated basis.

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

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
BALANCE SHEET AS OF SEPTEMBER 30, 2000:							
Current Assets	$ 5,372	$ --	$ 95,282	$ 979,448	$ 636,585	$ --	$ 1,716,687
Property and equipment, net	--	--	24,848	257,267	193,289	--	475,404
Goodwill and other intangible assets, net	74,217	--	--	5,106,882	2,738,520	--	7,919,619
Investment in subsidiaries	3,522,749	1,292,445	6,894,645	19,717	--	(11,729,556)	--
Other assets	114,580	--	3,463	816,080	88,017	(522,757)	499,383
TOTAL ASSETS	$3,716,918	$1,292,445	$7,018,238	$7,179,394	$3,656,411	$(12,252,313)	$10,611,093
Current liabilities	$ --	$ --	$ --	$ 806,536	$ 444,652	$ (50,167)	$ 1,201,021
Long-term debt, less current portion	--	--	517,981	1,243	53,225	--	572,449
Other liabilities	214,985	--	297,911	562,733	509,758	(1,190,733)	394,654
Minority interest	--	--	55,037	225,475	518,681	4,141,843	4,941,036
Interdivisional equity	--	--	--	5,583,407	2,130,095	(7,713,502)	--
Stockholders' equity	3,501,933	1,292,445	6,147,309	--	--	(7,439,754)	3,501,933
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$3,716,918	$1,292,445	$7,018,238	$7,179,394	$3,656,411	$(12,252,313)	$10,611,093
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000							
Revenue	$ --	$ --	$ --	$ 725,271	$ 390,819	$ (1,070)	$ 1,115,020
Operating expenses	(3,353)	--	(5,764)	(638,380)	(463,867)	1,070	(1,110,294)
Interest expense, net	(7,718)	--	6,471	(7,798)	(510)	--	(9,555)
Other income, expense	(8,348)	34,197	147,313	(45,915)	(2,257)	(55,083)	69,907
Income tax expense	(820)	--	--	(12,719)	(8,774)	--	(22,313)
Minority interest	--	--	--	(4,093)	28,315	(87,226)	(63,004)
NET (LOSS) INCOME	$ (20,239)	$ 34,197	$ 148,020	$ 16,366	$ (56,274)	$ (142,309)	$ (20,239)

NOTE 9-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

	USAI	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000							
Revenue..............................	$ --	$ --	$ --	$2,227,887	$1,072,437	$ (1,070)	$3,299,254
Operating expenses....................	(12,164)	--	(29,627)	(1,928,502)	(1,220,023)	1,070	(3,189,246)
Interest expense, net.................	(18,499)	--	16,260	(23,687)	(1,030)	--	(26,956)
Other income, expense.................	(37,557)	78,571	382,640	(71,922)	(5,689)	(278,681)	67,362
Provision for income taxes............	522	--	(27,351)	(22,307)	(23,677)	--	(72,813)
Minority interest.....................	--	--	--	(8,784)	72,060	(208,575)	(145,299)
NET (LOSS) INCOME.....................	$(67,698)	$78,571	$341,922	$ 172,685	$ (105,922)	$(487,256)	$ (67,698)
CASH FLOW FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000							
Cash flow from (used in) operations...	$(29,055)	$ --	$ (2,018)	$ 260,231	$ 27,455	$ --	$ 256,613
Cash flow provided (used in) investing activities..........................	9,870	--	(44,131)	(179,513)	(161,675)	--	(375,449)
Cash flow from financing activities...	19,185	--	(63,944)	(123,362)	225,930	--	57,809
Effect of exchange rate...............	--	--	--	(15)	(4,118)	--	(4,133)
Cash at beginning of period...........	--	--	276,678	(26,004)	173,565	--	424,239
CASH AT END OF PERIOD.................	$ --	$ --	$166,585	$ (68,663)	$ 261,157	$ --	$ 359,079

	USAI	HOLDCO	USANI LLC	WHOLLY-OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1999							
Revenue............................	$ --	$ --	$ --	$ 628,677	$198,995	$ --	$ 827,672
Operating expenses..................	(1,035)	--	(6,347)	(558,517)	(223,441)	--	(789,340)
Interest expense, net...............	(3,213)	--	(2,763)	(5,860)	(386)	--	(12,222)
Gain on sale of securities..........	--	--	--	39,451	--	--	39,451
Other income (expense), net.........	13,271	21,237	105,597	(18,722)	18,213	(140,105)	(509)
Income tax expense..................	(16,703)	--	--	(2,394)	(5,850)	--	(24,947)
Minority interest...................	--	--	--	(2,815)	14,137	(59,107)	(47,785)
NET (LOSS) INCOME...................	$ (7,680)	$21,237	$ 96,487	$ 79,820	$ 1,668	$(199,212)	$ (7,680)
STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999							
Revenue............................	$ --	$ --	$ --	$1,918,476	$484,594	$ --	$2,403,070
Operating expenses..................	(8,333)	--	(17,868)	(1,686,459)	(539,150)	--	(2,251,810)
Interest expense, net...............	(7,974)	--	(13,672)	(15,329)	39	--	(36,936)
Gain on sale of securities..........	--	--	--	89,721	--	--	89,721
Other income (expense), net.........	28,282	61,308	336,089	(26,716)	28,702	(425,679)	1,986
Income tax expense..................	(21,828)	--	(21,898)	(5,532)	(16,044)	--	(65,302)
Minority interest...................	--	--	--	(8,368)	31,970	(174,184)	(150,582)
Net (loss) income...................	$ (9,853)	$61,308	$282,651	$ 265,793	$ (9,889)	$(599,863)	$ (9,853)

NOTE 9-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

	USAI	HOLDCO	USANI LLC	WHOLLY-OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
CASH FLOW FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999							
Cash flow from operations...........	$(39,534)	$ --	$(24,076)	$ 298,798	$ 14,244	$ --	$ 249,432
Cash flow from investing activities........................	(370,727)	--	(10,448)	36,543	(11,763)	--	(356,395)
Cash flow from financing activities........................	410,261	--	138,107	(471,389)	(29,604)	--	47,375
Effect of exchange rate.............	--	--	--	--	264	--	264
Cash at the beginning of period.....	--	--	151,160	75,511	218,685	--	445,356
CASH AT THE END OF THE PERIOD.......	$ --	$ --	$254,743	$ (60,537)	$191,826	$ --	386,032

NOTE 10--SUBSEQUENT EVENTS

As disclosed on its Schedule 13D/A filed on October 23, 2000, the Company is considering possible transactions in order to obtain the benefits of joint operation of the ticketing and reservations businesses of TMCS and Ticketmaster Corporation, a wholly owned subsidiary of the Company. These may include a merger or other transaction that could involve the issuance to the Company of additional shares of TMCS common stock. The Company has asked the TMCS Board to appoint a committee of independent directors in connection with the foregoing and such a committee has been appointed.

There can be no assurance that a transaction will occur, or what the terms or form would be.

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

GENERAL

USAi is a holding company, with subsidiaries focused on the new convergence of entertainment, information and direct selling. USAi adopted its present corporate structure as part of the Universal transaction. USAi maintains control and management of Home Shopping Network, Inc. ("Holdco") and USANi LLC, and manages the businesses held by USANi LLC in substantially the same manner as they would be if USAi held them directly through wholly owned subsidiaries.

On July 27, 2000 USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). The Styleclick class A common stock is quoted on the Nasdaq Stock Market under the symbol "IBUY". In April 2000, the Company acquired Precision Response Corporation ("PRC"), a leader in outsourced customer care for both large corporations and high-growth internet-focused companies (the "PRC Transaction"). In May 1999, the Company acquired substantially all of the assets and assumed substantially all of the liabilities of two entities which operate Hotel Reservations Network ("HRN") (the "Hotel Reservations Network Transaction"), a leading consolidator of hotel rooms for resale in the consumer market in the United States. Also in May 1999, the Company acquired October Films, Inc. and the domestic film distribution and development business of Universal which was previously operated by Polygram Filmed Entertainment ("USA Films") (the "October Films/PFE Transaction"). In connection with these transactions, the Company established the Teleservices, Hotel reservations and Filmed entertainment business segments. On March 1, 2000, Hotel Reservations Network completed an initial public offering. The Hotel Reservation Network's class A common stock is quoted on the Nasdaq Stock Market under the symbol "ROOM".

EBITDA

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

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

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the past three years, the Company has augmented its media and electronic commerce businesses by acquiring and developing several new businesses. As a result, the changes resulting from the

Styleclick transaction, the PRC transaction, the Hotel Reservations Network transaction and the October Films/PFE transaction should be considered when comparing the results of operations for the three and nine months ended September 30, 2000 to September 30, 1999. To enhance comparability, the discussion of consolidated results of operations is supplemented, where appropriate, with separate pro forma financial information that gives effect to the above transactions as if they had occurred at the beginning of the respective periods presented.

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

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

CONSOLIDATED RESULTS OF OPERATIONS

QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000 VS. QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1999

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

NET REVENUES

For the three months ended September 30, 2000, revenues increased by $287.3 million, or 34.7%, to $1.1 billion from $827.7 million in 1999 primarily due to increases of $111.8 million, $70.2 million, $47.0 million, $29.0 million and $19.7 million from the Electronic retailing, Teleservices, Hotel reservations, Networks and television production and Ticketing operations businesses, respectively.

For the nine months ended September 30, 2000, revenues increased by $896.2 million, or 37.5%, to $3.3 billion from $2.4 billion in 1999 primarily due to increases of $302.3 million, $157.3 million, $150.7 million, $140.3 million and $71.3 million from the Electronic retailing, Hotel reservations, Networks and television production, Teleservices and Ticketing operations businesses, respectively.

OPERATING COSTS AND EXPENSES

For the three months ended September 30, 2000, operating expenses increased by $317.6 million, or 40.2%, to $1.1 billion from $789.3 million in 1999, primarily due to increases of $105.7 million, $59.0 million, $39.7 million, and $20.9 million from the Electronic retailing, Teleservices, Hotel reservations, Networks and television production, and Ticketing operations businesses, respectively. In addition, depreciation and amortization expense increased $58.0 million primarily as a result of goodwill arising from acquisitions.

For the nine months ended September 30, 2000, operating expenses increased by $934.0 million, or 41.5%, to $3.2 billion from $2.3 billion in 1999, primarily due to increases of $267.5 million, $132.5 million, $117.3 million, $62.1 million and $60.2 million from the Electronic retailing, Hotel reservations, Teleservices, Networks and television production and Ticketing operations businesses, respectively. In addition, depreciation and amortization expense increased $150.2 million primarily as a result of goodwill arising from acquisitions. During the nine months ended September 30, 2000, the Company recorded $11.6 million of expense related to an agreement with an executive. Of this amount, $3.8 million is a non-cash stock compensation expense related to restricted stock.

OTHER INCOME (EXPENSE)

For the three and nine months ended September 30, 2000, net interest expense decreased by $2.8 million and $10.0 million, respectively, compared to 1999 primarily due to lower borrowing levels as a result of the repayment of bank debt in 1999 from the proceeds of equity transactions involving Universal and Liberty Media Corporation, a subsidiary of AT&T Corporation ("Liberty").

In the three months ended September 30, 2000, the Company realized a pre-tax gain of $104.6 million based upon the exchange of 25% of ISN for 75% of Old Styleclick in the Styleclick Transaction. Also, the Company realized a pre-tax loss of $30.5 million related to the write-off of investments to fair value. In the nine months ended September 30, 2000, the Company realized a pre-tax gain of $3.7 million related to the initial public offering of its subsidiary, HRN. In the three and nine months ended September 30, 1999, the Company realized pre-tax gains of $39.5 million and $89.7 million, respectively, related to the sale of securities. Furthermore, in the nine months ended September 30, 1999, the Company recognized other income of $10.4 million from the reversal of equity losses which were recorded in 1998 as a result of the Universal transaction.

INCOME TAXES

USAi's effective tax rate for the three and nine months ended September 30, 2000 of 38.3% and 48.2%, respectively, was higher than the statutory rate due to the impact of non-deductible goodwill, no tax benefits for consolidated subsidiary losses which are not included in the Company's consolidated tax returns taxable income and state income taxes. The rate would have been higher if not for the impact of the one-time gain from the Styleclick merger and the write-off of the investments to fair value.

MINORITY INTEREST

For the three and nine months ended September 30, 2000, minority interest primarily represented Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in TMCS, the public's ownership interest in HRN since February 25, 2000 and the public's ownership interest in Styleclick since July 27, 2000.

PRO FORMA QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000
VS. PRO FORMA QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1999

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

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

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
NET REVENUES:				
USA ENTERTAINMENT				
Networks and television production	$ 336,047	$307,094	$1,105,688	$ 955,032
Filmed entertainment	14,468	27,912	65,548	56,974
Broadcasting	5,263	2,341	13,620	5,691
Emerging networks	8,591	266	12,862	693
USA ELECTRONIC RETAILING				
Electronic retailing	426,549	354,199	1,243,756	1,057,683
USA INFORMATION AND SERVICES				
Ticketing operations	124,929	105,188	395,909	324,615
Hotel reservations	94,619	47,652	227,964	108,371
Teleservices	70,162	57,006	210,023	153,344
Interactive	26,853	17,120	78,220	49,003
Electronic commerce and services	7,174	6,168	15,634	14,470
OTHER	509	--	1,568	6,894
Total net revenues	1,115,164	924,946	3,370,792	2,732,770
Operating costs and expenses:				
Cost of sales	527,600	347,179	1,539,786	998,228
Program costs	146,000	147,549	485,037	466,896
Selling and marketing	141,842	129,720	401,976	378,050
General and administrative	111,701	149,417	338,749	403,776
Other operating costs	31,636	14,805	86,161	58,525
Amortization of non cash distribution and marketing expense	2,693	--	4,414	--
Amortization of cable distribution fees	8,845	6,938	25,335	19,213
Depreciation and amortization	146,370	116,526	429,924	337,449
Total operating costs and expenses	1,116,687	912,134	3,311,382	2,662,137
Operating profit	$ (1,523)	$ 12,812	$ 59,410	$ 70,633
EBITDA	$ 156,385	$136,276	$ 519,083	$ 427,295

Net revenues for the three months ended September 30, 2000 increased by $190.2 million, or 20.6%, to $1.1 billion from $924.9 million in 1999. Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $170.1 million, or 21.6%, to $958.8 million from $788.7 million in 1999. In the third quarter of 2000, the Company recorded a one-time charge of $3.4 million for the settlement of litigation related to ticketing operations. The settlement was reached on November 13, 2000 after a judgment was reached by a jury on November 9, 2000. EBITDA for the three months ended September 30, 2000 increased by $20.1 million, or 14.7%, to $156.4 million from $136.3 million in 1999.

Net revenues for the nine months ended September 30, 2000 increased by $638.0 million, or 23.3%, to $3.4 billion from $2.7 billion in 1999. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $546.2 million, or 23.7%, to $2.8 billion from $2.3 billion in 1999. EBITDA for the nine months ended September 30, 2000 increased by $91.8 million, or 21.5%, to $519.1 million from $427.3 million in 1999.

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

NETWORKS AND TELEVISION PRODUCTION

Net revenues for the three months ended September 30, 2000 increased by $29.0 million, or 9.4%, to $336.0 million from $307.0 million in 1999. The increase primarily resulted from an increase in advertising and affiliate revenues at USA Network and the Sci-Fi Channel, and increased revenue from Studios USA related principally to television movies and increased production for USA Network and the Sci-Fi Channel.

Net revenues for the nine months ended September 30, 2000 increased by $150.7 million, or 15.8%, to $1.1 billion from $955.0 million in 1999. The increase primarily resulted from an increase in advertising and affiliate revenues at USA Network and the Sci-Fi Channel due to an increase in subscribers and higher ratings at Sci-Fi. Revenue of Studios USA also increased due to increased revenues from one-hour dramas, talk shows and movie productions, offset by fewer network pick-ups for comedy productions.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $3.3 million, or 1.6%, to $217.6 million from $214.3 million in 1999. This increase resulted primarily from higher marketing costs offset partially by lower programming costs.

Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $62.1 million, or 9.6%, to $709.1 million from $647.0 million in 1999. This increase resulted primarily from marketing, development and distribution costs.

EBITDA for the three months ended September 30, 2000 increased by $25.6 million, or 27.6%, to $118.5 million from $92.8 million in 1999.

EBITDA for the nine months ended September 30, 2000 increased by $88.6 million, or 28.7%, to $393.6 million from $308.0 million in 1999.

ELECTRONIC RETAILING

Net revenues for the three months ended September 30, 2000 increased by $72.3 million, or 20.4%, to $426.5 million from $354.2 million in 1999. The increase primarily resulted from Home Shopping Network's core domestic business, which generated increased sales of $52.4 million, including HSN.com, which began operations in late 1999 and generated sales of $8.6 million. Also, core international business increased $14.3 million due to operations in Germany, which generated revenue of $53.8 million. The increase in net revenues was offset partially from an increase in the return rate to 20.2% from 19.1% in 1999.

Net revenues for the nine months ended September 30, 2000 increased by $186.1 million, or 17.6%, to $1.2 billion from $1.1 billion in 1999. The increase primarily resulted from Home Shopping Network's core domestic business, which generated increased sales of $136.0 million due primarily to the increase from the Home Shopping service of $106.8 million and HSN.com, which generated revenue of $20.5 million. Also, core international business increased $46.0 million due primarily to operations in Germany.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $70.0 million, or 23.2%, to $372.0 million from $302.0 million in 1999. The increase resulted primarily from higher sales volume. The on-air gross profit margin decreased to 34.7% as compared to 35.4% in the prior year.

Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $160.6 million, or 17.6%, to $1.1 billion from $912.0 million in 1999. The increase resulted primarily from higher sales volume.

EBITDA for the three months ended September 30, 2000 increased by $2.4 million, or 4.5%, to $54.5 million from $52.1 million in 1999.

EBITDA for the nine months ended September 30, 2000 increased by $25.5 million, or 17.5%, to $171.2 million from $145.7 million in 1999.

TICKETING OPERATIONS

Net revenues for the three months ended September 30, 2000 increased by $19.7 million, or 18.8%, to $124.9 million from $105.2 million in 1999. The increase resulted from an increase of 14.8% in the number of tickets sold, including an increase in the percentage of tickets sold online to 25.2% from 15.0% in 1999, and an increase in revenue per ticket to $5.67 from $5.34 in 1999.

Net revenues for the nine months ended September 30, 2000 increased by $71.3 million, or 22.0%, to $395.9 million from $324.6 million in 1999. The increase resulted from an increase in the number of tickets sold and an increase in revenue per ticket.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $24.3 million, or 29.0%, to $108.3 million from $84.0 million in 1999. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume and increased secondary commissions. In the third quarter of 2000, the Company recorded a one-time charge of $3.4 million for the settlement of litigation. The settlement was reached on November 13, 2000 after a judgment was reached by a jury on November 9, 2000.

Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $63.6 million, or 24.8%, to $320.3 million from $256.7 million in 1999. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume and increased secondary commissions.

EBITDA for the three months ended September 30, 2000 decreased by $4.6 million, or 21.7%, to $16.7 million from $21.3 million in 1999. The decrease is due primarily to costs related to recent acquisitions, including TicketWeb and 2b Technology and the litigation settlement. Excluding the one-time litigation settlement, EBITDA decreased $1.2 million, or 5.7%.

EBITDA for the nine months ended September 30, 2000 increased by $7.7 million, or 11.3%, to $75.6 million from $67.9 million in 1999. Excluding the one-time litigation settlement, EBITDA increased $11.1 million, or 16.3%.

TELESERVICES

Net revenues for the three months ended September 30, 2000 increased by $13.2 million, or 23.1%, to $70.2 million from $57.0 million in 1999. The increase resulted from growth of new business, as PRC reduced its concentration of its top ten revenue-producing clients to 65% from 70% in the year-ago period.

Net revenues for the nine months ended September 30, 2000 increased by $56.7 million, or 37.0%, to $210.0 million from $153.3 million in 1999 due to the growth of new business.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $10.3 million, or 21.2%, to $59.0 million from $48.7 million in 1999 due primarily to increased operations.

Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $44.8 million, or 33.7%, to $177.5 million from $132.8 million in 1999.

EBITDA for the three months ended September 30, 2000 increased by $2.8 million, or 34.4%, to $11.1 million from $8.3 million in 1999.

EBITDA for the nine months ended September 30, 2000 increased by $11.9 million, or 57.9%, to $32.5 million from $20.6 million in 1999.

INTERACTIVE

Net revenues for the three months ended September 30, 2000 increased by $9.7 million, or 56.9%, to $26.9 million from $17.1 million in 1999. The increase primarily resulted from an increase in online city guide and sponsorship revenue of $11.9 million, or 123%, due to the growth in its combined reach among home and work users to 9.7% (7.8 million unique users) due to the expansion into new cities as well as the expansion into the online personals business. The increase was partially offset due to lower revenues of Styleclick as a result of an effort to change the sales mix from less profitable categories and lower marketing efforts due to the planned re-launch of the First Auction site planned for late 2000.

Net revenues for the nine months ended September 30, 2000 increased by $29.2 million, or 59.6%, to $78.2 million from $49.0 million in 1999. The increase primarily resulted from an increase in online city guide and sponsorship revenue of $36.4 million, or 162%, due to expansion into new cities and expansion into the online personals business. The increase was offset by lower revenues of Styleclick.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $2.3 million, or 4.8%, to $49.9 million from $47.6 million in 1999. The increase resulted primarily from increased costs of city guide revenue, costs to expand the local city guides into new markets and costs related to the online personal business. The costs were offset by lower marketing expenses for Styleclick.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $36.0 million, or 28.9%, to $160.6 million from $125.6 million in 1999.

EBITDA loss for the three months ended September 30, 2000 increased by $7.4 million, or 24.4%, to $23.0 million from $30.5 million in 1999.

EBITDA loss for the nine months ended September 30, 2000 increased by $6.8 million, or 9.03%, to $82.4million from $75.6 million in 1999.

HOTEL RESERVATIONS

Net revenues for the three months ended September 30, 2000 increased by $47.0 million, or 98.6%, to $94.6 million from $47.6 million in 1999. The increase resulted from expansion of affiliate marketing programs, an increase in the number of hotels for existing cities and expansion into 118% more cities as compared to the prior year. The number of room nights sold increased 92% as compared to the prior year. Internet generated sales for the three months ended September 30, 2000 increased to 94% in 2000 from 85% in 1999.

Net revenues for the nine months ended September 30, 2000 increased by $119.6 million, or 110.4%, to $228.0 million from $108.4 million in 1999.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $39.7 million, or 96.7%, to $80.7 million from $41.0 million in 1999. The increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agent sales (for which commissions are paid), increased credit card charge backs, and increased staffing levels and systems to support increased operations, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2000 increased by $100.4 million, or 108.5%, to $193.0 million from $92.6 million in 1999.

EBITDA for the three months ended September 30, 2000 increased by $7.3 million, or 110.4%, to $13.9 million from $6.6 million in 1999.

EBITDA for the nine months ended September 30, 2000 increased by $19.2 million, or 121.2%, to $35.0 million from $15.8 million in 1999.

FILMED ENTERTAINMENT

Net revenues for the three months ended September 30, 2000 decreased by $13.4 million, or 48.2%, to $14.5 million compared to $27.9 million in 1999 due to fewer theatrical releases, while net revenues for the nine months ended September 30, 2000 increased by $8.6 million, or 15.0%, to $65.5 million compared to $56.7 million in 1999. Cost related to revenues and other costs and expenses for the three and nine months ended September 30, 2000 decreased by $5.9 million due to the lower revenues. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2000 increased by $16.4 million. EBITDA loss for the three and nine months ended September 30, 2000 increased by $7.6 million and $7.8 million, respectively.

ELECTRONIC COMMERCE AND SERVICES

Net revenues for the three months ended September 30, 2000 increased by $1.0 million, or 16.3%, to $7.2 million compared to $6.2 million in 1999 due to increases in ECS teleservices and Short Shopping contextual selling spots, including spots during USA Network's coverage of the US Open. Net revenues for the nine months ended September 30, 2000 increased by $1.2 million, or 8.0%, to $15.6 million compared to $14.5 million in 1999. Cost related to revenues and other costs and expenses for the three and nine months ended September 30, 2000 increased by $9.5 million and $21.8 million due primarily from start-up costs incurred to launch the business initiatives and other overhead expenses. EBITDA loss for the three and nine months ended September 30, 2000 increased by $8.5 million and $20.6 million, respectively.

BROADCASTING

Net revenues increased by $2.9 million to $5.3 million from $2.4 million for the three months ended September 30, 2000 and $7.9 million to $13.6 million from $5.7 million for the nine months ended September 30, 2000 as compared to the respective periods in 1999 due to increased advertising revenue at the television station in the Miami/Ft. Lauderdale market and the launch of stations in the Dallas and Atlanta markets in November 1999 and Boston in August 2000. Cost related to revenue increased by $7.0 million and $18.8 million for the three and nine months ended September 30, 2000 as compared to the respective periods in 1999, due to increased program costs and operating expenses. An increased loss is expected in the broadcasting segment in 2000 as costs are incurred to launch more local television stations.

EMERGING NETWORKS

Net revenues increased by $8.3 million to $8.6 million from $0.3 million for the three months ended September 30, 2000 and $12.2 million to $12.9 million from $0.7 million for the nine months ended September 30, 2000 as compared to the respective periods in 1999 due to the acquisition of Trio and News World International on May 19, 2000. Prior to this acquisition, the results reflect only SciFi.com. Cost related to revenue increased by $7.8 million and $14.9 million for the three and nine months ended September 30, 2000 as compared to the respective periods in 1999. EBITDA loss for the three and nine months ended September 30, 2000 decreased by $0.4 million and increased by $2.7 million, as compared to the respective periods in 1999.

OTHER

Other revenue for 2000 relates to Ingenious Designs, a business acquired in 2000. Other revenue for 1999 relates to a business that was sold in 1999.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $256.6 million for the nine months ended September 30, 2000 compared to $249.4 million for the nine months ended September 30, 1999. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $203.0 million, to make capital expenditures of $116.5 million, and to make mandatory tax distribution payments to the LLC partners of $68.1 million.

On July 27, 2000 USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, completed the merger of ISN and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com Inc. and ISN. In accordance with the terms of the agreement, USAi invested $40 million in cash agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. On a fully diluted basis, USAi owns approximately 75% of the new company and Styleclick.com stockholders own approximately 25%. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under the bridge loan provided by USAi.

On April 5, 2000, the Company acquired PRC in a tax-free merger by issuing approximately 24.3 million shares of USAi common stock in exchange for all outstanding equity of PRC. In conjunction with the acquisition, USAi repaid $32.3 million of outstanding borrowing under PRC's existing credit facility.

On March 1, 2000, HRN completed an initial public offering for approximately 6.2 million shares of its class A common stock, resulting in net cash proceeds of approximately $90.0 million. USAi recorded a gain related to the initial public offering of approximately $3.7 million in the three months ended September 30, 2000.

Pursuant to an agreement between USAi and the sellers of the two entities which operated HRN, USAi made a contingent payment of $58.3 million in the nine months ended September 30, 2000. The payments were based on the results of HRN for the three month period ended December 31, 1999 and the twelve month period ending March 31, 2000. The obligation for contingent payments for the twelve month periods ending March 31, 2001 and 2002 was released by the sellers in exchange for 5.1 million shares of HRN common stock.

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

In connection with the 1999 acquisition of Universal's domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses transaction, USAi advanced $200.0 million to Universal in 1999 pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement, under which USAi agreed to distribute, in the United States and Canada, certain Polygram Filmed Entertainment, Inc. theatrical films that were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through September 30, 2000, approximately $111.3 million has been offset against the advance.

In July 1999, USAi announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USAi's common stock, on the open market or in negotiated transactions. In July 2000, USAi announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USAi's common stock over an indefinite period of time, on the open market or in negotiated transactions. The amount and timing of purchases, if any, will depend on market conditions and other factors, including USAi's overall capital structure. Funds for these purchases will come from cash on hand or borrowings under the Company's credit facility. During the nine months ended

September 30, 2000, the Company purchased 5.8 million shares of its common stock for aggregate consideration of $129.9 million.

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

On February 12, 1998, USAi and USANi LLC, as borrower, entered into a credit agreement that provided for a $1.6 billion credit facility. $1.0 billion was permanently repaid in prior years. The $600.0 million revolving credit facility expires on December 31, 2002. As of September 30, 2000, there was $597.3 million available for borrowing after taking into account outstanding letters of credit.

USAi implemented its plan to disaffiliate its television stations in the Miami/Ft. Lauderdale, Dallas and the Atlanta markets in prior years. In 2000, the Boston station was disaffiliated. USAi has incurred and will continue to incur expenditures to develop programming for these stations which, during the development and transitional stage, may not be offset by sufficient advertising revenues. USAi believes that the process of disaffiliation can be successfully managed to maximize the value of the broadcasting stations, rather than have a material adverse effect.

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

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

During the nine months ended September 30, 2000, USAi did not pay any cash dividends, and none are permitted under USAi's existing credit facility. USAi's subsidiaries have no material restrictions on their ability to transfer amounts to fund USAi's operations.

SEASONALITY

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

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

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

At September 30, 2000, the Company's outstanding debt approximated $599.7 million, substantially all of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on the current market rate.

FOREIGN CURRENCY EXCHANGE RISK

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

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of a publicly-traded Company. This investment, as of September 30, 2000, was considered available-for-sale, with the unrealized gain deferred as a component of stockholders' equity. It is not customary for the Company to make investments in equity securities as part of its investment strategy.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Jovon litigation, previously reported in the Company's Form 10-K for the year ended December 31, 1999 and the Company's Form 10-Q for the quarterly period ended March 31, 2000, the Federal Communications Commission released on October 6, 2000 a Memorandum Opinion and Order confirming that the Company could have used an insulated trust mechanism to exercise the option. The FCC again stated that the validity of the option agreement was a matter for determination by the state courts. Oral argument occurred before the Court of Appeal for the Second District of Florida on October 25, 2000.

In the Urban litigation, previously reported in the Company's Form 10-K for the year ended December 31, 1999 and the Company's Form 10-Qs for the quarterly periods ended March 31, 2000 and June 30, 2000, USA Station Group of Virginia, Inc. ("USA-SGV") filed motions on August 3, 2000 requesting the Court to: (a) transfer venue of Urban's bankruptcy case from the U.S. Bankruptcy Court for the District of Columbia to the U.S. Bankruptcy Court for the Eastern District of Virginia, and (b) appoint a Chapter 11 trustee for Urban. The U.S. Bankruptcy Court for the District of Columbia granted USA-SGV's motion to transfer venue, and an evidentiary hearing on USA-SGV's motion for entry of an order directing appointment of a Chapter 11 trustee for Urban is scheduled to occur before the Bankruptcy Court for the Eastern District of Virginia on November 29, 2000.

In the Ticketmaster Consumer Class Action litigation previously reported in the Company's Form 10-K for the year ended December 31, 1999, a hearing date for class certification has been set by the United States District Court for the Eastern District of Missouri for December 15, 2000, and a trial date has been set for October 29, 2001.

In the Ticketmaster Cash Discount Litigation previously reported in the Company's Form 10-K for the year ended December 31, 1999 and the Company's Form 10-Q for the quarterly period ended March 31, 2000, the plaintiff filed an amended class action petition in Texas state court on June 20, 2000 asserting as an additional claim that the cash discount program in question violates a provision in a Merchant Services Bankcard Agreement between Ticketmaster and Chase Merchant Services L.L.C. and First Financial Bank. Plaintiff claims that all consumers using VISA and Mastercard to purchase tickets from Ticketmaster are third-party beneficiaries of this agreement. Plaintiff also filed on July 14, 2000 an amended class certification motion. In addition to the nine-state class sought by Plaintiff's original class certification request, the amended motion seeks the certification of a nationwide class of VISA and Mastercard customers since approximately April 1998 to prosecute the alleged third-party beneficiary claim. Ticketmaster filed a summary judgment motion on May 1, 2000 and Plaintiff filed a second amended motion for partial summary judgment on May 24, 2000. Currently, no hearing is set on any of these motions. On July 20, 2000, Ticketmaster removed the case to federal court in McAllen, Texas on the grounds that the newly added third-party beneficiary claim raises a federal question under the Truth-in-Lending Act. On August 1, 2000, Plaintiff filed a motion to remand the case to state court. The hearing on this motion to remand has been continued without date.

In the N2K litigation previously reported in the Company's Form 10-Q for the quarterly period ended March 31, 2000, the parties entered into a settlement agreement, dated as of November 13, 2000, pursuant to which all claims were released with prejudice. The settlement does not have a material adverse effect on the Company.

On July 23, 1999, Ticketmaster Corporation and Ticketmaster Online-Citysearch, Inc. ("TMCS", and together with the Ticketmaster Corporation, the "TM plaintiffs") filed a complaint for damages and injunctive relief against Tickets.com, Inc. ("Tickets.com") in the United States District Court, Central District of California, entitled TICKETMASTER CORPORATION AND TICKETMASTER ONLINE-CITYSEARCH, INC. V. TICKETS.COM, INC., Case No. 99-07654 HLH. The complaint claims that Tickets.com violates the TM plaintiffs' legal and contractual rights by, among other things, (i) trespassing on their web sites, (ii) providing deep-links to their internal web pages without their consent, (iii) systematically, deceptively and intentionally accessing their computers and computer systems and copying verbatim their event pages daily and extracting and reprinting their Uniform Resource Locators ("URLs") and event data and information in complete form on Tickets.com's web site and (iv) providing false and misleading information about them, the availability of tickets on their web sites, and the relationship between them and Tickets.com. On January 7, 2000, the TM plaintiffs filed an amended complaint. Tickets.com filed a motion to dismiss the amended complaint on or about February 23, 2000, claiming that Tickets.com did not violate the Copyright Act or Lanham Act and that TM plaintiffs' state law claims were preempted and/or did not state a valid claim for relief. The Court denied Tickets.com's motion as to TM plaintiffs' claims for copyright infringement, violations of the Lanham Act, state law, unfair competition and interference with prospective economic advantage. The Court granted Tickets.com's motion as to TM plaintiffs' claims for breach of contract, trespass, unjust enrichment and misappropriation, but gave TM plaintiffs leave to amend. TM plaintiffs filed a second amended complaint on April 21, 2000.

On March 3, 2000, TM plaintiffs filed a motion for preliminary injunction, requesting the Court to enjoin Tickets.com from, among other things, deep-linking to TM plaintiffs' internal web pages, accessing their computers and computer systems and copying their event pages, and providing misleading and false information about them, the availability of tickets on their web sites and the relationship between them and Tickets.com. On July 31, 2000 the Court held a hearing, and on August 11, 2000 issued a ruling denying TM plaintiffs' motion for preliminary injunction. On October 20, 2000, TM plaintiffs filed an appeal of the denial of their request for a preliminary injunction with the Court of Appeals for the Ninth Circuit. No hearing on that appeal has yet been set.

On May 30, 2000, Tickets.com filed its answer to TM plaintiffs' second amended complaint in addition to counterclaims against TM plaintiffs. Tickets.com alleges claims for relief against TM plaintiffs for violations of the Sherman Act, sections 1 and 2, violations of California's Cartwright Act, violations of California's Business and Professions Code section 17200, violations of common law restraint of trade and unfair competition and business practices, interference with contract and declaratory relief. Tickets.com claims that Ticketmaster Corporation's exclusive agreements with TMCS, venues, promoters and other third parties injure competition, violate antitrust laws, constitute unfair competition and interfere with Tickets.com's prospective economic advantages. On July 19, 2000, TM plaintiffs filed a motion to dismiss any claim based in whole or in part on TM plaintiffs' alleged litigation conduct as well as Tickets.com's ninth claim for relief under California's antitrust laws (the Cartwright Act). On September 25, 2000 that motion was denied. On October 24, 2000, TM plaintiffs filed their answer to Tickets.com's. TM plaintiffs intend to vigorously defend this litigation.

In the MovieFone litigation previously reported in the Company's 10-K for the year ended December 31, 1999, the parties entered into a settlement agreement, dated as of August 11, 2000, pursuant to which all claims were released with prejudice. The settlement does not have a material adverse effect on the Company.

In the Home Shopping Network Consumer Class Action litigation previously reported in the Company's Form 10-K for the year ended December 31, 1999, the plaintiffs filed an amended class action complaint that, among other things: (i) added an additional named plaintiff, (ii) added Home Shopping Club LP, Warrantech Helpdesk, Inc., Banctech Service, Inc. and Timespace Internet, Inc. as named defendants, and (iii) removed two individuals as named defendants. On May 9, 2000, Home Shopping Network, Inc. and Home Shopping Club LP (the "HSN Defendants") filed a motion to dismiss the amended complaint. On May 23, 2000, the Cook County Circuit Court addressed the HSN Defendants' motion to dismiss by entering an Order that, in pertinent part, required the plaintiffs to file a second amended complaint. On June 6, 2000, the plaintiffs filed a second amended class action complaint that, among other things, added an additional named plaintiff and asserted two additional causes of action for negligent misrepresentation and breach of contract. The HSN Defendants have filed an answer and affirmative defenses to the second amended complaint and intend to continue to vigorously defend this action.

In the World Wrestling Federation litigation, previously reported in the Company's Form 10-Qs for the quarterly periods ended March 31, 2000 and June 30, 2000, the Delaware Supreme Court on September 18, 2000 ruled against USA Cable on appeal of the decision of the Chancery Court. In the opinion of management, this outcome will not have a material adverse effect on the Company.

In the Marketingworks, Inc. litigation previously reported in the Company's Form 10-K for the year ended December 31, 1999, a status conference was held on October 30, 2000, at which time a trial date of July 3, 2001 was scheduled. In January 2000, Universal/USA removed the case to Federal Court on the basis of copyright preemption and as a result of the fact that Marketingworks sought Federal remedies under the Lanham Act. Although discovery is not yet complete, based on information revealed thus far to Universal/USA, the Company believes this claim is unlikely to present a material liability to the Company.

On August 25, 2000, RTL Plus Deutschland Fernsehen GMBH & Co. Betriebs-KG, Companie Luxembourgeoise de Telediffusion S.A. and UFA Film--Und Fernseh-GMBH & Co. KG (collectively "RTL") filed a complaint in the Netherlands against Universal Studios International B.V. ("USI"). USI, the international distribution entity of Universal Studios, Inc., has the rights, subject to various exemptions, to distribute internationally certain television programs owned by Studios USA and other USAi entities. The complaint involves a 10-year "output" agreement between RTL and USI, signed July 30, 1996, pursuant to which, among other things, certain television programs owned by Studios USA and other USAi entities are distributed in Germany (the "RTL Output Agreement"). The RTL Output Agreement also includes "co-production" provisions under which RTL acquires an equity interest in certain programs. The complaint, based on equitable doctrines of "mistake of fact" and "unforseen circumstances," requests the court to modify or nullify RTL's licensing and "co-production" obligations with respect to current television programs. USI currently has until November 22, 2000 to respond to the complaint. Studios USA and its affiliated companies are not parties to the RTL Output Agreement and currently not parties to the pending proceeding. Studios USA and its affiliated entities believe the RTL complaint to be without merit, and intend to vigorously protect their interests.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
10.1*	Employment Agreement, dated September 21, 2000, between USA Networks, Inc. and Dara Khosrowshahi
27.1	Financial Data Schedule (for SEC use only)
27.2	Financial Data Schedule (for SEC use only)
27.3	Financial Data Schedule (for SEC use only)
27.4	Financial Data Schedule (for SEC use only)

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* Reflects management contracts and compensatory plans.

(b) Forms 8-K

On October 26, 2000, USAi furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching a press release announcing its results for the quarter ended September 30, 2000 and forward-looking financial information.

On October 27, 2000, USAi furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, providing an overview of the company and supplemental information.

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.

By: /s/ BARRY DILLER

Barry Diller
Chairman and Chief
Executive Officer

SIGNATURE	TITLE	DATE
/s/ BARRY DILLER Barry Diller	Chairman of the Board and Chief Executive Officer	November 14, 2000
/s/ MICHAEL SILECK Michael Sileck	Senior Vice President, Chief Financial Officer Principal Financial Officer)	November 14, 2000
/s/ WILLIAM J. SEVERANCE William J. Severance	Vice President and Controller (Chief Accounting Officer)	November 14, 2000

CONSOLIDATED FINANCIAL STATEMENTS

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
NET REVENUES				
Networks and television production	$336,047	$307,094	$1,105,688	$ 955,032
Electronic retailing	426,549	314,718	1,243,756	941,467
Interactive	5,147	6,660	17,555	21,489
Electronic commerce and services	2,524	543	5,121	1,731
Emerging networks	8,591	266	12,862	693
Other	509	--	1,568	6,894
Total net revenues	779,367	629,281	2,386,550	1,927,306
Operating costs and expenses:				
Cost of sales	280,851	206,406	823,741	634,100
Program costs	146,000	147,549	485,037	466,896
Selling and marketing	97,940	74,121	280,928	209,859
General and administrative	72,022	60,080	227,121	173,876
Other operating costs	33,391	22,081	90,343	66,400
Amortization of cable distribution fees	8,845	6,938	25,335	19,214
Depreciation and amortization	58,971	44,058	154,945	130,620
Total operating costs and expenses	698,020	561,233	2,087,450	1,700,965
Operating profit	81,347	68,048	299,100	226,341
Other income (expense):				
Interest income	5,283	12,636	19,195	31,959
Interest expense	(6,329)	(21,066)	(24,807)	(61,685)
Gain on sale of securities	--	39,451	--	89,721
Other, net	70,575	(779)	66,567	879
	69,529	30,242	60,955	60,874
Earnings before income taxes and minority interest	150,876	98,290	360,055	287,215
Income tax expense	(34,205)	(18,080)	(76,498)	(52,234)
Minority interest	(82,474)	(58,973)	(204,986)	(173,673)
NET EARNINGS	$ 34,197	$ 21,237	$ 78,571	$ 61,308

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 135,335	$ 247,474
Accounts and notes receivable, net of allowance of $48,734 and $33,317, respectively	453,277	381,175
Inventories, net	553,677	432,520
Investments held for sale	2,062	--
Deferred income taxes	--	12,077
Other current assets, net	28,267	8,542
Total current assets	1,172,618	1,081,788
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	133,148	123,606
Buildings and leasehold improvements	66,050	59,074
Furniture and other equipment	71,249	67,246
Land	10,275	10,246
Projects in progress	19,948	31,736
	300,670	291,908
Less accumulated depreciation and amortization	(66,643)	(79,350)
	234,027	212,558
OTHER ASSETS		
Intangible assets, net	5,204,280	5,029,769
Cable distribution fees, net ($30,235 and $35,181, respectively, to related parties)	146,155	130,988
Long-term investments	37,272	93,742
Notes and accounts receivable, net ($3,283 and $2,562, respectively, from related parties)	29,121	19,506
Inventories, net	182,422	154,497
Advances to USAI and subsidiaries	443,098	410,107
Deferred income taxes	70,308	61,755
Deferred charges and other, net	39,494	36,934
	$7,558,795	$7,231,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 20,829	$ 3,758
Accounts payable, trade	139,149	147,864
Obligations for program rights and film costs	295,561	265,235
Cable distribution fees payable ($18,431 and $18,733, respectively, to related parties)	28,993	43,993
Deferred revenue	63,684	47,536
Deferred income taxes	13,383	--
Other accrued liabilities	357,267	271,846
Total current liabilities	918,866	780,232
LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES)	525,406	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, NET OF CURRENT	279,260	256,260
OTHER LONG-TERM LIABILITIES	76,602	81,156
MINORITY INTEREST	4,466,216	4,244,114
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY		
Common Stock	1,221,408	1,221,408
Additional paid-in capital	70,312	70,312
Retained earnings	11,225	50,823
Accumulated other comprehensive income	(10,500)	--
Total stockholders' equity	1,292,445	1,342,543
	$7,558,795	$7,231,644

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME
			(IN THOUSANDS)		
Balance at December 31, 1999	$1,342,543	$1,221,408	$70,312	$ 50,823	$ --
Comprehensive Income:					
Net earnings for the nine months ended September 30, 2000	78,571	--	--	78,571	--
Foreign currency translation	(2,521)				(2,521)
Increase in unrealized gains in available for sale securities	(7,979)	--	--	--	(7,979)
Comprehensive income	68,071				
Mandatory tax distribution to LLC partners	(118,169)	--	--	(118,169)	--
Balance at September 30, 2000	$1,292,445	$1,221,408	$70,312	$ 11,225	$(10,500)

Comprehensive income for the three months ended September 30, 2000 was $27,025.

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 78,571	$ 61,308
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	154,945	130,620
Amortization of cable distribution fees	25,335	19,214
Amortization of program rights and film costs	428,537	391,088
Gain on sale of subsidiary stock	(104,625)	--
Gain on sale of securities	--	(89,721)
Non-cash compensation	5,954	1,890
Equity in (earnings) losses of unconsolidated affiliates	38,260	754
Minority interest	204,986	173,673
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(67,348)	16,205
Inventories	(1,615)	375
Accounts payable	(28,228)	(43,174)
Accrued liabilities and deferred revenue	103,126	60,120
Payment for program rights and film costs	(528,053)	(410,500)
Increase in cable distribution fees	(39,251)	(35,624)
Other, net	20,430	4,082
NET CASH PROVIDED BY OPERATING ACTIVITIES	291,024	280,310
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(107,934)	(7,500)
Capital expenditures	(49,247)	(43,781)
Increase in long-term investments and notes receivable	(21,769)	(12,750)
Proceeds from sale of securities	--	107,231
Other, net	(2,806)	6,221
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(181,756)	49,421
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	50,029	--
Payment of mandatory tax distribution to LLC partners	(118,169)	(52,755)
Principal payments on long-term obligations	(44,890)	(252,182)
Repurchase of LLC shares	(129,907)	(7,226)
Proceeds from issuance of LLC shares	216,493	401,319
Advances to USAi and subsidiaries	(181,052)	(457,864)
Other	(13,309)	--
NET CASH USED IN FINANCING ACTIVITIES	(220,805)	(368,708)
Effect of exchange rate changes on cash and cash equivalents	(602)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(112,139)	(38,977)
Cash and cash equivalents at beginning of period	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 135,335	$ 195,926

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

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

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

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

On July 27, 2000, the Company and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

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

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are:

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

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

- Interactive, which includes Styleclick, Inc. (see Note 3 for more information), a facilitator of e-commerce websites and Internet enabled applications, and the Company's online retailing networks First Auction and First Jewelry.

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

- Emerging networks, which primarily represents recently acquired cable television properties Trio and News World International, and SciFi.com, an emerging Internet content and commerce site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 1999. Certain amounts in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 1999 have been

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)
reclassified to conform to the 2000 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

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

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NEW ACCOUNTING PRONOUNCEMENTS

In June 2000, the Securities and Exchange Commission issued an amendment to Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS ("SAB 101") which delayed the effective date for adoption of SAB 101 to the fourth quarter of 2000. SAB 101 provides guidance on revenue recognition criteria for certain types of transactions. SAB 101 also provides guidance on the disclosures that companies should make about their revenue recognition policies and the impact of events and trends on revenue.

In June 2000, the Accounting Standards Executive Committee ("AcSEC") issued SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2"), which replaces FASB Statement No. 53, FINANCIAL ACCOUNTING BY PRODUCERS AND DISTRIBUTORS OF MOTION PICTURE FILMS. AcSEC concluded that film costs would be accounted for under an inventory model. In addition, the SOP considers such topics as revenue recognition (fixed fees and minimum guarantees in variable fee arrangements), fee allocation in multiple films, accounting for exploitation costs, and impairment assessment. The SOP is effective for financial statements issued for fiscal years beginning after December 15, 2000.

The Company is currently evaluating the impact of SAB 101 and SOP 00-2, although the impact is not expected to be material.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under the bridge loan.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USAi..........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com................................	37,989
Transaction costs..	2,144
Total acquisition costs..................................	$211,914

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.5 million has been allocated to goodwill, which is being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets...	$ 39,095
Non-current assets...	4,039
Goodwill...	170,526
Current liabilities..	1,746
Non-current liabilities....................................	--

The following unaudited pro forma condensed consolidated financial information for the three and nine months ended September 30, 2000 and 1999 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 1999. The pro forma results reflect certain adjustments, including increased amortization related to goodwill and other intangibles, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	NINE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)			
Net revenues...............	$2,388,439	$779,511	$1,932,458	$630,068
Net income.................	58,021	31,116	49,642	16,574

NOTE 4--INVESTMENTS

During the quarter and nine months ended September 30, 1999, the Company recognized pre-tax gains of $39.5 and $89.7 million, respectively, on the sale of securities in a publicly traded entity.

NOTE 5--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:

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

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

During the second quarter, the company recorded $8.7 million of expense related to an agreement with an executive. Of this amount, $2.9 million is a non-cash stock compensation charge related to restricted stock.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999:

During the nine months ended September 30, 1999, the Company acquired post-production and other equipment through capital leases totaling $2.5 million.

NOTE 6--INDUSTRY SEGMENTS

For the three and nine months ended September 30, 2000 and 1999, the Company operated principally in five industry segments: Networks and television production, Electronic retailing, Interactive, Electronic commerce and services and Emerging networks. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic-retailing segment consists of Home Shopping Network and America's Store, which are engaged in the sale of merchandise through electronic retailing. The Interactive segment represents Styleclick. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Emerging networks segment

NOTE 6--INDUSTRY SEGMENTS (CONTINUED)
consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, a emerging Internet content and commerce site.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Revenue				
Networks and television production	$336,047	$307,094	$1,105,688	$ 955,032
Electronic retailing	426,549	314,718	1,243,756	941,467
Internet services	5,147	6,660	17,555	21,489
Electronic commerce and services	2,524	543	5,121	1,731
Emerging networks	8,591	266	12,862	693
Other	509	--	1,568	6,894
	$779,367	$629,281	$2,386,550	$1,927,306
Operating profit (loss)				
Networks and television production	$ 90,394	$ 64,555	$ 312,371	$ 223,170
Electronic retailing	21,949	20,553	73,769	55,036
Internet services	(15,970)	(9,167)	(37,382)	(27,815)
Electronic commerce and services	(4,315)	(645)	(12,260)	(1,576)
Emerging networks	(2,907)	(787)	(6,669)	(1,885)
Other	(7,804)	(6,461)	(30,729)	(20,589)
	$ 81,347	$ 68,048	$ 299,100	$ 226,341

The Company operating principally within the United States.

NOTE 7--GUARANTEE OF NOTES

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

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

CONSOLIDATED FINANCIAL STATEMENTS

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)			
NET REVENUES				
Networks and television production	$336,047	$307,094	$1,105,688	$ 955,032
Electronic retailing	426,549	314,718	1,243,756	941,467
Interactive	5,147	6,660	17,555	21,489
Electronic commerce and services	2,524	543	5,121	1,731
Emerging networks	8,591	266	12,862	693
Other	509	--	1,568	6,894
Total net revenues	779,367	629,281	2,386,550	1,927,306
Operating costs and expenses:				
Cost of sales	280,851	206,406	823,741	634,100
Program costs	146,000	147,549	485,037	466,896
Selling and marketing	97,940	74,121	280,928	209,859
General and administrative	72,022	60,080	227,121	173,876
Other operating costs	33,391	22,081	90,343	66,400
Amortization of cable distribution fees	8,845	6,938	25,335	19,214
Depreciation and amortization	58,971	44,058	154,945	130,620
Total operating costs and expenses	698,020	561,233	2,087,450	1,700,965
Operating profit	81,347	68,048	299,100	226,341
Other income (expense):				
Interest income	5,283	12,636	19,195	31,959
Interest expense	(6,329)	(21,066)	(24,807)	(61,685)
Gain on sale of securities	--	39,451	--	89,721
Other, net	70,575	(779)	66,567	879
	69,529	30,242	60,955	60,874
Earnings before income taxes and minority interest	150,876	98,290	360,055	287,215
Income tax expense	(7,562)	(1,938)	(18,525)	(5,076)
Minority interest	4,706	135	392	512
NET EARNINGS	$148,020	$ 96,487	$ 341,922	$ 282,651

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 135,335	$ 247,474
Accounts and notes receivable, net of allowance of $48,734 and $33,317, respectively	453,277	381,175
Inventories, net	553,677	432,520
Investments held for sale	2,062	--
Other current assets, net	28,267	8,542
Total current assets	1,172,618	1,069,711
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	133,148	123,606
Buildings and leasehold improvements	66,050	59,074
Furniture and other equipment	71,249	67,246
Land	10,275	10,246
Projects in progress	19,948	31,736
	300,670	291,908
Less accumulated depreciation and amortization	(66,643)	(79,350)
	234,027	212,558
OTHER ASSETS		
Intangible assets, net	5,280,021	5,105,510
Cable distribution fees, net ($30,235 and $35,181, respectively, to related parties)	146,155	130,988
Long-term investments	37,272	93,742
Notes and accounts receivable, net ($3,283 and $2,562, respectively, from related parties)	29,121	19,506
Inventories, net	182,422	154,497
Advances to USAI and subsidiaries	856,659	649,480
Deferred charges and other, net	39,494	36,934
	$7,977,789	$7,472,926
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 20,829	$ 3,758
Accounts payable, trade	139,149	147,864
Obligations for program rights and film costs	295,561	265,235
Cable distribution fees payable ($18,431 and $18,733, respectively, to related parties)	28,993	43,993
Deferred revenue	63,684	47,536
Other accrued liabilities	327,309	257,575
Total current liabilities	875,525	765,961
LONG-TERM OBLIGATIONS (net of current maturities)	525,406	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current	279,260	256,260
OTHER LONG-TERM LIABILITIES	85,758	81,156
MINORITY INTEREST	64,531	531
COMMITMENTS AND CONTINGENCIES	--	--
MEMBERS' EQUITY		
Class A (252,326,640 and 245,601,782 shares, respectively)	2,004,891	1,912,514
Class B (282,161,532 shares)	2,978,635	2,978,635
Class C (45,774,708 shares)	466,252	466,252
Retained earnings	708,031	484,278
Accumulated other comprehensive income	(10,500)	--
Total members' equity	6,147,309	5,841,679
	$7,977,789	$7,472,926

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(UNAUDITED)

	TOTAL	CLASS A LLC SHARES	CLASS B LLC SHARES	CLASS C LLC SHARES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
			(IN THOUSANDS)			
BALANCE AT DECEMBER 31, 1999	$5,841,679	$1,912,514	$2,978,635	$466,252	$ 484,278	$ --
Comprehensive income:						
Net earnings for the nine months ended September 30, 2000	341,922	--	--	--	341,922	--
Foreign currency translation	(2,521)	--	--	--	--	(2,521)
Increase in unrealized gains in available for sale securities	(7,979)	--	--	--	--	(7,979)
Comprehensive income	331,422	--	--	--	--	--
Issuance of LLC shares	222,284	222,284	--	--	--	--
Repurchase of LLC shares	(129,907)	(129,907)	--	--	--	--
Mandatory tax distribution to LLC partners	(118,169)	--	--	--	(118,169)	--
BALANCE AT SEPTEMBER 30, 2000	$6,147,309	$2,004,891	$2,978,635	$466,252	$ 708,031	($10,500)

Comprehensive income for the three months ended September 30, 2000 was $140,849.

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	2000	1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 341,922	$ 282,651
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	154,945	130,620
Amortization of cable distribution fees	25,335	19,214
Amortization of program rights and film costs	428,537	391,088
Gain on sale of subsidiary stock	(104,625)	--
Gain on sale of securities	--	(89,721)
Non-cash compensation	5,954	1,890
Equity in (earnings) losses of unconsolidated affiliates	38,260	754
Minority interest	(392)	(512)
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(67,348)	16,205
Inventories	(1,615)	375
Accounts payable	(28,228)	(43,174)
Accrued liabilities and deferred revenue	45,153	15,295
Payment for program rights and film costs	(528,053)	(410,500)
Increase in cable distribution fees	(39,251)	(35,624)
Other, net	20,430	1,749
NET CASH PROVIDED BY OPERATING ACTIVITIES	291,024	280,310
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(107,934)	(7,500)
Capital expenditures	(49,247)	(43,781)
Increase in long-term investments and notes receivable	(21,769)	(12,750)
Proceeds from sale of securities	--	107,231
Other, net	(2,806)	6,221
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(181,756)	49,421
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	50,029	--
Payment of mandatory tax distribution to LLC partners	(118,169)	(52,755)
Principal payments on long-term obligations	(44,890)	(252,182)
Repurchase of LLC shares	(129,907)	(7,226)
Proceeds from issuance of LLC shares	216,493	401,319
Advances to USAi and subsidiaries	(181,052)	(457,864)
Other	(13,309)	--
NET CASH USED IN FINANCING ACTIVITIES	(220,805)	(368,708)
Effect of exchange rate changes on cash and cash equivalents	(602)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(112,139)	(38,977)
Cash and cash equivalents at beginning of period	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 135,335	$ 195,926

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

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

COMPANY FORMATION

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

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

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

On July 27, 2000, the Company and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

COMPANY BUSINESS

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are:

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

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

- Interactive, which includes Styleclick, Inc. (see Note 3 for more information), a facilitator of e commerce websites and Internet enabled applications, and the Company's online retailing networks First Auction and First Jewelry.

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

- Emerging networks, which primarily represents recently acquired cable television properties Trio and News World International, and SciFi.com, an emerging Internet content and commerce site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31,1999. Certain amounts in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 1999 have been

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

reclassified to conform to the 2000 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

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

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NEW ACCOUNTING PRONOUNCEMENTS

In June 2000, the Securities and Exchange Commission issued an amendment to Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS ("SAB 101") which delayed the effective date for adoption of SAB 101 to the fourth quarter of 2000. SAB 101 provides guidance on revenue recognition criteria for certain types of transactions. SAB 101 also provides guidance on the disclosures that companies should make about their revenue recognition policies and the impact of events and trends on revenue.

In June 2000, the Accounting Standards Executive Committee ("AcSEC") issued SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS("SOP 00-2"), which replaces FASB Statement No. 53, FINANCIAL ACCOUNTING BY PRODUCERS AND DISTRIBUTORS OF MOTION PICTURE FILMS. AcSEC concluded that film costs would be accounted for under an inventory model. In addition, the SOP considers such topics as revenue recognition (fixed fees and minimum guarantees in variable fee arrangements), fee allocation in multiple films, accounting for exploitation costs, and impairment assessment. The SOP is effective for financial statements issued for fiscal years beginning after December 15, 2000.

The Company is currently evaluating the impact of SAB 101 and SOP 00-2, although the impact is not expected to be material.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USAi and Styleclick.com Inc., a leading enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network and Styleclick.com. The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the Nasdaq market under the symbol "IBUY". In accordance with the terms of the agreement, USAi invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid the $10 million of borrowing outstanding under the bridge loan.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USAi..........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com................................	37,989
Transaction costs..	2,144
Total acquisition costs....................................	211,914

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million based upon the 25% of ISN exchanged for 75% of Styleclick.com.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.5 million has been allocated to goodwill, which is being amortized over 3 years. Assets and liabilities as of the acquisition date consist of the following:

	(IN THOUSANDS)
Current assets...	$39,095
Non-current assets...	4,039
Goodwill...	170,526
Current liabilities..	1,746
Non-current liabilities....................................	--

The following unaudited pro forma condensed consolidated financial information for the three and nine months ended September 30, 2000 and 1999 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 1999. The pro forma results reflect certain adjustments, including increased amortization related to goodwill and other intangibles, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	NINE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1999
	(IN THOUSANDS)			
Net revenues..............	$2,388,439	$779,511	$1,932,458	$630,068
Net income................	299,258	141,539	251,336	85,045

NOTE 4--INVESTMENTS

During the quarter and nine months ended September 30, 1999, the Company recognized pre-tax gains of $39.5 and $89.7 million, respectively, on the sale of securities in a publicly traded entity.

NOTE 5--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000:

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

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

During the second quarter, the company recorded $8.7 million of expense related to an agreement with an executive. Of this amount, $2.9 million is a non-cash stock compensation charge related to restricted stock.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999:

During the nine months ended September 30, 1999, the Company acquired post-production and other equipment through capital leases totaling $2.5 million.

NOTE 6--INDUSTRY SEGMENTS

For the three and nine months ended September 30, 2000 and 1999, the Company operated principally in five industry segments: Networks and television production, Electronic retailing, Interactive, Electronic commerce and services and Emerging networks. The Networks and television production segment consists of the cable networks USA Network and Sci-Fi Channel and Studios USA, which produces and distributes television programming. The Electronic-retailing segment consists of Home Shopping Network and America's Store, which are engaged in the sale of merchandise through electronic retailing. The Interactive segment represents Styleclick. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Emerging networks segment

NOTE 6--INDUSTRY SEGMENTS (CONTINUED)
consists primarily of the recently acquired cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, a emerging Internet content and commerce site.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Revenue				
Networks and television production	$336,047	$307,094	$1,105,688	955,032
Electronic retailing	426,549	314,718	1,243,756	941,467
Internet services	5,147	6,660	17,555	21,489
Electronic commerce and services	2,524	543	5,121	1,731
Emerging networks	8,591	266	12,862	693
Other	509	--	1,568	6,894
	$779,367	$629,281	$2,386,550	$1,927,306
Operating profit (loss)				
Networks and television production	$ 90,394	$ 64,555	$ 312,371	$ 223,170
Electronic retailing	21,949	20,553	73,769	55,036
Internet services	(15,970)	(9,167)	(37,382)	(27,815)
Electronic commerce and services	(4,315)	(645)	(12,260)	(1,576)
Emerging networks	(2,907)	(787)	(6,669)	(1,885)
Other	(7,804)	(6,461)	(30,729)	(20,589)
	$ 81,347	$ 68,048	$ 299,100	$ 226,341

The Company operates principally within the United States.

NOTE 7-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

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

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

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1*	Employment Agreement, dated September 21, 2000, between USA Networks, Inc. and Dara Khosrowshahi
27.1	Financial Data Schedule (for SEC use only)
27.2	Financial Data Schedule (for SEC use only)
27.3	Financial Data Schedule (for SEC use only)
27.4	Financial Data Schedule (for SEC use only)

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* Reflects management contracts and compensatory plans.

Exhibit 10.1

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Dara Khosrowshahi ("Executive") and USA Networks, Inc., a Delaware corporation (the "Company"), and is effective July 24, 2000, (the "Effective Date").

WHEREAS, the Company and Executive are parties to an employment agreement dated April 5, 2000 (the "Prior Employment Agreement").

WHEREAS, the parties now wish to amend and restate the Prior Employment Agreement in its entirety as set forth in this Agreement.

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

EMPLOYMENT. The Company agrees to employ Executive as Executive Vice President--Operations and Strategic Planning, and Executive accepts and agrees to such employment. During Executive's employment with the Company, Executive shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with his position and shall render such services on the terms set forth herein. During Executive's employment with the Company, Executive shall report directly to the Company's Chief Executive Officer or, in the Company's discretion, the Company's Chief Executive Officer and the Company's Vice Chairman (hereinafter collectively referred to as the "Reporting Officer"). Executive shall have such powers and duties with respect to the Company as may reasonably be assigned to him by the Board of Directors of the Company or the Reporting Officer, to the extent consistent with his position and status as set forth above. Executive agrees to devote all of his working time, attention and efforts to the Company and to perform the duties of his position in accordance with the Company's policies as in effect from time to time. Executive's principal place of employment shall be the Company's offices in New York City; however, Executive's position shall require frequent long-distance travel on Company business.

TERM OF AGREEMENT. The term ("Term") of this Agreement shall commence on the Effective Date and shall continue until March 3, 2003, unless sooner terminated in accordance with the provisions of Section 4 hereof.

COMPENSATION.

BASE SALARY. The Company shall pay Executive an annual base salary at the rate of $450,000 per year (the "Base Salary"), payable in equal biweekly installments or 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 increases, if any, made from time to time.

DISCRETIONARY BONUS. During the Term, Executive shall be eligible to participate in the Company's discretionary annual incentive bonus plan.

STOCK OPTIONS.

In consideration of Executive's entering into this Agreement, Executive has been granted under the Company's 1997 Stock and Annual Incentive Plan (the "USAi Plan") a non-qualified stock option (the "USAi Option") to purchase an additional 300,000 shares of the common stock, par value $.01 per share, of the Company (the "Company's Common Stock"), which grant was approved by the Compensation Committee of the Board of Directors of the Company on August 25, 2000.The exercise price of the Option is $24.9375.Such USAi 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), and as provided in Section 4(d) of this Agreement.

Executive hereby acknowledges that the 100,000 options to purchase the Company's Common Stock proposed to be granted to Executive under the Company's 1997 Stock and Annual Incentive Plan (the "USAi Plan") in December 1999 were not granted. Executive further acknowledges that as a result of his resignation from the

Boards of Director of Ticketmaster Online-CitySearch, Inc. ("TMCS") and Styleclick Inc. ("Styleclick"), Executive has agreed to forfeit all options to purchase shares of TMCS and Styleclick, as more fully described in the letters dated September 21, 2000 to each of TMCS and Styleclick.

The Company acknowledges that Executive shall retain all rights in and to all other options to purchase shares of the Company's Common Stock and to all shares of Restricted Stock, in each case previously granted to Executive under the USAi Plan and the HRN 2000 Stock Plan, including without limitation, (A) the 15,000 shares of Restricted Stock granted on December 20, 1999 (30,000 shares after giving effect to the 2-for-1 stock split of the Company's Common Stock effective February 24, 2000); (B) the option to purchase 100,000 shares of Class A Common Stock, par value $.01 per share, of Hotel Reservations Network, Inc. ("HRN Common Stock") granted on February 22, 2000 with an exercise price of $16.00; (C) the option to purchase 100,000 shares of HRN Common Stock granted on April 5, 2000 with an exercise price of $15.50 (together with the options described in clause (B) of this paragraph (iii), the "HRN Options"); and (D) the option to purchase 100,000 shares of the Company's Common Stock granted on April 5, 2000 with an exercise price of $20.8675 (the "Prior USAi Option").

The the USAi Option, the Prior USAi Option and the HRN Options (collectively, the "2000 Options") shall expire upon the earlier to occur of (x) ten years from the date of the respective grant or (y) except as otherwise provided in the award agreement for any such option or in Section 4 of this Agreement, 90 days following the termination of Executive's employment with the Company for any reason. The Prior USAi Option and the HRN Options shall vest as set forth in the Prior Employment Agreement. The 2000 Options shall not become vested and exercisable as a result of the termination or non-renewal of this Agreement (or the termination of Executive's employment with the Company) for any reason, except as provided in Section 4(d).

BENEFITS. From the Effective Date through the date of termination of Executive's employment with the Company for any reason, Executive shall be entitled to participate in any fringe, welfare, health and life insurance and pension benefit and incentive programs as may be adopted from time to time by the Company on the same basis as that provided to peer corporate executives of the Company. Without limiting the generality of the foregoing, Executive shall be entitled to the following benefits:

REIMBURSEMENT FOR BUSINESS EXPENSES. During the Term, the Company shall reimburse Executive for all reasonable and necessary expenses incurred by Executive in performing his duties for the Company, including, without limitation, expenses for travel related to the business of the Company (including expenses in respect of his wife in accompanying him during such travel) and entertainment expenses on the same basis as peer executives in accordance with the Company's policies.

VACATION. During the Term, Executive shall be entitled to four weeks of paid vacation per year, or such longer period as may be provided by the Company, in accordance with the plans, policies, programs and practices of the Company applicable to peer corporate executives of the Company generally.

TERMINATION OF EXECUTIVE'S EMPLOYMENT.

DEATH. In the event Executive's employment hereunder is terminated by reason of Executive's death, (i) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death his Base Salary through the end of the month in which death occurs in a lump sum in cash; (ii) all outstanding equity incentive awards (including, without limitation, the Additional Stock Options) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's death or, if earlier, until the end of the applicable option term; and (iii) the Company shall pay Executive's designated beneficiary or beneficiaries within 30 days of his death in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below).

DISABILITY. If, as a result of Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of his duties with the Company for a period of four consecutive months and, within 30 days after written notice is provided to him by the Company, he shall not have returned to the full-time performance of his duties, Executive's employment under this Agreement may be terminated by the Company or Executive for Disability. During any period prior to such termination during which Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay Executive his Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company. Upon termination of Executive's employment for Disability, (i) the Company shall pay Executive within 30 days of his Disability his Base Salary through the end of the month in which termination occurs in a lump sum in cash, offset by any amounts payable to Executive under any disability insurance plan or policy provided by the Company; (ii) all outstanding equity incentive awards (including, without limitation, the Additional Stock Options) which are vested and which have not been exercised by Executive shall remain exercisable for a period of one year following the date of Executive's Disability or, if earlier, until the end of the applicable option term; and (iii) the Company shall pay Executive within 30 days of his Disability in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below).

TERMINATION FOR CAUSE. The Company may terminate Executive's employment under this Agreement for Cause at any time prior to the expiration of the Term. As used herein, "Cause" shall mean: (i) the plea of guilty to, or conviction for, the commission of a felony offense by Executive; PROVIDED, HOWEVER, that after indictment, the Company may suspend Executive from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Executive of a fiduciary duty owed to the Company; (iii) a material breach by Executive of any of the covenants made by him in Section 5 hereof; or (iv) the willful and gross neglect by Executive of the material duties required by the Agreement. In the event of termination for Cause, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in subparagraph 4(f) below).

TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE OR BY EXECUTIVE FOR GOOD REASON. If Executive's employment is terminated by the Company for any reason other than Executive's death or Disability or for Cause, or Executive terminates his employment for Good Reason (as defined below), then A) the Company shall pay Executive the Base Salary through the end of the Term over the course of the then remaining Term; and B) the 2000 Options shall immediately vest and they and any other then outstanding portion of the 2000 Options held by Executive shall remain outstanding for one year from the date of such termination or, if earlier, the end of the term of any such 2000 Options; and the Company shall pay Executive within 30 days of the date of such termination in a lump sum in cash any Accrued Obligations (as defined in subparagraph 4(f) below). As used herein, "Good Reason" shall mean the occurrence of any of the following: (i) the Company's material breach of any of the provisions of this Agreement; (ii) any material adverse alteration in Executive's title, position, status, duties, level of reporting or responsibilities with the Company and (iii) any relocation of Executive's office outside of the New York metropolitan area. If on or prior to December 3, 2002, after written notice by Executive, such notice to be provided no later than November 3, 2002, the Company has not offered Executive an extension of the Term specifically until July 25, 2004 on the same terms as apply to the July 24, 2000 - March 3, 2003 period of the Term, if, and to the extent that, any of the USAi Options shall then not have vested, all of said unvested USAi Options other than those which are to vest on the fourth anniversary of the Effective Date shall also immediately vest and they and any other then outstanding portion of the 2000 Options held by Executive shall remain outstanding until March 3, 2004.

MITIGATION; OFFSET. In the event of termination of Executive's employment prior to the end of the Term, and Executive's obtaining other employment during the Term, all future Base Salary payable by the Company to Executive during the remainder of the Term shall be offset by the Base Salary paid to Executive from another employer. For purposes of this Section 4(e), Employee shall have an obligation to inform the Company regarding Executive's employment status following termination and during the period encompassing the Term.

ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Executive's Base Salary through the date of death, Disability or termination, as the case may be, which has not yet been paid; (ii) any compensation previously deferred by Executive (together with any interest or earnings thereon) that has not yet been paid; and (iii) any accrued but unpaid bonuses or other accrued incentive compensation as of the date of death, Disability or termination, as the case may be.

CONFIDENTIAL INFORMATION/NON-SOLICITATION.

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

NON-SOLICITATION OF EMPLOYEES. Executive recognizes that he will possess confidential information about other employees of the Company and its respective subsidiaries relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its respective subsidiaries. Executive recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its respective subsidiaries in developing their respective businesses and in securing and retaining customers, and will be acquired by him because of his business position with the Company. Executive agrees that, during the Term (and for a period of 24 months beyond the expiration of the Term), he will not, directly or indirectly, solicit or recruit any employee of the Company or any of its respective subsidiaries for the purpose of being employed by him or by any business, individual, partnership, firm, corporation or other entity on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of the Company or any of its respective subsidiaries to any other person except within the scope of Executive's duties hereunder.

PROPRIETARY RIGHTS; ASSIGNMENT. All Executive Developments shall be made for hire by the Executive for the Company or any of its subsidiaries or affiliates. "Executive Developments" means any idea, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work or authorship with respect to which the Executive may have any rights 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 Executive or work performed by the Executive 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 Executive Developments shall remain the sole property of the Company or any of its subsidiaries or affiliates. The Executive shall acquire no proprietary interest in any Confidential Information or Executive Developments developed or acquired during the Term. To the extent the Executive may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Executive Development, the Executive hereby assigns to the Company all such proprietary rights. The Executive 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 Executive Developments.

COMPLIANCE WITH POLICIES AND PROCEDURES. During the Term, Executive shall adhere to the policies and standards of professionalism set forth in the Company's Policies and Procedures as they may exist from time to time.

REMEDIES FOR BREACH. Executive expressly agrees and understands that the remedy at law for any breach by Executive of this Section 5 will be inadequate and that damages flowing from such breach are not usually susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon Executive's violation of any provision of this Section 5 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 5 shall be deemed to limit the Company's remedies at law or in equity for any breach by Executive of any of the provisions of this Section 5, which may be pursued by or available to the Company.

SURVIVAL OF PROVISIONS. The obligations contained in this Section 5 shall, to the extent provided in this Section 5, survive the termination or expiration of Executive's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 5 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

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

If to the Company: USA Networks, Inc.
Carnegie Hall Tower
152 West 57th Street
New York, New York 10019
Attention: General Counsel

If to Executive: Dara Khosrowshahi
251 West 19th Street, Apartment 9B
New York, New York 10011

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

TERMINATION OF PRIOR AGREEMENTS. Except as otherwise herein provided, this Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings among the parties with respect to Executive's employment and compensation by the Company, including, without limitation, the Prior Employment Agreement. The Company acknowledges and agrees that neither Executive nor anyone acting on his behalf has made, and is not making, and in executing this Agreement, the Company has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement.

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.

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.

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

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

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.

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.

INDEMNIFICATION. The Company shall indemnify and hold Executive harmless for acts and omissions in his capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, HOWEVER, that neither the Company, nor any of its respective subsidiaries or affiliates shall indemnify Executive for any losses incurred by Executive as a result of acts described in Section 4(c) of this Agreement.

COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Executive has executed and delivered this Agreement on September 21, 2000, effective as of July 24, 2000.

USA NETWORKS, INC.

By: Julius Genachowski
Senior Vice President and General Counsel

DARA KHOSROWSHAHI

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