

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 JUNE 30, 2000

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

COMMISSION FILE NO. 0-20570

DELAWARE (State or other jurisdiction of incorporation or organization)

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

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

(212) 314-7300

(Registrant's telephone number, including area code):

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

As of July 31, 2000, the following shares of the Registrant's capital stock were outstanding:

Table with 2 columns: Stock Description and Share Count. Rows include Common Stock, Class B Common Stock, Total, Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity, and Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 31, 2000 was \$4,805,136,742. 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 July 31, 2000, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 729,233,054 shares of Common Stock with an aggregate market value of \$15,359,471,200.

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
NET REVENUES				
USA ENTERTAINMENT				
Networks and television production.....	\$ 390,688	\$ 316,394	\$ 769,641	\$ 647,938
Filmed entertainment.....	20,773	10,080	51,080	11,775
Broadcasting.....	4,723	2,449	8,357	3,350
Developing networks.....	3,709	218	4,271	427
USA ELECTRONIC RETAILING				
Electronic retailing.....	357,722	284,322	736,780	559,832
USA INFORMATION AND SERVICES				
Ticketing operations.....	143,019	119,703	270,980	219,426
Hotel reservations.....	78,082	23,018	133,345	23,018
Teleservicing.....	70,212	--	70,212	--
Interactive.....	25,024	13,427	47,525	25,540
Electronic commerce and services.....	3,730	4,982	8,294	8,188
OTHER.....	395	2,836	395	6,882
Total net revenues.....	1,098,077	777,429	2,100,880	1,506,376
Operating costs and expenses:				
Cost of sales.....	465,627	227,348	874,418	421,105
Program costs.....	173,173	149,280	339,037	319,347
Selling and marketing.....	133,117	132,909	259,747	248,330
General and administrative.....	116,161	110,047	209,677	203,611
Other operating costs.....	30,831	23,138	54,525	41,742
Amortization of cable distribution fees.....	8,267	6,186	16,490	12,276
Non-cash distribution and marketing expense.....	1,596	--	2,359	--
Depreciation and amortization.....	131,274	76,800	239,266	147,037
Total operating costs and expenses.....	1,060,046	725,708	1,995,519	1,393,448
Operating profit.....	38,031	51,721	105,361	112,928
Other income (expense):				
Interest income.....	14,547	5,263	24,279	15,349
Interest expense.....	(23,308)	(19,613)	(41,680)	(40,063)
Gain on sale of securities.....	--	2,970	--	50,270
Other, net.....	(1,929)	(7,470)	(2,545)	2,495
	(10,690)	(18,850)	(19,946)	28,051
Earnings before income taxes and minority interest.....	27,341	32,871	85,415	140,979
Income tax expense.....	(18,993)	(13,855)	(50,498)	(40,355)
Minority interest.....	(36,903)	(28,732)	(82,344)	(102,797)
NET LOSS.....	\$ (28,555)	\$ (9,716)	\$ (47,427)	\$ (2,173)
Basic loss per common share.....	\$ (.08)	\$ (.03)	\$ (.14)	\$ (.01)
Diluted loss per common share.....	\$ (.08)	\$ (.03)	\$ (.14)	\$ (.01)

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	JUNE 30, 2000	DECEMBER 31, 1999

	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 457,133	\$ 424,239
Marketable securities, available for sale.....	61,105	--
Accounts and notes receivable, net of allowance of \$52,478 and \$41,993, respectively.....	560,303	454,341
Inventories, net.....	477,786	470,844
Investments held for sale.....	9,443	11,512
Other current assets, net.....	50,871	27,519
	-----	-----
Total current assets.....	1,616,641	1,388,455
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment.....	384,657	324,412
Buildings and leasehold improvements.....	140,638	110,403
Furniture and other equipment.....	93,226	85,487
Land.....	15,059	16,094
Projects in progress.....	55,367	41,438
	-----	-----
	688,947	577,834
Less accumulated depreciation and amortization.....	(228,554)	(221,203)
	-----	-----
	460,393	356,631
OTHER ASSETS		
Intangible assets, net.....	7,718,345	6,831,487
Cable distribution fees, net (\$31,884 and \$35,181, respectively, to related parties)...	151,059	130,988
Long-term investments.....	95,636	121,383
Notes and accounts receivable, net of current portion (\$3,283 and \$2,562, respectively, from related parties)...	36,247	26,248
Advance to Universal.....	132,939	163,814
Inventories, net.....	141,948	166,477
Deferred income taxes.....	18,548	--
Deferred charges and other, net.....	90,651	67,669
	-----	-----
	\$10,462,407	\$9,253,152
	=====	=====

USA NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(UNAUDITED)

	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
	(IN THOUSANDS, EXCEPT SHARE DATA)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations.....	\$ 24,315	\$ 10,801
Accounts payable, trade.....	213,088	188,343
Accounts payable, client accounts.....	106,007	98,586
Obligations for program rights and film costs.....	259,679	272,945
Amount due under acquisition agreement.....	45,639	17,500
Cable distribution fees payable (\$18,476 and \$18,733, respectively, to related parties)...	38,183	43,993
Deferred revenue.....	100,827	83,811
Deferred income taxes.....	792	4,050
Other accrued liabilities.....	386,481	311,724
	-----	-----
Total current liabilities.....	1,175,011	1,031,753
LONG-TERM OBLIGATIONS (net of current maturities).....	574,763	574,979
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current.....	243,692	262,810
OTHER LONG-TERM LIABILITIES.....	107,242	116,695
DEFERRED INCOME TAXES.....	--	5,120
MINORITY INTEREST.....	4,823,507	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, 304,909,661 and 274,013,418 shares, respectively.....	3,049	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.....	3,766,534	2,830,506
Accumulated deficit.....	(101,785)	(54,358)
Accumulated other comprehensive income.....	(5,192)	4,773
Treasury stock, at cost.....	(120,046)	(9,564)
Note receivable from key executive for common stock issuance.....	(4,998)	(4,998)
	-----	-----
Total stockholders' equity.....	3,538,192	2,769,729
	-----	-----
	\$10,462,407	\$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 six months ended June 30, 2000.....	(47,427)	--	--	--	(47,427)	--	--	--
Decrease in unrealized gains in available for sale securities.....	(8,936)	--	--	--	--	(8,936)	--	--
Foreign currency translation.....	(1,029)	--	--	--	--	(1,029)	--	--
Comprehensive loss....	(57,392)							
Issuance of common stock upon exercise of stock options.....	26,101	33	--	26,068	--	--	--	--
Income tax benefit related to stock options exercised.....	14,138	--	--	14,138	--	--	--	--
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.....	(110,532)	(50)	--	--	--	--	(110,482)	--
BALANCE AT JUNE 30, 2000.....	\$3,538,192	\$3,049	\$630	\$3,766,534	\$(101,785)	\$(5,192)	\$(120,046)	\$(4,998)

Comprehensive loss for the three months ended June 30, 2000 was \$37,548.

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)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net loss.....	\$ (47,427)	\$ (2,173)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization.....	239,266	147,037
Amortization of cable distribution fees.....	16,490	12,276
Amortization of program rights and film costs.....	334,788	270,530
Amortization of non-cash distribution and marketing costs.....	2,359	--
Amortization of deferred financing costs and non-cash interest.....	2,179	945
Equity in losses (earnings) of unconsolidated affiliates.....	7,007	(10,112)
Gain on sale of subsidiary stock.....	(3,718)	--
Gain on sale of securities.....	--	(50,270)
Non-cash interest income.....	(4,917)	(1,110)
Non-cash stock compensation.....	7,557	2,187
Minority interest.....	82,344	102,797
Changes in current assets and liabilities:		
Accounts receivable.....	7,954	(4,571)
Inventories.....	6,498	(18,421)
Accounts payable.....	(35,213)	(12,071)
Accrued liabilities and deferred revenue.....	48,568	7,860
Payment for program rights and film costs.....	(386,740)	(265,512)
Increase in cable distribution fees.....	(27,296)	(12,746)
Other, net.....	5,977	22,974
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	255,676	189,620
Cash flows from investing activities:		
Acquisitions, net of cash acquired.....	(148,229)	(162,183)
Capital expenditures.....	(76,337)	(52,665)
Advance to Universal.....	--	(200,000)
Recoupment of advance to Universal.....	35,792	1,343
Advance to Styleclick for promissory note.....	(9,000)	--
Increase in long-term investments and notes receivable....	(14,338)	(12,150)
Purchase of marketable securities.....	(64,535)	--
Proceeds from sale of securities.....	--	61,080
Proceeds from long-term notes receivable.....	--	3,691
Payment of merger and financing costs.....	(3,216)	--
Other, net.....	(14,127)	(2,384)
NET CASH USED IN INVESTING ACTIVITIES.....	(293,990)	(363,268)
Cash flows from financing activities:		
Borrowings.....	35,906	--
Principal payments on long-term obligations.....	(69,158)	(15,472)
Purchase of treasury stock.....	(110,532)	(4,938)
Payment of mandatory tax distribution to LLC partners.....	(68,065)	(28,830)
Proceeds from sale of subsidiary stock.....	90,969	--
Proceeds from issuance of common stock and LLC shares.....	199,402	34,732
Other, net.....	(6,285)	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....	72,237	(14,508)
Effect of exchange rate changes on cash and cash equivalents.....	(1,029)	(475)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	32,894	(188,631)
Cash and cash equivalents at beginning of period.....	424,239	445,356
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 457,133	\$256,725

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

USA NETWORKS, INC. AND SUBSIDIARIES
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 April 5, 2000, the Company acquired Precision Response Corporation ("PRC") (the "PRC 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.

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.

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.
- DEVELOPING NETWORKS, which primarily represents recently acquired cable television properties Trio and News World International and SciFi.com, a developing Internet content and commerce site.

USA ELECTRONIC RETAILING

- ELECTRONIC RETAILING, consisting primarily of the Home Shopping Network and America's Store, 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.
- HOTEL RESERVATIONS, consisting of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

- 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 Internet Shopping Network, the Company's online retailing networks business, and local city guide business.
- ELECTRONIC COMMERCE & 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 six months ended June 30, 1999 have been reclassified to conform to the 2000 presentation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

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

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 \$708.3 million (the "PRC Transaction"). 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 \$647.0 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.....	646,975
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"), a wholly owned subsidiary of USAi. 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 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

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 is currently being finalized and is estimated to be approximately \$45.6 million. This estimated amount is reflected as a liability and resulted in additional goodwill which will be 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 three months ended March 31, 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 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 June 30, 2000, approximately \$78.7 million had been offset against the advance and \$11.7 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 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 \$184.5 million has been allocated to goodwill, which is being amortized over 20 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The following unaudited pro forma condensed consolidated financial information for the three and six months ended June 30, 2000 and 1999, is presented to show the results of the Company, as if the PRC Transaction, the Hotel Reservations Network Transaction and the October Films/ PFE Transaction had occurred on January 1, 1999. The pro forma results include 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.

	SIX MONTHS ENDED JUNE 30, 2000	THREE MONTHS ENDED JUNE 30, 1999	SIX MONTHS ENDED JUNE 30, 1999

	(IN THOUSANDS EXCEPT SHARE DATA)		
Net revenues.....	\$2,170,529	\$ 854,586	\$1,657,702
Net loss.....	(54,711)	(26,144)	(30,368)
Basic and diluted loss per share.....	(.15)	(.07)	(.09)

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 will be 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 six months ended June 30, 1999, the Company recognized pre-tax gains of \$3.0 and \$50.3 million, respectively, on the sale of securities in a publicly traded entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 6--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED
JUNE 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 31, 2000, TMCS completed its acquisition of 2b Technology, Inc. ("2b"), by issuing approximately 458,000 shares of TMCS Class B Common Stock for all the outstanding stock of 2b, for a total value of approximately \$16.9 million.

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 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 \$708.3 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 \$33.5 million.

For the three and six months ended June 30, 2000, interest accrued on the \$200.0 million advance to Universal amounted to \$2.5 million and \$5.0 million, respectively.

For the three and six months ended June 30, 2000, the Company incurred non-cash distribution and marketing expense of \$1.6 million and \$2.4 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.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED
JUNE 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 June 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.

During the six months ended June 30, 1999, the Company acquired post-production equipment through a capital lease totaling \$2.1 million.

NOTE 7--INDUSTRY SEGMENTS

For the three and six months ended June 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 7--INDUSTRY SEGMENTS (CONTINUED)

Developing 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 the Company's on-line retailing networks business 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 Developing 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, a developing 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 Developing networks.

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 7--INDUSTRY SEGMENTS (CONTINUED)

USA Electronic Retailing consists of Electronic retailing. USA Information and Services consists of Ticketing operations, Hotel reservations, Teleservices, Interactive and Electronic commerce and services.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)		(IN THOUSANDS)	
Revenue				
USA ENTERTAINMENT				
Networks and television production.....	\$ 390,688	\$316,394	\$ 769,641	\$ 647,938
Filmed entertainment.....	20,773	10,080	51,080	11,775
Broadcasting.....	4,723	2,449	8,357	3,350
Developing networks.....	3,709	218	4,271	427
USA ELECTRONIC RETAILING				
Electronic retailing.....	357,722	284,322	736,780	559,832
USA INFORMATION AND SERVICES				
Ticketing operations.....	143,019	119,703	270,980	219,426
Hotel reservations.....	78,082	23,018	133,345	23,018
Teleservices.....	70,212	0	70,212	0
Interactive.....	25,024	13,427	47,525	25,540
Electronic commerce and services.....	3,730	4,982	8,294	8,188
OTHER.....	395	2,836	395	6,882
	<u>\$1,098,077</u>	<u>\$777,429</u>	<u>\$2,100,880</u>	<u>\$1,506,376</u>
Operating profit (loss)				
USA ENTERTAINMENT				
Networks and television production.....	\$ 111,190	\$ 77,697	\$ 221,977	\$ 158,967
Filmed entertainment.....	(4,638)	(441)	(4,550)	(642)
Broadcasting.....	(19,234)	(13,702)	(34,003)	(25,084)
Developing networks.....	(2,528)	(543)	(2,528)	(543)
USA ELECTRONIC RETAILING				
Electronic retailing.....	28,728	25,646	65,106	46,986
USA INFORMATION AND SERVICES				
Ticketing operations.....	16,612	13,901	33,677	22,104
Hotel reservations.....	885	659	1,751	659
Teleservices.....	(2,989)	0	(2,989)	0
Interactive.....	(62,959)	(38,795)	(127,448)	(68,326)
Electronic commerce and services.....	(6,294)	440	(12,510)	290
OTHER.....	(20,742)	(13,141)	(33,122)	(21,483)
	<u>\$ 38,031</u>	<u>\$ 51,721</u>	<u>\$ 105,361</u>	<u>\$ 112,928</u>

The Company operates principally within the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 8--SAVOY SUMMARIZED FINANCIAL INFORMATION

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

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS)	
Net sales.....	\$ 3,851	\$ 3,073
Operating expenses.....	1,389	3,201
Operating income (loss).....	2,462	(128)
Net income.....	3,045	2,120

SUMMARY CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2000	DECEMBER 31, 1999
	(IN THOUSANDS)	
Current assets.....	\$ 591	\$ 191
Non-current assets.....	152,710	150,236
Current liabilities.....	14,392	12,273
Non-current liabilities.....	38,991	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 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.

The following tables present condensed consolidating financial information for the three and six months ended June 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

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

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 JUNE 30, 2000:							
Current Assets.....	\$ 2,412	\$ --	\$ 171,217	\$ 845,192	\$ 597,820	\$ --	\$ 1,616,641
Property and equipment, net.....	--	--	24,956	262,336	173,101	--	460,393
Goodwill and other intangible assets, net.....	74,741	--	2,160	5,291,406	2,501,097	--	7,869,404
Investment in subsidiaries.....	3,501,270	1,265,420	6,631,639	19,717	--	(11,418,046)	--
Other assets.....	132,780	--	14,505	814,225	99,182	(544,723)	515,969
TOTAL ASSETS.....	<u>\$3,711,203</u>	<u>\$1,265,420</u>	<u>\$6,844,477</u>	<u>\$7,232,876</u>	<u>\$3,371,200</u>	<u>\$(11,962,769)</u>	<u>\$10,462,407</u>
Current liabilities.....	\$ --	\$ --	\$ --	\$ 690,333	\$ 484,678	\$ --	\$ 1,175,011
Long-term debt, less current portion.....	--	--	518,026	2,244	54,493	--	574,763
Other liabilities.....	173,011	--	309,009	505,030	331,140	(967,256)	350,934
Minority interest.....	--	--	--	452,688	585,260	3,785,559	4,823,507
Interdivisional equity.....	--	--	--	5,582,581	1,915,629	(7,498,210)	--
Stockholders' equity.....	3,538,192	1,265,420	6,017,442	--	--	(7,282,862)	3,538,192
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY.....	<u>\$3,711,203</u>	<u>\$1,265,420</u>	<u>\$6,844,477</u>	<u>\$7,232,876</u>	<u>\$3,371,200</u>	<u>\$(11,962,769)</u>	<u>\$10,462,407</u>
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2000							
Revenue.....	\$ --	\$ --	\$ --	\$ 709,807	\$ 388,270	\$ --	\$ 1,098,077
Operating expenses.....	(5,418)	--	(15,028)	(610,385)	(429,215)	--	(1,060,046)
Interest expense, net.....	(6,281)	--	5,664	(8,589)	445	--	(8,761)
Other income, expense.....	(16,856)	22,585	98,147	(23,000)	(1,610)	(81,195)	(1,929)
Income tax expense.....	--	--	--	(8,108)	(10,885)	--	(18,993)
Minority interest.....	--	--	--	(2,395)	19,975	(54,483)	(36,903)
NET (LOSS) INCOME.....	<u>\$ (28,555)</u>	<u>\$ 22,585</u>	<u>\$ 88,783</u>	<u>\$ 57,330</u>	<u>\$ (33,020)</u>	<u>\$ (135,678)</u>	<u>\$ (28,555)</u>

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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 SIX MONTHS ENDED JUNE 30, 2000							
Revenue.....	\$ --	\$ --	\$ --	\$ 1,419,262	\$ 681,618	\$ --	\$ 2,100,880
Operating expenses.....	(8,811)	--	(23,863)	(1,206,689)	(756,156)	--	(1,995,519)
Interest expense, net.....	(10,781)	--	9,789	(15,889)	(520)	--	(17,401)
Other income, expense.....	(29,177)	44,375	235,327	(26,007)	(3,465)	(223,598)	(2,545)
Provision for income taxes.....	1,342	--	(27,351)	(9,588)	(14,901)	--	(50,498)
Minority interest.....	--	--	--	(4,691)	43,696	(121,349)	(82,344)
	--	--	--	--	--	--	--
NET (LOSS) INCOME.....	<u>\$(47,427)</u>	<u>\$44,375</u>	<u>\$193,902</u>	<u>\$ 156,398</u>	<u>\$ (49,728)</u>	<u>\$ (344,947)</u>	<u>\$ (47,427)</u>

	USAI	HOLDCO	USANI LLC	WHOLLY-OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
	-----	-----	-----	-----	-----	-----	-----
CASH FLOW FOR THE SIX MONTHS ENDED JUNE 30, 2000							
Cash flow from (used in) operations.....	\$(12,806)	\$ --	\$ (9,919)	\$ 223,613	\$ 54,788	\$ --	\$ 255,676
Cash flow provided (used in) investing activities.....	23,153	--	(12,604)	(158,163)	(146,376)	--	(293,990)
Cash flow from financing activities.....	(10,347)	--	(25,632)	(64,517)	172,733	--	72,237
Effect of exchange rate.....	--	--	--	--	(1,029)	--	(1,029)
Cash at beginning of period.....	--	--	276,678	(26,004)	173,565	--	424,239
CASH AT END OF PERIOD.....	<u>\$ --</u>	<u>\$ --</u>	<u>\$228,523</u>	<u>\$ (25,071)</u>	<u>\$ 253,681</u>	<u>\$ --</u>	<u>\$ 457,133</u>

	USAI	HOLDCO	USANI LLC	WHOLLY-OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
	-----	-----	-----	-----	-----	-----	-----
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 1999							
Revenue.....	\$ --	\$ --	\$ --	\$ 607,988	\$ 169,441	\$ --	\$ 777,429
Operating expenses.....	(4,843)	--	(6,362)	(529,778)	(184,725)	--	(725,708)
Interest expense, net.....	(3,037)	--	(6,345)	(4,959)	(9)	--	(14,350)
Gain on sale of securities.....	--	--	--	2,970	--	--	2,970
Other income (expense), net.....	4,890	8,573	71,572	(17,492)	10,022	(85,035)	(7,470)
Income tax expense.....	(6,726)	--	--	(1,255)	(5,874)	--	(13,855)
Minority interest.....	--	--	--	(1,249)	10,102	(37,585)	(28,732)
NET (LOSS) INCOME.....	<u>\$ (9,716)</u>	<u>\$ 8,573</u>	<u>\$ 58,865</u>	<u>\$ 56,225</u>	<u>\$ (1,043)</u>	<u>\$ (122,620)</u>	<u>\$ (9,716)</u>

	USAI	HOLDCO	USANI LLC	WHOLLY-OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	USAI CONSOLIDATED
	-----	-----	-----	-----	-----	-----	-----
STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1999							
Revenue.....	\$ --	\$ --	\$ --	\$ 1,220,777	\$ 285,599	\$ --	\$ 1,506,376
Operating expenses.....	(7,298)	--	(11,521)	(1,058,920)	(315,709)	--	(1,393,448)
Interest expense, net.....	(4,761)	--	(10,909)	(9,469)	425	--	(24,714)
Gain on sale of securities.....	--	--	--	50,270	--	--	50,270
Other income (expense), net.....	15,011	40,071	230,492	(7,994)	10,489	(285,574)	2,495
Income tax expense.....	(5,125)	--	(21,898)	(3,138)	(10,194)	--	(40,355)
Minority interest.....	--	--	--	(5,553)	17,833	(115,077)	(102,797)
Net (loss) income.....	<u>\$ (2,173)</u>	<u>\$40,071</u>	<u>\$186,164</u>	<u>\$ 185,973</u>	<u>\$ (11,557)</u>	<u>\$ (400,651)</u>	<u>\$ (2,173)</u>

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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 SIX MONTHS ENDED							
JUNE 30, 1999							
Cash flow from operations.....	\$(33,381)	\$ --	\$ (9,423)	\$ 216,788	\$ 15,636	\$ --	\$ 189,620
Cash flow from investing activities.....	(372,285)	--	18,498	14,130	(23,611)	--	(363,268)
Cash flow from financing activities.....	405,666	--	(67,918)	(351,947)	(309)	--	(14,508)
Effect of exchange rate.....	--	--	--	--	(475)	--	(475)
Cash at the beginning of period.....	--	--	151,160	102,308	191,888	--	445,356
CASH AT THE END OF THE PERIOD.....	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 92,317</u>	<u>\$ (18,721)</u>	<u>\$ 183,129</u>	<u>\$ --</u>	<u>\$ 256,725</u>

NOTE 10--SUBSEQUENT EVENTS

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

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 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 will contribute \$10 million in dedicated media, and will receive warrants to purchase additional shares of the new company. On a fully diluted basis, USAi owns approximately 75% of the new company and former Styleclick.com stockholders own approximately 25%. At closing, Styleclick.com repaid the \$10 million of borrowing outstanding under the bridge loan.

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 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.

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 COMMERCIALY 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, we have augmented our media and electronic commerce businesses by acquiring and developing several new businesses. As a result, the changes resulting from 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 six months ended June 30, 2000 to

June 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 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 SIX MONTHS ENDED JUNE 30, 2000 VS. QUARTER AND SIX MONTHS ENDED JUNE 30, 1999

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 June 30, 2000, revenues increased by \$320.6 million, or 41.2%, to \$1.1 billion from \$777.4 million in 1999 primarily due to increases of \$74.3 million, \$73.4 million, \$70.2 million, \$55.1 million and \$23.3 million from the Networks and television production, Electronic retailing, Teleservices, Hotel reservations and Ticketing operations businesses, respectively.

For the six months ended June 30, 2000, revenues increased by \$594.5 million, or 39.5%, to \$2.1 billion from \$1.5 billion in 1999 primarily due to increases of \$176.9 million, \$121.7 million, \$110.3 million, \$70.2 million and \$51.6 million from the Electronic retailing, Networks and television production, Hotel reservations, Teleservices and Ticketing operations businesses, respectively.

OPERATING COSTS AND EXPENSES

For the three months ended June 30, 2000, operating expenses increased by \$276.2 million, or 43.0%, to \$918.9 million from \$642.7 million in 1999, primarily due to increases of \$65.5 million, \$58.3 million, \$45.7 million, \$41.0 million, \$18.9 million and \$13.3 and \$11.8 million from the Electronic retailing, Teleservices, Hotel reservations, Networks and television production, Ticketing operations, Filmed entertainment and Interactive businesses, respectively. During the three months ended June 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.

For the six months ended June 30, 2000, operating expenses increased by \$503.3 million, or 40.8%, to \$1.7 billion from \$1.2 billion in 1999, primarily due to increases of \$148.7 million, \$92.8 million, \$59.1 million, \$58.3 million, \$39.7 million, \$39.3 million and \$30.3 million from the Electronic retailing, Hotel reservations, Networks and television production, Teleservices, Filmed entertainment, Ticketing operations and Interactive businesses, respectively.

OTHER INCOME (EXPENSE)

For the three and six months ended June 30, 2000, net interest expense decreased by \$5.6 million and \$7.3 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 six months ended June 30, 2000, the Company realized a gain of \$3.7 million related to the initial public offering of its subsidiary, HRN. In the three and six months ended June 30, 1999, the Company realized pre-tax gains of \$3.0 million and \$50.3 million, respectively, related to the sale of securities. Furthermore, in the six months ended June 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 six months ended June 30, 2000 of 69.5% and 59.1%, 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.

MINORITY INTEREST

For the three and six months ended June 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, and the public's ownership interest in HRN since February 25, 2000.

PRO FORMA QUARTER AND SIX MONTHS ENDED JUNE 30, 2000 VS. PRO FORMA QUARTER AND SIX MONTHS ENDED JUNE 30, 1999

The following unaudited pro forma operating results of USAi present combined results of operations as if 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
NET REVENUES:				
USA ENTERTAINMENT				
Networks and television production.....	\$ 390,688	\$316,394	\$ 769,641	\$ 647,938
Filmed entertainment.....	20,773	22,367	51,080	29,062
Broadcasting.....	4,723	2,449	8,357	3,350
Developing networks.....	3,709	218	4,271	427
USA ELECTRONIC RETAILING				
Electronic retailing.....	357,722	319,115	736,780	630,982
USA INFORMATION AND SERVICES				
Ticketing operations.....	143,019	119,703	270,980	219,426
Hotel reservations.....	78,082	37,798	133,345	60,719
Teleservices.....	70,212	50,090	139,861	96,338
Interactive.....	25,024	13,427	47,525	25,540
Electronic commerce and services.....	3,730	4,982	8,294	8,188
OTHER.....	395	2,836	395	6,882
Total net revenues.....	1,098,077	889,379	2,170,529	1,728,852
Operating costs and expenses:				
Cost of sales.....	465,627	319,422	928,439	601,718
Program costs.....	173,173	149,280	339,037	319,347
Selling and marketing.....	133,117	132,909	259,747	248,330
General and administrative.....	116,161	118,407	215,844	222,082
Other operating costs.....	30,831	23,138	54,525	41,742
Amortization of non cash distribution and marketing expense.....	1,596	--	2,359	--
Amortization of cable distribution fees.....	8,267	6,186	16,490	12,276
Depreciation and amortization.....	131,274	101,002	254,739	195,458
Total operating costs and expenses.....	1,060,046	850,344	2,071,180	1,640,953
Operating profit.....	\$ 38,031	\$ 39,035	\$ 99,349	\$ 87,899
EBITDA.....	\$ 179,168	\$146,223	\$ 372,937	\$ 295,633

Net revenues for the three months ended June 30, 2000 increased by \$208.7 million, or 23.5%, to \$1.1 billion from \$889.4 million in 1999. Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$175.8 million, or 23.6%, to \$918.9 million from \$743.2 million in 1999. EBITDA for the three months ended June 30, 2000 increased by \$32.9 million, or 22.5%, to \$179.2 million from \$146.2 million in 1999.

Net revenues for the six months ended June 30, 2000 increased by \$441.7 million, or 25.5%, to \$2.2 billion from \$1.7 billion in 1999. Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$364.4 million, or 25.4%, to \$1.8 billion from \$1.4 billion in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$77.3 million, or 26.1%, to \$372.9 million from \$295.6 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 June 30, 2000 increased by \$74.3 million, or 23.5%, to \$390.7 million from \$316.4 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 one-hour dramas.

Net revenues for the six months ended June 30, 2000 increased by \$121.7 million, or 18.8%, to \$769.6 million from \$647.9 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 June 30, 2000 increased by \$41.0 million, or 19.5%, to \$251.3 million from \$210.3 million in 1999. This increase resulted primarily from marketing and development costs.

Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$59.1 million, or 13.7%, to \$491.5 million from \$432.4 million in 1999. This increase resulted primarily from marketing, development and distribution costs.

EBITDA for the three months ended June 30, 2000 increased by \$33.3 million, or 31.4%, to \$139.4 million from \$106.1 million in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$62.6 million, or 29.0%, to \$278.1 million from \$215.5 million in 1999.

ELECTRONIC RETAILING

Net revenues for the three months ended June 30, 2000 increased by \$38.6 million, or 12.1%, to \$357.7 million from \$319.1 million in 1999. The increase primarily resulted from Home Shopping Network's core domestic business, which generated increased sales of \$25.7 million, including HSN.com, which began operations in late 1999 and generated sales of \$5.7 million. Also, core international business increased \$12.9 million due primarily to operations in Germany, which generated increased revenue of \$12.1 million. The increase in net revenues also reflected a decrease in the return rate to 19.6% from 20.4% in 1999.

Net revenues for the six months ended June 30, 2000 increased by \$105.8 million, or 16.8%, to \$736.8 million from \$631.0 million in 1999. The increase primarily resulted from Home Shopping Network's core domestic business, which generated increased sales of \$73.0 million due primarily to the increase from the Home Shopping service of \$58.5 million and HSN.com, which generated revenue of \$9.9 million. Also, core international business increased \$33.0 million due primarily to operations in Germany, which generated increased revenue of \$30.6 million.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$32.6 million, or 12.1%, to \$303.3 million from \$270.6 million in 1999. The increase resulted primarily from higher sales volume. The gross profit margin increased to 39.9% as compared to 39.0% in the prior year.

Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$83.0 million, or 15.5%, to \$620.5 million from \$537.4 million in 1999. The increase resulted primarily from higher sales volume.

EBITDA for the three months ended June 30, 2000 increased by \$6.0 million, or 12.4%, to \$54.5 million from \$48.5 million in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$22.8 million, or 24.3%, to \$116.3 million from \$93.5 million in 1999.

TICKETING OPERATIONS

Net revenues for the three months ended June 30, 2000 increased by \$23.3 million, or 19.5%, to \$143.0 million from \$119.7 million in 1999. The increase resulted from an increase of 12.1% in the number of tickets sold, including an increase in the percentage of tickets sold online to 25.8% from 13.5% in 1999, and an increase in revenue per ticket to \$5.89 from \$5.36 in 1999.

Net revenues for the six months ended June 30, 2000 increased by \$51.6 million, or 23.5%, to \$271.0 million from \$219.4 million in 1999. The increase resulted from an increase of 13.1% in the number of tickets sold and an increase in revenue per ticket to \$5.67 from \$5.03 in 1999.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$18.9 million, or 20.4%, to \$111.5 million from \$92.6 million in 1999. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume and increased secondary commissions.

Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$39.3 million, or 22.7%, to \$212.0 million from \$172.8 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 June 30, 2000 increased by \$4.4 million, or 16.3%, to \$31.6 million from \$27.2 million in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$12.3 million, or 26.3%, to \$59.0 million from \$46.7 million in 1999.

TELESERVICES

Net revenues for the three months ended June 30, 2000 increased by \$20.1 million, or 40.2%, to \$70.2 million from \$50.1 million in 1999. The increase resulted from growth of new business and prcnetcare, PRC's fully integrated suite of e-commerce customer care services, which increased more than 450% to \$6.7 million of revenue.

Net revenues for the six months ended June 30, 2000 increased by \$43.5 million, or 45.2%, to \$139.9 million from \$96.4 million in 1999 due to the growth of new business and prcnetcare.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$14.7 million, or 33.6%, to \$58.3 million from \$43.6 million in 1999 due primarily to increased operations.

Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$34.4 million, or 41.0%, to \$118.5 million from \$84.1 million in 1999.

EBITDA for the three months ended June 30, 2000 increased by \$5.5 million, or 84.4%, to \$11.9 million from \$6.5 million in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$9.1 million, or 74.0%, to \$21.4 million from \$12.3 million in 1999.

INTERACTIVE

Net revenues for the three months ended June 30, 2000 increased by \$11.6 million, or 86.4%, to \$25.0 million from \$13.4 million in 1999. The increase primarily resulted from an increase in online city guide and sponsorship revenue of \$13.3 million, or 193%, due to the growth in its combined national reach to 9.1% (7.2 million unique users) in June 2000 versus 6.6% (4.1 million unique users) one year ago due to the expansion into new cities as well as the expansion into the online personals business.

Net revenues for the six months ended June 30, 2000 increased by \$22.0 million, or 86.1%, to \$47.5 million from \$25.5 million in 1999. The increase primarily resulted from an increase in online city guide and sponsorship revenue of \$24.5 million, or 193%, due to expansion into new cities and expansion into the online personals business.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$11.8 million, or 30.5%, to \$50.3 million from \$38.5 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.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$30.3 million, or 45.6%, to \$96.6 million from \$66.3 million in 1999.

EBITDA loss for the three months ended June 30, 2000 increased by \$0.2 million, or .6%, to \$25.3 million from \$25.1 million in 1999.

EBITDA loss for the six months ended June 30, 2000 increased by \$8.3 million, or 20.3%, to \$49.1 million from \$40.8 million in 1999.

HOTEL RESERVATIONS

Net revenues for the three months ended June 30, 2000 increased by \$40.3 million, or 106.6%, to \$78.1 million from \$37.8 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 62% more cities as compared to the prior year. The number of room nights sold increased 101.7% as compared to the prior year. Internet generated sales for the three months ended June 30, 2000 increased to 91.8% in 2000 from 80.5% in 1999.

Net revenues for the six months ended June 30, 2000 increased by \$72.6 million, or 119.6%, to \$133.3 million from \$60.7 million in 1999.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$33.2 million, or 103.7%, to \$65.2 million from \$32.0 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 June 30, 2000 increased by \$60.7 million, or 117.9%, to \$112.2 million from \$51.5 million in 1999.

EBITDA for the three months ended June 30, 2000 increased by \$7.1 million, or 122.7%, to \$12.9 million from \$5.8 million in 1999.

EBITDA for the six months ended June 30, 2000 increased by \$11.9 million, or 128.9%, to \$21.1 million from \$9.2 million in 1999.

FILMED ENTERTAINMENT

Net revenues for the three months ended June 30, 2000 decreased by \$1.6 million, or 7.1%, to \$20.8 million from \$22.4 million in 1999. The decrease resulted primarily from a reduction in revenues from the Savoy library.

Net revenues for the six months ended June 30, 2000 increased by \$22.0 million, or 75.8%, to \$51.1 million from \$29.1 million in 1999. The increase resulted primarily from increased theatrical, foreign and television revenues of \$17.1 million and home entertainment video of \$6.8 million, offset partially by a reduction in revenues from the Savoy library.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2000 increased by \$1.9 million or 9.0%, to \$23.1 million from \$21.2 million in 1999 due principally to higher overhead costs.

Cost related to revenues and other costs and expenses for the six months ended June 30, 2000 increased by \$22.3 million or 77.0%, to \$51.2 million from \$28.9 million in 1999 due to the amortization costs due to increased theatrical releases, costs related to the home entertainment and higher overhead costs.

EBITDA for the three months ended June 30, 2000 decreased by \$3.5 million to a loss of \$2.3 million from \$1.2 million in 1999.

EBITDA for the six months ended June 30, 2000 decreased by \$0.3 million to a loss of \$0.2 million from \$0.1 million in 1999.

ELECTRONIC COMMERCE AND SERVICES

Net revenues for the three months ended June 30, 2000 decreased by \$1.3 million, or 25.1%, to \$3.7 million compared to \$5.0 million in 1999 due to a decrease in ECS teleservices, while net revenues for the six months ended June 30, 2000 increased by \$0.1 million, or 1.3%, to \$8.3 million compared to \$8.2 million in 1999. Cost related to revenues and other costs and expenses for the three and six months ended June 30, 2000 increased by \$5.5 million and \$12.2 million due primarily from start-up costs incurred to launch the business initiatives and other overhead expenses. EBITDA loss for the three and six months ended June 30, 2000 increased by \$6.7 million and \$12.1 million, respectively.

BROADCASTING

Net revenues increased by \$2.3 million to \$4.7 million from \$2.4 million for the three months ended June 30, 2000 and \$5.0 million to \$8.4 million from \$3.4 million for the six months ended June 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. Cost related to revenue increased by \$6.5 million and \$11.8 million for the three and six months ended June 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.

DEVELOPING NETWORKS

Net revenues increased by \$3.5 million to \$3.7 million from \$0.2 million for the three months ended June 30, 2000 and \$3.8 million to \$4.2 million from \$0.4 million for the six months ended June 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 \$4.9 million and \$7.0 million for the three and six months ended June 30, 2000 as compared to the

respective periods in 1999. EBITDA loss for the three and six months ended June 30, 2000 increased by \$1.5 million and \$3.2 million, as compared to the respective periods in 1999.

OTHER

Other revenue relates to a business that was sold in 1999, which resulted in decreased revenue of \$2.8 million and \$6.9 million in the three and six months ended June 30, 2000 as compared to the respective periods in 1999.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$255.7 million for the six months ended June 30, 2000 compared to \$189.6 million for the six months ended June 30, 1999. These cash proceeds and available cash and borrowings were used to pay for acquisitions of \$148.2 million, to make capital expenditures of \$76.3 million, and to make mandatory tax distribution payments to the LLC partners of \$68.1 million.

On April 5, 2000, the Company acquired Precision Response Corp. ("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 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 June 30, 2000.

Pursuant to an agreement between USAi and HRN, USAi made a contingent payment of \$12.5 million in the three months ended June 30, 2000. Furthermore, USAi is required to make a contingent cash payment to the sellers of the two entities which operated HRN based on the results of HRN for the twelve month period ending March 31, 2000, which payment is expected to be finalized in the third quarter. The amount is estimated to be approximately \$45.6 million. 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 will 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 June 30, 2000, approximately \$78.7 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 six months ended

June 30, 2000, the Company purchased 4.9 million shares of its common stock for aggregate consideration of \$106.2 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 June 30, 2000, there was \$597.4 million available for borrowing after taking into account outstanding letters of credit.

On July 28, 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 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 and will contribute \$10 million in dedicated media, and will receive 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.

USAi implemented its plan to disaffiliate its television stations in the Miami/Ft. Lauderdale, Dallas and the Atlanta markets in prior years. 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 so as not to have a material adverse effect but rather to maximize the value of the broadcasting stations.

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 six months ended June 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 June 30, 2000, the Company's outstanding debt approximated \$599.1 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 June 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.

ITEM 1. LEGAL PROCEEDINGS

In the Ticketmaster Consumer Class Action litigation previously reported in the Company's 1999 Form 10-K, 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 Home Shopping Network Consumer Class Action litigation previously reported in the Company's 1999 Form 10-K, the plaintiffs filed an amended class action complaint that, among other things, added an additional named plaintiff, added Home Shopping Club LP, Warrantech Helpdesk, Inc., Bancotech Service, Inc. and Timespace Internet, Inc. as named defendants, and 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 new 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 Urban litigation previously reported in the Company's 1999 Form 10-K and the Company's 1st Quarter Form 10-Q, the Virginia Supreme Court entered an Order denying Urban's Petition for Appeal on June 2, 2000. On June 16, 2000, Urban filed a Petition for Rehearing with the Virginia Supreme Court requesting that the Court reconsider its Order dated June 2, 2000. On July 21, 2000, the Virginia Supreme Court entered an Order denying Urban's Petition for Rehearing. On August 1, 2000, Urban and Mr. Theodore M. White, President and owner of all of the voting stock of Urban, filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Columbia.

In addition, by order dated May 3, 2000, the U.S. Bankruptcy Court for the Eastern District of Virginia denied Urban's motion to reopen Urban's prior chapter 11 case and clarify certain factual and legal matters contained within the Court's September 30, 1996 confirmation order, which motion had been joined in by Amresco Funding Corporation, the entity that provided Urban with bankruptcy exit financing. On May 15, 2000, Urban filed a motion requesting that the U.S. Bankruptcy Court reconsider its May 3, 2000 ruling, or, in the alternative, amend findings of fact. By Memorandum Opinion and Order dated June 9, 2000, the U.S. Bankruptcy Court denied Urban's motion to reconsider, or, in the alternative, to amend findings of fact.

In the Anthony Martin litigation, previously reported in the Company's 1999 Form 10-K, the parties have agreed to a settlement that will not have a material effect on the Company. Such settlement represents the final resolution of this matter, and accordingly, it will not be reported in future filings.

In the Ticketmaster Cash Discount Litigation previously reported in the Company's 1999 Form 10-K and the Company's 1st Quarter Form 10-Q, the plaintiff filed an amended class action petition in state court on June 20, 2000 asserting 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 all consumers using VISA and Mastercard to purchase tickets from Ticketmaster are third-party beneficiaries of this contract. 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. Hearing on the motion to remand is currently anticipated to occur on September 7, 2000. Ticketmaster continues to believe that plaintiff's claims lack merit and expects to continue to vigorously defend itself in this case.

In the N2K litigation previously reported in the Company's 1st Quarter Form 10-Q, the Court denied Ticketmaster's motion for summary adjudication as to N2K's Cross-Complaint on June 29, 2000. Trial is currently scheduled to commence on September 20, 2000.

In the Polygram Filmed Entertainment litigation, previously reported in the Company's 1999 Form 10-K and the Company's 1st Quarter 10-Q, the parties have agreed to a settlement for an amount that is not material to the financial condition of the Company. Such settlement represents the final resolution of this matter, and accordingly, it will not be reported in future filings.

In the World Wrestling Federation litigation, previously reported in the Company's 1st Quarter Form 10-Q, in a decision dated June 27, 2000, the Delaware Chancery Court dismissed USA Cable's complaint, holding that while USA Cable had no obligation to match the terms of the Viacom/CBS offer pertaining to matters other than the four wrestling entertainment programs, USA had failed to match the terms of the Viacom Inc. and CBS Corporation offer. USA Cable is pursuing an expedited appeal of the decision of the Chancery Court in the Delaware Supreme Court. Oral argument of the appeal is scheduled for August 14, 2000.

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

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

On April 4, 2000, the annual meeting of stockholders was held. Stockholders present in person or by proxy, representing 199,274,084 shares of Common Stock and 63,033,452 shares of Class B Common Stock, voted on the following matters:

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

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

	NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST OR FOR WHICH AUTHORITY WITHHELD
	-----	-----
Anne M. Busquet.....	198,498,633	775,451
Donald R. Keough.....	198,485,663	788,421
William D. Savoy.....	198,491,279	782,805
Gen. H. Norman Schwarzkopf.....	187,831,102	11,442,982

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

	NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST OR FOR WHICH AUTHORITY WITHHELD
Paul G. Allen.....	828,826,704	781,900
Barry Baker.....	828,827,033	781,571
Edgar Bronfman, Jr.	828,818,274	790,330
Barry Diller.....	828,829,356	779,248
Victor A. Kaufman.....	828,826,697	782,007
Robert W. Matschullat.....	828,816,211	792,393
Samuel Minzberg.....	828,664,249	944,355
Brian Mulligan.....	828,822,697	785,097
Diane Von Furstenberg.....	828,653,737	954,867

2. The holders of the Common Stock and Class B Common Stock, voting as separate classes, approved an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock and Class B Common Stock, as follows:

NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST	NUMBER OF SHARES ABSTAINING
245,380,545	16,790,165	136,829

3. The holders of Common Stock and Class B Common Stock, voting as a single class, approved the Company's 2000 Stock and Annual Incentive Plan, as follows:

NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST	NUMBER OF SHARES ABSTAINING	BROKER NON-VOTES
754,915,322	56,465,650	174,115	18,053,515

4. The holders of Common Stock and Class B Common Stock, voting as a single class, approved the Company's Deferred Compensation Plan for Non-Employee Directors, as follows:

NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST	NUMBER OF SHARES ABSTAINING
828,105,732	1,306,288	196,582

5. The holders of Common Stock and Class B Common Stock, voting as a single class, also ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the year ended December 31, 2000, as follows:

NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES CAST AGAINST	NUMBER OF SHARES ABSTAINING
829,443,324	50,683	114,596

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation
10.1	USA Networks, Inc. 2000 Stock and Annual Incentive Plan
10.2	USA Networks, Inc. Deferred Compensation Plan For Non-Employee Directors
10.3*	Consulting Agreement, dated June 21, 2000, between USA Networks, Inc. and Barry Baker
10.5*	Employment Agreement, dated August 9, 2000, between USA Networks, Inc. and Julius Genachowski
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)

* Reflects management contracts and compensatory plans.

(b) Forms 8-K

USAi filed a report on Form 8-K/A, dated April 14, 2000, reporting items 5 and 7, containing the audited consolidated financial statements of Precision Response Corporation as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999, and the unaudited pro forma condensed combined financial statements, giving effect to the acquisition by USAi of Precision Response Corporation as well as other transactions completed by USAi in 1999.

SIGNATURES

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

USA NETWORKS, INC.
(REGISTRANT)

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	August 14, 2000
/s/ MICHAEL SILECK ----- Michael Sileck	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	August 14, 2000
/s/ WILLIAM J. SEVERANCE ----- William J. Severance	Vice President and Controller (Chief Accounting Officer)	August 14, 2000

CONSOLIDATED FINANCIAL STATEMENTS
HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
(IN THOUSANDS)				
NET REVENUES				
Networks and television production.....	\$ 390,688	\$ 316,394	\$ 769,641	\$ 647,938
Electronic retailing.....	357,722	284,322	736,780	559,832
Interactive.....	4,785	6,544	10,311	12,851
Electronic commerce and services.....	1,533	800	2,431	1,073
Developing networks.....	3,709	218	4,271	427
Other.....	395	2,836	395	6,882
Total net revenues.....	758,832	611,114	1,523,829	1,229,003
Operating costs and expenses:				
Cost of sales.....	221,125	182,586	459,536	358,672
Program costs.....	173,173	149,280	339,037	319,347
Selling and marketing.....	94,094	73,107	182,988	135,738
General and administrative.....	82,940	57,760	155,099	113,796
Other operating costs.....	31,228	22,190	56,952	44,319
Amortization of cable distribution fees.....	8,267	6,186	16,490	12,276
Depreciation and amortization.....	48,236	43,555	95,974	86,562
Total operating costs and expenses.....	659,063	534,664	1,306,076	1,070,710
Operating profit.....	99,769	76,450	217,753	158,293
Other income (expense):				
Interest income.....	9,163	8,708	13,912	19,323
Interest expense.....	(10,651)	(20,241)	(18,478)	(40,619)
Gain on sale of securities.....	--	2,970	--	50,270
Other, net.....	(1,529)	(7,958)	(4,008)	1,658
	(3,017)	(16,521)	(8,574)	30,632
Earnings before income taxes and minority interest.....	96,752	59,929	209,179	188,925
Income tax expense.....	(17,666)	(13,962)	(42,293)	(34,154)
Minority interest.....	(56,501)	(37,394)	(122,511)	(114,700)
NET EARNINGS.....	\$ 22,585	\$ 8,573	\$ 44,375	\$ 40,071

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 216,670	\$ 247,474
Accounts and notes receivable, net of allowance of \$44,608 and \$33,317, respectively.....	406,900	381,175
Inventories, net.....	450,831	432,520
Investments held for sale.....	5,735	--
Deferred income taxes.....	--	12,077
Other current assets, net.....	23,752	8,542
	-----	-----
Total current assets.....	1,103,888	1,081,788
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment.....	137,142	123,606
Buildings and leasehold improvements.....	61,553	59,074
Furniture and other equipment.....	67,277	67,246
Land.....	10,246	10,246
Projects in progress.....	23,573	31,736
	-----	-----
	299,791	291,908
Less accumulated depreciation and amortization.....	(75,885)	(79,350)
	-----	-----
	223,906	212,558
OTHER ASSETS		
Intangible assets, net.....	5,078,984	5,029,769
Cable distribution fees, net (\$31,884 and \$35,181, respectively, to related parties).....	151,059	130,988
Long-term investments.....	68,841	93,742
Notes and accounts receivable, net.....	23,382	19,506
Inventories, net.....	133,722	154,497
Advances to USAI and subsidiaries.....	339,590	410,107
Deferred income taxes.....	75,335	61,755
Deferred charges and other, net.....	43,538	36,934
	-----	-----
	\$7,242,245	\$7,231,644
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations.....	\$ 16,853	\$ 3,758
Accounts payable, trade.....	157,791	147,864
Obligations for program rights and film costs.....	245,717	265,235
Cable distribution fees payable (\$18,476 and \$18,733, respectively, to related parties).....	38,183	43,993
Deferred revenue.....	42,685	47,536
Deferred income taxes.....	3,367	--
Other accrued liabilities.....	312,400	271,846
	-----	-----
Total current liabilities.....	816,996	780,232
LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES).....	527,011	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, NET OF CURRENT.....	232,482	256,260
OTHER LONG-TERM LIABILITIES.....	71,632	81,156
MINORITY INTEREST.....	4,328,704	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 (deficit) earnings.....	(22,971)	50,823
Accumulated other comprehensive income.....	(3,329)	--
	-----	-----
Total stockholders' equity.....	1,265,420	1,342,543
	-----	-----
	\$7,242,245	\$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 six months ended June 30, 2000.....	44,375	--	--	44,375	--
Foreign currency translation.....	978				978
Increase in unrealized gains in available for sale securities...	(4,307)	--	--	--	(4,307)

Comprehensive income.....	41,046				
Mandatory tax distribution to LLC partners.....	(118,169)	--	--	(118,169)	--

Balance at June 30, 2000.....	<u>\$1,265,420</u>	<u>\$1,221,408</u>	<u>\$70,312</u>	<u>\$(22,971)</u>	<u>\$(3,329)</u>

Comprehensive income for the three months ended June 30, 2000 was \$17,597.

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)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings.....	\$ 44,375	\$ 40,071
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization.....	95,974	86,562
Amortization of cable distribution fees.....	16,490	12,276
Amortization of program rights and film costs.....	294,026	261,252
Gain on sale of securities.....	--	(50,270)
Non-cash compensation.....	5,870	1,900
Equity in (earnings) losses of unconsolidated affiliates.....	5,015	(10,112)
Minority interest.....	122,511	114,700
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable.....	(25,112)	3,108
Inventories.....	6,012	(2,177)
Accounts payable.....	(1,089)	(41,286)
Accrued liabilities and deferred revenue.....	31,200	30,759
Payment for program rights and film costs.....	(332,891)	(255,335)
Increase in cable distribution fees.....	(27,296)	(12,746)
Other, net.....	13,270	15,599
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	248,355	194,301
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired.....	(107,654)	(7,500)
Capital expenditures.....	(28,730)	(28,862)
Increase in long-term investments and notes receivable.....	(20,322)	(12,150)
Advance to Styleclick.....	(9,000)	--
Proceeds from sale of securities.....	--	61,080
Proceeds from long-term notes receivable.....	--	3,691
Other, net.....	(2,224)	2,163
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES.....	(167,930)	18,422
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings.....	35,769	--
Intercompany.....	(86,768)	(385,065)
Payment of mandatory tax distribution to LLC partners.....	(118,169)	(52,755)
Principal payments on long-term obligations.....	(33,057)	(13,942)
Repurchase of LLC shares.....	(110,532)	(4,938)
Proceeds from issuance of LLC shares.....	208,100	22,732
Other.....	(7,550)	--
NET CASH USED IN FINANCING ACTIVITIES.....	(112,207)	(433,968)
Effect of exchange rate changes on cash and cash equivalents.....	978	--
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(30,804)	(221,245)
Cash and cash equivalents at beginning of period.....	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 216,670	\$ 13,658

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").

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 engaged in diversified media and electronic commerce businesses.

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 which are engaged in the electronic retailing business.
- Interactive, which represents Internet Shopping Network, the Company's on-line retailing networks business.
- Electronic commerce and services, which primarily represents the Company's customer and e-care businesses.
- Developing networks, which primarily represents recently acquired cable television properties Trio and News World International and SciFi.com, a developing 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 three and six months ended June 30, 2000. Certain amounts in the Condensed Consolidated Financial Statements for the three and six months ended June 30, 1999 have been reclassified to conform to the 2000 presentation.

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

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--INVESTMENTS

During the quarter and six months ended June 30, 1999, the Company recognized pre-tax gains of \$3.0 and \$50.3 million, respectively, on the sale of securities in a publicly traded entity.

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED
JUNE 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.

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 4--STATEMENTS OF CASH FLOWS (CONTINUED)

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED
JUNE 30, 1999:

During the six months ended June 30, 1999, the Company acquired post-production and other equipment through capital leases totaling \$2.1 million.

NOTE 5--INDUSTRY SEGMENTS

For the three and six months ended June 30, 2000 and 1999, the Company operated principally in five industry segments: Networks and television production, Electronic retailing, Interactive, Electronic commerce and services and Developing 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 the Company's on-line retailing networks business. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Developing 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, a developing Internet content and commerce site.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)		(IN THOUSANDS)	
Revenue				
Networks and television production.....	\$390,688	\$316,394	\$ 769,641	\$ 647,938
Electronic retailing.....	357,722	284,322	736,780	559,832
Internet services.....	4,785	6,544	10,311	12,851
Electronic commerce and services.....	1,533	800	2,431	1,073
Developing networks.....	3,709	218	4,271	427
Other.....	395	2,836	395	6,882
	=====	=====	=====	=====
	\$758,832	\$611,114	\$1,523,829	\$1,229,003
Operating profit (loss)				
Networks and television production.....	\$111,190	\$ 77,697	\$ 221,977	\$ 158,967
Electronic retailing.....	21,808	18,964	51,820	33,650
Internet services.....	(11,355)	(11,220)	(21,412)	(19,021)
Electronic commerce and services.....	(4,022)	(500)	(7,945)	(926)
Developing networks.....	(2,528)	(543)	(3,762)	(543)
Other.....	(15,324)	(7,948)	(22,925)	(13,834)
	=====	=====	=====	=====
	\$ 99,769	\$ 76,450	\$ 217,753	\$ 158,293

NOTE 6--GUARANTEE OF NOTES

USAi issued \$500.0 million 6 3/4% Senior Notes due 2005 (the "Notes"). USAi LLC is a co-issuer and co-obligor of the Notes. The Notes are jointly, severally, fully and unconditionally guaranteed by certain

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 6--GUARANTEE OF NOTES (CONTINUED)

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.

NOTE 7--SUBSEQUENT EVENTS

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

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 entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com Inc. 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 will contribute \$10 million in dedicated media, and will receive 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.

CONSOLIDATED FINANCIAL STATEMENTS
USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
----- (IN THOUSANDS) -----				
NET REVENUES				
Networks and television production.....	\$ 390,688	\$ 316,394	\$ 769,641	\$ 647,938
Electronic retailing.....	357,722	284,322	736,780	559,832
Interactive.....	4,785	6,544	10,311	12,851
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Developing networks.....	3,709	218	4,271	427
Other.....	395	2,836	395	6,882
	-----	-----	-----	-----
Total net revenues.....	758,832	611,114	1,523,829	1,229,003
	-----	-----	-----	-----
Operating costs and expenses:				
Cost of sales.....	221,125	182,586	459,536	358,672
Program costs.....	173,173	149,280	339,037	319,347
Selling and marketing.....	94,094	73,107	182,988	135,738
General and administrative.....	82,940	57,760	155,099	113,796
Other operating costs.....	31,228	22,190	56,952	44,319
Amortization of cable distribution fees.....	8,267	6,186	16,490	12,276
Depreciation and amortization.....	48,236	43,555	95,974	86,562
	-----	-----	-----	-----
Total operating costs and expenses.....	659,063	534,664	1,306,076	1,070,710
	-----	-----	-----	-----
Operating profit.....	99,769	76,450	217,753	158,293
Other income (expense):				
Interest income.....	9,163	8,708	13,912	19,323
Interest expense.....	(10,651)	(20,241)	(18,478)	(40,619)
Gain on sale of securities.....	--	2,970	--	50,270
Other, net.....	(1,529)	(7,958)	(4,008)	1,658
	-----	-----	-----	-----
	(3,017)	(16,521)	(8,574)	30,632
	-----	-----	-----	-----
Earnings before income taxes and minority interest.....				
	96,752	59,929	209,179	188,925
Income tax expense.....	(5,951)	(1,255)	(10,963)	(3,138)
Minority interest.....	(2,018)	191	(4,314)	377
	-----	-----	-----	-----
NET EARNINGS.....	\$ 88,783	\$ 58,865	\$ 193,902	\$ 186,164
	=====	=====	=====	=====

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 216,670	\$ 247,474
Accounts and notes receivable, net of allowance of \$44,608 and \$33,317, respectively.....	406,900	381,175
Inventories, net.....	450,831	432,520
Investments held for sale.....	5,735	--
Other current assets, net.....	23,752	8,542
	-----	-----
Total current assets.....	1,103,888	1,069,711
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment.....	137,142	123,606
Buildings and leasehold improvements.....	61,553	59,074
Furniture and other equipment.....	67,277	67,246
Land.....	10,246	10,246
Projects in progress.....	23,573	31,736
	-----	-----
	299,791	291,908
Less accumulated depreciation and amortization.....	(75,885)	(79,350)
	-----	-----
	223,906	212,558
OTHER ASSETS		
Intangible assets, net.....	5,154,725	5,105,510
Cable distribution fees, net (\$31,884 and \$35,181, respectively, to related parties)...	151,059	130,988
Long-term investments.....	68,841	93,742
Notes and accounts receivable, net.....	23,382	19,506
Inventories, net.....	133,722	154,497
Advances to USAI and subsidiaries.....	756,891	649,480
Deferred charges and other, net.....	43,538	36,934
	-----	-----
	\$7,659,952	\$7,472,926
	=====	=====
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations.....	\$ 16,853	\$ 3,758
Accounts payable, trade.....	157,791	147,864
Obligations for program rights and film costs.....	245,717	265,235
Cable distribution fees payable (\$18,476 and \$18,733, respectively, to related parties)...	38,183	43,993
Deferred revenue.....	42,685	47,536
Other accrued liabilities.....	298,729	257,575
	-----	-----
Total current liabilities.....	799,958	765,961
LONG-TERM OBLIGATIONS (net of current maturities).....	527,011	527,339
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current.....	232,482	256,260
OTHER LONG-TERM LIABILITIES.....	68,859	81,156
MINORITY INTEREST.....	14,200	531
COMMITMENTS AND CONTINGENCIES.....	--	--
MEMBERS' EQUITY		
Class A (245,393,314 and 245,601,782 shares, respectively).....	2,015,873	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.....	560,011	484,278
Accumulated other comprehensive income.....	(3,329)	--
	-----	-----
Total members' equity.....	6,017,442	5,841,679
	-----	-----
	\$7,659,952	\$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 six months ended						
June 30, 2000.....	193,902	--	--	--	193,902	--
Foreign currency translation.....	978	--	--	--	--	978
Increase in unrealized gains in						
available for sale securities.....	(4,307)	--	--	--	--	(4,307)

Comprehensive income.....	190,573	--	--	--	--	--
Issuance of LLC shares.....	213,891	213,891	--	--	--	--
Repurchase of LLC shares.....	(110,532)	(110,532)	--	--	--	--
Mandatory tax distribution to						
LLC partners.....	(118,169)	--	--	--	(118,169)	--
	-----	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2000.....	\$6,017,442	\$2,015,873	\$2,978,635	\$466,252	\$ 560,011	\$(3,329)
	=====	=====	=====	=====	=====	=====

Comprehensive income for the three months ended June 30, 2000 was \$83,795.

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

USANI LLC AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings.....	\$ 193,902	\$ 186,164
ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization.....	95,974	86,562
Amortization of cable distribution fees.....	16,490	12,276
Amortization of program rights and film costs.....	294,026	261,252
Gain on sale of securities.....	--	(50,270)
Non-cash compensation.....	5,870	1,900
Equity in (earnings) losses of unconsolidated affiliates.....	5,015	(10,112)
Minority interest.....	4,314	(377)
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable.....	(25,112)	3,108
Inventories.....	6,012	(2,177)
Accounts payable.....	(1,089)	(41,286)
Accrued liabilities and deferred revenue.....	(130)	(257)
Payment for program rights and film costs.....	(332,891)	(255,335)
Increase in cable distribution fees.....	(27,296)	(12,746)
Other, net.....	13,270	15,599
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	248,355	194,301
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired.....	(107,654)	(7,500)
Capital expenditures.....	(28,730)	(28,862)
Increase in long-term investments and notes receivable.....	(20,322)	(12,150)
Advance to Styleclick.....	(9,000)	--
Proceeds from sale of securities.....	--	61,080
Proceeds from long-term notes receivable.....	--	3,691
Other, net.....	(2,224)	2,163
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES.....	(167,930)	18,422
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings.....	35,769	--
Intercompany.....	(86,768)	(385,065)
Payment of mandatory tax distribution to LLC partners.....	(118,169)	(52,755)
Principal payments on long-term obligations.....	(33,057)	(13,942)
Repurchase of LLC shares.....	(110,532)	(4,938)
Proceeds from issuance of LLC shares.....	208,100	22,732
Other.....	(7,550)	--
NET CASH USED IN FINANCING ACTIVITIES.....	(112,207)	(433,968)
Effect of exchange rate changes on cash and cash equivalents.....	978	--
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(30,804)	(221,245)
Cash and cash equivalents at beginning of period.....	247,474	234,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 216,670	\$ 13,658

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

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.

COMPANY BUSINESS

The Company is a holding company, the subsidiaries of which are engaged in diversified media and electronic commerce businesses.

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 which are engaged in the electronic retailing business.
- Interactive, which represents Internet Shopping Network, the Company's on-line retailing networks business.
- Electronic commerce and services, which primarily represents the Company's customer and e-care businesses.
- Developing networks, which primarily represents recently acquired cable television properties Trio and News World International and SciFi.com, a developing 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 three and months ended June 30, 2000. Certain amounts in the Condensed Consolidated Financial Statements for the three and six months ended June 30, 1999 have been reclassified to conform to the 2000 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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

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--INVESTMENTS

During the quarter and six months ended June 30, 1999, the Company recognized pre-tax gains of \$3.0 and \$50.3 million, respectively, on the sale of securities in a publicly traded entity.

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 4--STATEMENTS OF CASH FLOWS (CONTINUED)

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 SIX MONTHS ENDED JUNE 30, 1999:

During the six months ended June 30, 1999, the Company acquired post-production and other equipment through capital leases totaling \$2.1 million.

NOTE 5--INDUSTRY SEGMENTS

For the three and six months ended June 30, 2000 and 1999, the Company operated principally in five industry segments: Networks and television production, Electronic retailing, Interactive, Electronic commerce and services and Developing 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 the Company's on-line retailing networks business. The Electronic commerce and services segment primarily represents the Company's customer and e-care businesses. The Developing 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, a developing Internet content and commerce site.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Revenue				
Networks and television production.....	\$390,688	\$316,394	\$ 769,641	\$ 647,938
Electronic retailing.....	357,722	284,322	736,780	559,832
Internet services.....	4,785	6,544	10,311	12,851
Electronic commerce and services.....	1,533	800	2,431	1,073
Developing networks.....	3,709	218	4,271	427
Other.....	395	2,836	395	6,882
	=====	=====	=====	=====
	\$758,832	\$611,114	\$1,523,829	\$1,229,003
Operating profit (loss)				
Networks and television production.....	\$111,190	\$ 77,697	\$ 221,977	\$ 158,967
Electronic retailing.....	21,808	18,964	51,820	33,650
Internet services.....	(11,355)	(11,220)	(21,412)	(19,021)
Electronic commerce and services.....	(4,022)	(500)	(7,945)	(926)
Developing networks.....	(2,528)	(543)	(3,762)	(543)
Other.....	(15,324)	(7,948)	(22,925)	(13,834)
	=====	=====	=====	=====
	\$ 99,769	\$ 76,450	\$ 217,753	\$ 158,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 6-- 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.

NOTE 7--SUBSEQUENT EVENTS

MERGER OF INTERNET SHOPPING NETWORK AND STYLECLICK.COM

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 entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com Inc. 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 will contribute \$10 million in dedicated media, and will receive 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.

INDEX TO EXHIBITS

EXHIBIT
NUMBER

DESCRIPTION

3.1	Restated Certificate of Incorporation
10.1	USA Networks, Inc. 2000 Stock and Annual Incentive Plan
10.2	USA Networks, Inc. Deferred Compensation Plan For Non-Employee Directors
10.3*	Consulting Agreement, dated June 21, 2000, between USA Networks, Inc. and Barry Baker
10.5*	Employment Agreement, dated August 9, 2000, between USA Networks, Inc. and Julius Genachowski
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)

* Reflects management contracts and compensatory plans.

[LOGO]

RESTATED
CERTIFICATE OF INCORPORATION
(PURSUANT TO SECTION 245
OF THE DELAWARE GENERAL CORPORATION LAW)

RESTATED CERTIFICATE OF INCORPORATION

OF

USA NETWORKS, INC.

(Pursuant to Section 245
of the Delaware General Corporation Law)

USA Networks, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name under which the Corporation was originally incorporated is Silver King Broadcasting Company, Inc. The date of filing its original Certificate of Incorporation with the Secretary of State was July 28, 1986.

2. This Restated Certificate of Incorporation has been duly adopted by the Board of Directors of the Corporation and duly executed and acknowledged by an officer of the Corporation in accordance with Sections 103 and 245 of the Delaware General Corporation Law. This Restated Certificate of Incorporation restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

3. The text of the Certificate of Incorporation of the Corporation is hereby restated to read in its entirety as follows:

ARTICLE I

The name of the Corporation is USA Networks, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

ARTICLE IV

The Corporation shall have the authority to issue one billion six hundred million (1,600,000,000) shares of \$.01 par value Common Stock, four hundred million (400,000,000) shares of \$.01 par value Class B Common Stock, and fifteen million (15,000,000) shares of \$.01 par value Preferred Stock.

A statement of the designations of each class and the powers, preferences and rights, and qualifications, limitations or restrictions thereof is as follows:

A. COMMON STOCK

(1) The holders of the Common Stock shall be entitled to receive, share for share with the holders of shares of Class B Common Stock, such dividends if, as and when declared from time to time by the Board of Directors.

(2) In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Corporation, the holders of the Common Stock shall be entitled to receive, share for share with the holders of shares of Class B Common Stock, all the assets of the Corporation of whatever kind available for distribution to Stockholders, after the rights of the holders of the Preferred Stock have been satisfied.

(3) Each holder of Common Stock shall be entitled to vote one vote for each share of Common Stock held as of the applicable date on any matter that is submitted to a vote or to the consent of the Stockholders of the Corporation. Except as otherwise provided herein or by the General Corporation Law of the State of Delaware, the holders of Common Stock and the holders of Class B Common Stock shall at all times vote on all matters (including the election of directors) together as one class.

B. CLASS B COMMON STOCK

(1) The holders of the Class B Common Stock shall be entitled to receive, share for share with the holders of shares of Common Stock, such dividends if, as and when declared from time to time by the Board of Directors.

(2) In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Corporation, the holders of the Class B Common Stock shall be entitled to receive, share for share with the holders of shares of Common Stock, all the assets of the Corporation of whatever kind available for distribution to Stockholders, after the rights of the holders of the Preferred Stock have been satisfied.

(3) Each holder of Class B Common Stock shall be entitled to vote ten votes for each share of Class B Common Stock held as of the applicable date on any matter that is submitted to a vote or to the consent of the Stockholders of the Corporation. Except as otherwise provided herein or by the General Corporation Law of the State of Delaware, the holders of Common Stock and the holders of Class B Common Stock shall at all times vote on all matters (including the election of directors) together as one class.

C. OTHER MATTERS AFFECTING SHAREHOLDERS OF COMMON
STOCK AND CLASS B COMMON STOCK

(4) In no event shall any stock dividends or stock splits or combinations of stock be declared or made on Common Stock or Class B Common Stock unless the shares of Common Stock and Class B Common Stock at the time outstanding are treated equally and identically.

(5) Shares of Class B Common Stock shall be convertible into shares of the Common Stock of the Corporation at the option of the holder thereof at any time on a share for share basis. Such conversion ratio shall in all events be equitably preserved in the event of any recapitalization of the Corporation by means of a stock dividend on, or a stock split or combination of, outstanding Common Stock or Class B Common Stock, or in the event of any merger, consolidation or other reorganization of the Corporation with another corporation.

(6) Upon the conversion of Class B Common Stock into shares of Common Stock, said shares of Class B Common Stock shall be retired and shall not be subject to reissue.

(7) Notwithstanding anything to the contrary in this Certificate of Incorporation, the holders of Common Shares, acting as a single class, shall be entitled to elect twenty-five percent (25%) of the total number of directors, and in the event that twenty-five percent (25%) of the total number of directors shall result in a fraction of a director, then the holders of the Common Stock, acting as a single class, shall be entitled to elect the next higher whole number of directors.

C. PREFERRED STOCK

The Board of Directors shall, by resolution, designate the powers, preferences, rights and qualifications, limitations and restrictions of the Preferred Stock.

ARTICLE V

The Board of Directors of the Corporation is expressly authorized to make, alter or repeal By-Laws of the Corporation, but the Stockholders may make additional By-Laws and may alter or repeal any By-Law whether adopted by them or otherwise.

ARTICLE VI

Elections of directors need not be by written ballot except and to the extent provided in the By-Laws of the Corporation.

ARTICLE VII

The Corporation is to have perpetual existence.

ARTICLE VIII

Each person who is or was or had agreed to become a director or officer of the Corporation, or each such person who is or was serving or who had agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Corporation, in accordance with the By-Laws of the Corporation, to the full extent permitted from time to time by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) or any other applicable laws as presently or hereinafter in effect. Without limiting the generality or the effect of the foregoing, the Corporation may enter into one or more agreements with any person that provide for indemnification greater or different than that provided in this Article VIII. Any amendment or repeal of this Article VIII shall not adversely affect any right or protection existing hereunder immediately prior to such amendment or repeal.

ARTICLE IX

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this Article IX shall not adversely affect any right or protection of a director of the Corporation existing immediately prior to such amendment or repeal. The liability of a director shall be further eliminated or limited to the full extent permitted by Delaware law, as it may hereafter be amended.

ARTICLE X

Meetings of stockholders may be held within or without the State of Delaware, as determined by the Board of Directors. The books of the Corporation may be kept (subject to any provision contained in the Delaware General Corporation Law) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

ARTICLE XI

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the Delaware General Corporation Law, and all rights conferred upon stockholders herein are granted subject to this reservation except that under no circumstances may such amendment be adopted except as prescribed by Article IV, above, and provided further that the rights of the

Class B Common Stock may not be amended, altered, changed or repealed without the approval of the holders of the requisite number of said shares of Class B Common Stock.

ARTICLE XII

The number of directors of the Corporation shall be such number as shall be determined from time to time by resolution of the Board of Directors.

A director may be removed, at any time, either with or without cause, by the affirmative vote of holders of a majority of each of the classes of shares then entitled to vote at an election of directors, except that directors elected by the holders of the Common Stock of the Corporation exclusively, pursuant to Subsection C(4) of Article IV, may only be removed by the holders of Common Stock of the Corporation.

The Chief Executive Officer of the Corporation may only be removed without cause by the affirmative vote of at least 80% of the entire Board of Directors. The provisions of this paragraph may not be amended, altered, changed or repealed, or any provision inconsistent therewith adopted, without the approval of at least (i) 80% of the entire Board of Directors and (ii) 80% of the voting power of the Corporation's outstanding voting securities, voting together as a single class. This paragraph shall be of no force and effect following such time as the Chief Executive Officer as of February 12, 1998 ceases to be Chief Executive Officer pursuant to the terms of this paragraph and the Stockholders Agreement dated as of October 19, 1997 among Universal Studios, Inc. ("Universal"), Liberty Media Corporation ("Liberty"), Barry Diller, the Corporation and The Seagram Company Ltd. (the "Stockholders Agreement"). This paragraph shall only apply with respect to a removal of the Chief Executive Officer without Cause as such term is defined in the Stockholders Agreement.

ARTICLE XIII

This Article XIII shall be applicable to the Corporation so long as the provisions of the Communications Act of 1934, as amended (including the rules and regulations promulgated thereunder, the "Communications Act"), are applicable to the Corporation. Notwithstanding any other provision hereof, no transfer of the Corporation's capital stock, whether voluntary or involuntary, shall be permitted, and any purported transfer thereof shall be void AB INITIO to the fullest extent permitted under applicable law and the intended transferee shall be deemed never to have had an interest therein, if such transfer or purported transfer would violate (or result in the violation of any provision of the Communications Act).

Subject to further restrictions, if any, that may be contained in the By-Laws of the Corporation (i) at no time shall more than one-fourth (25%) of the aggregate number of issued and outstanding shares of the capital stock of the Corporation, regardless of class, nor shares of the capital stock of the Corporation representing in the aggregate more than one-fourth (25%) of the aggregate voting power of all issued and outstanding shares of the capital stock of the Corporation, be owned of record or beneficially voted by or for the account of any alien, the representative of any alien, any corporation organized under the laws of a foreign country or a foreign government or a representative thereof ("Aliens"); and (ii) the Corporation shall not be controlled

directly or indirectly by any other corporation of which more than one-fourth (25%) of the capital stock is owned of record or voted by Aliens.

If the Board of Directors or a committee thereof shall at any time determine in good faith that a transfer has taken place that falls within the scope of this Article XIII or that a person intends to acquire beneficial ownership of any shares of the capital stock of the Corporation that would result in a violation of this Article XIII (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it or they deem advisable to refuse to give effect or to prevent such transfer, including, but not limited to, refusing to give effect to such transfer on the books of the Corporation or instituting proceedings to enjoin such transfer.

Without limitation to this Article XIII, any purported transferee of shares acquired in violation of this Article XIII and any person retaining shares in violation of this Article XIII shall be deemed to have acted as agent on behalf of the Corporation in holding those shares acquired or retained in violation of this Article XIII and shall be deemed to hold such shares in trust on behalf of and for the benefit of the Corporation. Such shares shall be deemed a separate class of stock until such time as the shares are redeemed as provided in the following paragraph. The holder shall have no right to receive dividends or other distributions with respect to such shares, and shall have no right to vote such shares. Such holder shall have no claim, cause of action or any other recourse whatsoever against any transferor of shares acquired in violation of this Article XIII. The holder's sole right with respect to such shares shall be to receive the Redemption Price pursuant to the following paragraph. Any distribution by the Corporation in respect of such shares acquired or retained in violation of this Article XIII shall be repaid to the Corporation upon demand.

The Board of Directors shall, within three months after receiving notice of a transfer of shares that violates this Article XIII or a retention of shares in violation of this Article XIII, subject to the requirements of Delaware law applicable to redemptions, redeem such shares for the Redemption Price in cash on such date within such three-month period as the Board of Directors may determine, PROVIDED, HOWEVER, that the Corporation shall not redeem any outstanding shares of capital stock of the Corporation owned by Universal and its controlled affiliates issued at the Closing (as defined in the Investment Agreement, dated as of October 19, 1997, as amended and restated as of December 18, 1997, among Universal, the Corporation, Home Shopping Network, Inc. and Liberty (the "Investment Agreement")), acquired not in violation of the Investment Agreement and related agreements and otherwise acquired not in violation of the Communications Act. For purposes of this Article XIII, "Redemption Price" shall mean the lower of (i) the price paid by the transferee from whom shares are being redeemed, and (ii) the average of the closing bid and asked prices of the Common Stock on the Nasdaq Stock Market on each of the ten trading days immediately preceding the date fixed for redemption by the Board of Directors, or if the Common Stock is not then traded on the Nasdaq Stock Market, the average of the last reported sales prices of the Common Stock on each of the ten trading days immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the price determined in good faith by the Board of Directors as the fair market value of such class of capital stock on the relevant date.

The Corporation shall have the right to require that any prospective stockholder certify as to its citizenship and control and may refuse to transfer and/or issue shares of stock in the Corporation if to do so would likely cause the Corporation to be in violation of the Communications Act.

If the provisions of Section 310 of the Communications Act are amended or replaced with similar legislation, including amendments to allow transfers that would otherwise be precluded by this Certificate, then the restrictions on transfer and the right of redemption set forth in the foregoing paragraphs shall be modified without further action of the Corporation's stockholders to be consistent with any such amendments or replacement legislation, including, without limitation, to allow transfers to Aliens to the maximum extent permitted by Section 310 of the Communications Act, and, as so modified, shall apply to the Corporation. The By-Laws of the Corporation, as now in effect or as hereafter from time to time amended, may contain additional restrictions on ownership of the Corporation's capital stock by Aliens and provisions to implement the limitations set forth in the foregoing paragraphs, including, without limitation, provisions modifying, restricting or eliminating voting, dividend, transfer or other rights consistent with the provisions of this Certificate otherwise applicable to any shares of the Corporation's capital stock; provided such By-Laws shall not be inconsistent with the proviso applicable to Universal set forth in the fifth paragraph of this Article XIII. For purposes of this Article XIII, the term "alien" shall have the meaning ascribed thereto by the Federal Communications Commission (the "FCC") on the date hereof and in the future as the FCC may change such meaning from time to time.

USA NETWORKS, INC.

2000 STOCK AND ANNUAL INCENTIVE PLAN

SECTION 1. Purpose; Definitions

The purpose of the Plan is to give the Corporation a competitive advantage in attracting, retaining and motivating officers and employees and to provide the Corporation and its subsidiaries with a stock plan providing incentives more directly linked to the profitability of the Corporation and increases in shareholder value.

For purposes of the Plan, the following terms are defined as set forth below:

(a) "AFFILIATE" means a corporation or other entity controlling, controlled by or under common control with the Corporation.

(b) "AWARD" means a Stock Appreciation Right, Stock Option, Restricted Stock, Performance Unit or Bonus Award.

(c) "AWARD CYCLE" shall mean a period of consecutive fiscal years or portion thereof designated by the Committee over which Performance Units are to be earned.

(d) "BOARD" means the Board of Directors of the Corporation.

(e) "BONUS AWARD" means an annual bonus award made pursuant to Section 10.

(f) "CAUSE" means, except as otherwise determined by the Committee pursuant to an Award agreement, the willful and continued failure on the part of a participant substantially to perform his employment duties in any material respect, or such other events as shall be determined by the Committee; provided, that "Cause" includes, without limitation: (i) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony offense by a participant; (ii) a material breach by a participant of a fiduciary duty owed to the Corporation or any of its subsidiaries; (iii) a material breach by a participant of any nondisclosure, non-solicitation or non-competition obligation owed to the Corporation or any of its subsidiaries; and (iv) the willful or gross neglect by a participant of his employment duties. The Committee shall have the sole discretion to determine whether "Cause" exists, and its determination shall be final.

(g) "CHANGE IN CONTROL" and "CHANGE IN CONTROL PRICE" have the meanings set forth in Sections 11(b) and (c), respectively.

(h) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(i) "COMMISSION" means the Securities and Exchange Commission or any successor agency.

(j) "COMMITTEE" means the Committee referred to in Section 2.

(k) "COMMON STOCK" means common stock, par value \$.01 per share, of the Corporation.

(l) "CORPORATION" means USA Networks, Inc., a Delaware corporation.

(m) "COVERED EMPLOYEE" means a participant designated prior to the grant of shares of Restricted Stock, Performance Units or Bonus Awards by the Committee who is or may be a "covered employee"

within the meaning of Section 162(m)(3) of the Code in the year in which Restricted Stock or Performance Units are expected to be taxable to such participant.

(n) "DISABILITY" means, except as otherwise determined by the Committee in an Award Agreement, permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

(o) "EARLY RETIREMENT" means retirement from active employment with the Corporation, a subsidiary or Affiliate pursuant to the early retirement provisions of the applicable pension plan of such employer.

(p) "EBITDA" means for any period, the consolidated earnings (losses) of the Corporation before extraordinary items and the cumulative effect of accounting changes, as determined by the Corporation in accordance with GAAP, and before interest (expenses or income), taxes, depreciation, amortization, non-cash gains and losses from sales of assets other than in the ordinary course of business and non-cash expense charged against earnings resulting from the application of accounting for business combinations in accordance with Accounting Principles Board Opinion No. 16 ("APB No. 16").

(q) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(r) "FAIR MARKET VALUE" means, as of any given date, the last reported sales price of the Common Stock in the over-the-counter market, as reported by NASDAQ (or, if the Common Stock is listed on a national securities exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national security exchange on which the Common Stock is listed or admitted to trading) on the last preceding date or, if there are no reported sales on that date, on the last day prior to that date on which there are such reported sales.

(s) "INCENTIVE STOCK OPTION" means any Stock Option designated as, and qualified as, an "incentive stock option" within the meaning of Section 422 of the Code.

(t) "NONQUALIFIED STOCK OPTION" means any Stock Option that is not an Incentive Stock Option.

(u) "NORMAL RETIREMENT" means retirement from active employment with the Corporation, a subsidiary or Affiliate at or after age 65.

(v) "PERFORMANCE GOALS" means the performance goals established by the Committee in connection with the grant of Restricted Stock, Performance Units or Bonus Awards. In the case of Qualified-Performance Based Awards, (i) such goals shall be based on the attainment of one or any combination of the following: specified levels of earnings per share from continuing operations, EBITDA, operating income, revenues, return on operating assets, return on equity, profits, total shareholder return (measured in terms of stock price appreciation and/or dividend growth), and/or stock price, with respect to the Corporation or such subsidiary, division or department of the Corporation for or within which the participant performs services and that are intended to qualify under Section 162(m)(4)(c) of the Code and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations. Such Performance Goals also may be based upon the attaining of specified levels of Corporation performance under one or more of the measures described above relative to the performance of other corporations.

(w) "PERFORMANCE UNITS" means an award made pursuant to Section 8.

(x) "PLAN" means the USA Networks, Inc. 2000 Stock and Annual Incentive Plan, as set forth herein and as hereinafter amended from time to time.

(y) "PLAN YEAR" means the calendar year or, with respect to Bonus Awards, the Corporation's fiscal year if different.

(z) "QUALIFIED PERFORMANCE-BASED AWARD" means an Award designated as such by the Committee at the time of grant, based upon a determination that (i) the recipient is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the year in which the Company would expect to be able to claim a tax deduction with respect to such Awards and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption.

(aa) "RESTRICTED STOCK" means an award granted under Section 7.

(bb) "RETIREMENT" means Normal or Early Retirement.

(cc) "SECTION 162(M) EXEMPTION" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(dd) "STOCK APPRECIATION RIGHT" means a right granted under Section 6.

(ee) "STOCK OPTION" means an option granted under Section 5.

(ff) "TERMINATION OF EMPLOYMENT" means the termination of the participant's employment with the Corporation and any subsidiary or Affiliate. A participant employed by a subsidiary or an Affiliate shall also be deemed to incur a Termination of Employment if the subsidiary or Affiliate ceases to be such a subsidiary or an Affiliate, as the case may be, and the participant does not immediately thereafter become an employee of the Corporation or another subsidiary or Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Corporation and its subsidiaries and Affiliates shall not be considered Terminations of Employment.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

SECTION 2. Administration

The Plan shall be administered by the Compensation/Benefits Committee or such other committee of two or more directors as the Board may from time to time designate (the "COMMITTEE"), which shall be appointed by and serve at the pleasure of the Board.

The Committee shall have plenary authority to grant Awards pursuant to the terms of the Plan to officers and employees of the Corporation and its subsidiaries and Affiliates.

Among other things, the Committee shall have the authority, subject to the terms of the Plan:

(a) To select the officers and employees, to whom Awards may from time to time be granted;

(b) Determine whether and to what extent Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Units and Bonus Awards or any combination thereof are to be granted hereunder;

(c) Determine the number of shares of Common Stock to be covered by each Award granted hereunder;

(d) Determine the terms and conditions of any Award granted hereunder (including, but not limited to, the option price (subject to Section 5(a)), any vesting condition, restriction or limitation (which may be related to the performance of the participant, the Corporation or any subsidiary or Affiliate) and any

vesting acceleration or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine;

(e) Modify, amend or adjust the terms and conditions of any Award, at any time or from time to time, including but not limited to Performance Goals; provided, however, that the Committee may not adjust upwards the amount payable to a designated Covered Employee with respect to a particular award upon the satisfaction of applicable Performance Goals;

(f) Determine to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award shall be deferred; and

(g) Determine under what circumstances an Award may be settled in cash or Common Stock under Sections 5(j), 8(b)(i), 10(b), and 11(a)(iii).

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may (i) delegate to an officer of the Corporation the authority to make decisions pursuant to paragraphs (c), (f), (g), (h) and (i) of Section 5 (provided that without approval by the Board no such delegation may be made that would cause Awards or other transactions under the Plan to cease to be exempt from Section 16(b) of the Exchange Act) and (ii) authorize any one or more of their number or any officer of the Corporation to execute and deliver documents on behalf of the Committee. Any action permitted to be taken by the Committee under the Plan may be taken by the full Board in its discretion, and in such case the Board shall be treated as the Committee hereunder.

Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Corporation and Plan participants.

SECTION 3. Common Stock Subject To Plan

The total number of shares of Common Stock reserved and available for grant under the Plan shall be 20,000,000. No participant may be granted Awards pursuant to the Plan covering in excess of 16,000,000 shares of Common Stock over the life of the Plan. Shares subject to an Award under the Plan may be authorized and unissued shares or may be treasury shares.

If any shares of Restricted Stock are forfeited for which the participant did not receive any benefits of ownership (as such phrase is construed by the Commission or its staff), or if any Stock Option (and related Stock Appreciation Right, if any) terminates without being exercised, or if any Stock Appreciation Right is exercised for cash, shares subject to such Awards shall again be available for distribution in connection with Awards under the Plan.

In the event of any change in corporate capitalization (including, but not limited to, a change in the number of shares of Common Stock outstanding), such as a stock split or a corporate transaction, such as any merger, consolidation, separation, including a Spin-off, or other distribution of stock or property of the Corporation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Corporation, the Committee or Board may make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan and the maximum limitation upon Awards to be granted to any participant, in

the number, kind and option price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number and kind of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion; provided, however, that the number of shares subject to any Award shall always be a whole number. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized to cause the Corporation to issue or assume stock options, whether or not in a transaction to which Section 424(a) of the Code applies, by means of substitution of new stock options for previously issued stock options or an assumption of previously issued stock options. In such event, the aggregate number of shares of the Stock available for issuance under Awards under Section 3 will be increased to reflect such substitution or assumption.

SECTION 4. Eligibility

Persons who serve or agree to serve as officers, employees, directors or consultants of the Corporation (including prospective officers or employees), its subsidiaries and Affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Corporation, its subsidiaries and Affiliates are eligible to be granted Awards under the Plan.

SECTION 5. Stock Options

Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Nonqualified Stock Options. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

The Committee shall have the authority to grant any participant Incentive Stock Options, Nonqualified Stock Options or both types of Stock Options (in each case with or without Stock Appreciation Rights); provided, however, that grants hereunder are subject to the aggregate limit on grants to individual participants set forth in Section 3. Incentive Stock Options may be granted only to employees of the Corporation and its "subsidiaries" and "parent", if any (within the meaning of Section 424(f) of the Code). To the extent that any Stock Option is not designated as an Incentive Stock Option or even if so designated does not qualify as an Incentive Stock Option, it shall constitute a Nonqualified Stock Option.

Stock Options shall be evidenced by option agreements, the terms and provisions of which may differ. An option agreement shall indicate on its face whether it is intended to be an agreement for an Incentive Stock Option or a Nonqualified Stock Option. The grant of a Stock Option shall occur on the date the Committee by resolution selects an individual to be a participant in any grant of a Stock Option, determines the number of shares of Common Stock to be subject to such Stock Option to be granted to such individual and specifies the terms and provisions of the Stock Option. The Corporation shall notify a participant of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Corporation to the participant. Such grant shall become effective upon the date of grant (subject to conditions set forth therein), and the execution of the option agreements(s) may occur following the grant of the Stock Option.

Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Committee shall deem desirable:

(a) **OPTION PRICE.** The option price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee and set forth in the option agreement, and shall not be less than the Fair Market Value of the Common Stock subject to the Stock Option on the date of grant.

(b) **OPTION TERM.** The term of each Stock Option shall be fixed by the Committee, but no Incentive Stock Option shall be exercisable more than 10 years after the date the Incentive Stock Option is granted.

(c) EXERCISABILITY. Except as otherwise provided herein, Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Stock Option.

(d) METHOD OF EXERCISE. Subject to the provisions of this Section 5, Stock Options may be exercised, in whole or in part, at any time during the option term by giving written notice of exercise to the Corporation specifying the number of shares of Common Stock subject to the Stock Option to be purchased.

Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Corporation may accept. If approved by the Committee, payment, in full or in part, may also be made in the form of unrestricted Common Stock already owned by the optionee of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); provided, however, that, in the case of an Incentive Stock Option the right to make a payment in the form of already owned shares of Common Stock of the same class as the Common Stock subject to the Stock Option may be authorized only at the time the Stock Option is granted.

In the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Corporation, together with a copy of irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds from shares of Common Stock owned by the optionee necessary to pay the purchase price, and, if requested, to pay the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Corporation may enter into agreements for coordinated procedures with one or more brokerage firms.

In addition, in the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by instructing the Committee to withhold a number of such shares having a Fair Market Value on the date of exercise equal to the aggregate exercise price of such Stock Option.

No shares of Common Stock shall be issued until full payment therefor has been made. An optionee shall have all of the rights of a shareholder of the Corporation holding the class or series of Common Stock that is subject to such Stock Option (including, if applicable, the right to vote the shares and the right to receive dividends), when the optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 14(a).

(e) NONTRANSFERABILITY OF STOCK OPTIONS. No Stock Option shall be transferable by the optionee other than (i) by will or by the laws of descent and distribution; or (ii) in the case of a Nonqualified Stock Option, pursuant to (a) a qualified domestic relations order (as defined in the Code, or the regulations thereunder), (b) a gift to such optionee's immediate family or other specified individuals or entities, whether directly or indirectly or by means of a trust, partnership, limited liability corporation or otherwise, if expressly permitted under the applicable option agreement or (c) a gift to a charitable organization, if expressly permitted under the applicable option agreement. All Stock Options shall be exercisable, subject to the terms of this Plan, during the optionee's lifetime, only by the optionee or any person to whom the Stock Option is transferred by will or the laws of descent and distribution or, in the case of a Nonqualified Stock Option, pursuant to a qualified domestic relations order or a gift permitted under the applicable option agreement. For purposes of this Section 5(e), "immediate family" shall mean, except as otherwise defined by the Committee, the optionee's spouse, children, siblings, stepchildren, grandchildren, parents, stepparents, grandparents, in-laws and persons related by legal adoption. Such transferees may transfer a Stock Option only by will or the laws of descent and distribution.

(f) TERMINATION BY DEATH. Unless otherwise determined by the Committee (in the option agreement or otherwise), if an optionee's Termination of Employment is by reason of death, any Stock

Option held by such optionee may thereafter be exercised, to the extent then exercisable, or on such accelerated basis as the Committee may determine, for a period of one year (or such other period as the Committee may specify in the option agreement) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) **TERMINATION BY REASON OF DISABILITY.** Unless otherwise determined by the Committee (in the option agreement or otherwise), if an optionee's Termination of Employment is by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination, or on such accelerated basis as the Committee may determine, for a period of 3 years from the date of such Termination of Employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such period, any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of Termination of Employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(h) **TERMINATION BY REASON OF RETIREMENT.** Unless otherwise determined by the Committee (in the option agreement or otherwise), if an optionee's Termination of Employment is by reason of Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement, or on such accelerated basis as the Committee may determine, for a period of 5 years from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such period any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of Termination of Employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(i) **OTHER TERMINATION.** Unless otherwise determined by the Committee (in the option agreement or otherwise): (A) if an optionee incurs a Termination of Employment for Cause, all Stock Options held by such optionee shall thereupon terminate; and (B) if an optionee incurs a Termination of Employment for any reason other than death, Disability, Retirement or Cause, any Stock Option held by such optionee, to the extent then exercisable, or on such accelerated basis as the Committee may determine, may be exercised for the lesser of 3 months from the date of such Termination of Employment or the balance of such Stock Option's term; provided, however, that if the optionee dies within such three-month period, any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such 3-month period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. Notwithstanding the foregoing, unless otherwise determined by the Committee (in the option agreement or otherwise), if an optionee incurs a Termination of Employment at or after a Change in Control (as defined Section 11(b)), other than by reason of death, Disability or Retirement, any Stock Option held by such optionee shall be exercisable for the lesser of (1) 6 months and one day from the date following such Termination of Employment, and (2) the balance of such Stock Option's term. In the event of Termination of Employment, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(j) **CASHING OUT OF STOCK OPTION.** On receipt of written notice of exercise, the Committee may elect to cash out all or part of the portion of the shares of Common Stock for which a Stock Option is being exercised by paying the optionee an amount, in cash or Common Stock, equal to the excess of the Fair

Market Value of the Common Stock over the option price times the number of shares of Common Stock for which the Option is being exercised on the effective date of such cash-out.

(k) CHANGE IN CONTROL CASH-OUT. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Corporation, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Corporation and to receive cash, within 10 days of such notice, in an amount equal to the amount by which the Change in Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section 5(k) shall have been exercised. Notwithstanding the foregoing, if the exercise of any right granted pursuant to this Section 5(k) would make a Change in Control transaction ineligible for pooling of interests accounting under APB No. 16 that but for this Section 5(k) would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute the cash payable pursuant to this Section 5(k) with Common Stock (or shares of common stock of the entity surviving the Change in Control transaction, or its parent corporation, if applicable) with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

SECTION 6. Stock Appreciation Rights

(a) GRANT AND EXERCISE. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Nonqualified Stock Option, such rights may be granted either at or after the time of grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option. A Stock Appreciation Right shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

A Stock Appreciation Right may be exercised by an optionee in accordance with Section 6(b) by surrendering the applicable portion of the related Stock Option in accordance with procedures established by the Committee. Upon such exercise and surrender, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options which have been so surrendered shall no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised.

(b) TERMS AND CONDITIONS. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate are exercisable in accordance with the provisions of Section 5 and this Section 6.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive an amount in cash, shares of Common Stock or both, in value equal to the excess of the Fair Market Value of one share of Common Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(iii) Stock Appreciation Rights shall be transferable only to permitted transferees of the underlying Stock Option in accordance with Section 5(e).

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 on the number of shares of Common Stock to be

issued under the Plan, but only to the extent of the number of shares in respect of which the Stock Appreciation Right has been exercised.

SECTION 7. Restricted Stock

(a) ADMINISTRATION. Shares of Restricted Stock may be awarded either alone or in addition to other Awards granted under the Plan. The Committee shall determine the officers and employees to whom and the time or times at which grants of Restricted Stock will be awarded, the number of shares to be awarded to any participant (subject to the aggregate limit on grants to individual participants set forth in Section 3), the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, in addition to those contained in Section 7(c).

The Committee may, prior to grant, condition the vesting of Restricted Stock upon the attainment of Performance Goals. The Committee may, in addition to or instead of requiring satisfaction of Performance Goals, condition vesting upon the continued service of the participant. The provisions of Restricted Stock Awards (including the applicable Performance Goals) need not be the same with respect to each recipient.

(b) AWARDS AND CERTIFICATES. Shares of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of such participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the USA Networks, Inc. 2000 Stock and Annual Incentive Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of USA Networks, Inc."

The Committee may require that the certificates evidencing such shares be held in custody by the Corporation until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(c) TERMS AND CONDITIONS. Shares of Restricted Stock shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan and the Restricted Stock Agreement referred to in Section 7(c)(vi), during the period, if any, set by the Committee, commencing with the date of such Award for which such participant's continued service is required (the "Restriction Period"), and until the later of (i) the expiration of the Restriction Period and (ii) the date the applicable Performance Goals (if any) are satisfied, the participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock; provided, that the foregoing shall not prevent a participant from pledging Restricted Stock as security for a loan, the sole purpose of which is to provide funds to pay the option price for Stock Options. Within these limits, the Committee may provide for the lapse of restrictions based upon period of service in installments or otherwise and may accelerate or waive, in whole or in part, restrictions based upon period of service or upon performance; provided, however, that in the case of Restricted Stock subject to Performance Goals granted to a participant who is a Covered Employee, the applicable Performance Goals have been satisfied.

(ii) Except as provided in this paragraph (ii) and Section 7(c)(i) and the Restricted Stock Agreement, the participant shall have, with respect to the shares of Restricted Stock, all of the

rights of a stockholder of the Corporation holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends. If so determined by the Committee in the applicable Restricted Stock Agreement and subject to Section 14(e) of the Plan, (1) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be automatically deferred and reinvested in additional Restricted Stock, held subject to the vesting of the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends, (2) dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, held subject to the vesting of the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends and (3) dividends payable in shares of a subsidiary of the Corporation upon a Spin-off transaction shall be held as restricted shares subject to the vesting provisions of the underlying Restricted Stock.

(iii) Except to the extent otherwise provided in the applicable Restricted Stock Agreement and Sections 7(c)(i), 7(c)(iv) and 11(a)(ii), upon a participant's Termination of Employment for any reason during the Restriction Period or before the applicable Performance Goals are satisfied, all shares still subject to restriction shall be forfeited by the participant.

(iv) In the event of a participant's Retirement or a participant's involuntary Termination of Employment (other than for Cause), the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions (other than, in the case of Restricted Stock with respect to which a participant is a Covered Employee, satisfaction of the applicable Performance Goals unless the participant's employment is terminated by reason of death or Disability) with respect to any or all of such participant's shares of Restricted Stock.

(v) If and when any applicable Performance Goals are satisfied and the Restriction Period expires without a prior forfeiture of the Restricted Stock, unlegended certificates for such shares shall be delivered to the participant upon surrender of the legended certificates.

(vi) Each Award shall be confirmed by, and be subject to, the terms of a Restricted Stock Agreement.

SECTION 8. Performance Units

(a) Performance Units may be awarded either alone or in addition to other Awards granted under the Plan. The Committee shall determine the officers and employees to whom and the time or times at which Performance Units shall be awarded, the number of Performance Units to be awarded to any participant (subject to the aggregate limit on grants to individual participants set forth in Section 3), the duration of the Award Cycle and any other terms and conditions of the Award, in addition to those contained in Section 8(b).

The Committee may condition the settlement of Performance Units upon the continued service of the participant, the attainment of Performance Goals, or both. The provisions of such Awards (including the applicable Performance Goals) need not be the same with respect to each recipient.

(b) TERMS AND CONDITIONS. Performance Units Awards shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan and the Performance Units Agreement referred to in Section 8(b)(vi), Performance Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Award Cycle. At the expiration of the Award Cycle, the Committee shall evaluate the Corporation's performance in light of the Performance Goals for such Award to the extent applicable, and shall determine the number of Performance Units granted to the participant which have been earned, and the Committee may then elect to deliver (1) a

number of shares of Common Stock equal to the number of Performance Units determined by the Committee to have been earned, or (2) cash equal to the Fair Market Value of such number of shares of Common Stock to the participant.

(ii) Except to the extent otherwise provided in the applicable Performance Unit Agreement and Sections 8(b)(iii) and 11(a)(iii), upon a participant's Termination of Employment for any reason during the Award Cycle or before any applicable Performance Goals are satisfied, the rights to the shares still covered by the Performance Units Award shall be forfeited by the participant.

(iii) Except to the extent otherwise provided in Section 11(a)(iii), upon a participant's Termination of Employment (other than for Cause), or in the event of a participant's Retirement, the Committee shall have the discretion to waive, in whole or in part, any or all remaining payment limitations (other than, in the case of Performance Units with respect to which a participant is a Covered Employee, satisfaction of any applicable Performance Goals unless the participant's Termination of Employment is by reason of death or Disability) with respect to any or all of such participant's Performance Units.

(iv) A participant may elect to further defer receipt of the Performance Units payable under an Award (or an installment of an Award) for a specified period or until a specified event, subject in each case to the Committee's approval and to such terms as are determined by the Committee (the "Elective Deferral Period"). Subject to any exceptions adopted by the Committee, such election must generally be made prior to commencement of the Award Cycle for the Award (or for such installment of an Award).

(v) If and when any applicable Performance Goals are satisfied and the Elective Deferral Period expires without a prior forfeiture of the Performance Units, payment in accordance with Section 8(b)(i) hereof shall be made to the participant.

(vi) Each Award shall be confirmed by, and be subject to, the terms of a Performance Unit Agreement.

SECTION 9. Tax Offset Bonuses

At the time an Award is made hereunder or at any time thereafter, the Committee may grant to the participant receiving such Award the right to receive a cash payment in an amount specified by the Committee, to be paid at such time or times (if ever) as the Award results in compensation income to the participant, for the purpose of assisting the participant to pay the resulting taxes, all as determined by the Committee and on such other terms and conditions as the Committee shall determine.

SECTION 10. Bonus Awards

(a) Determination of Awards. The Committee shall determine the total amount of Bonus Awards for each Plan Year. Prior to the beginning of the Plan Year (or such later date as may be prescribed by the Internal Revenue Service under Section 162(m) of the Code), the Committee shall establish Performance Goals for Bonus Awards for the Plan Year; provided, that such Performance Goals may be established at a later date for participants who are not Covered Employees. Bonus amounts payable to any individual participant with respect to a Plan Year will be limited to a maximum of \$10 million. To the extent provided by the Committee, a participant may elect to defer receipt of amounts payable under a Bonus Award for a specified period, or until a specified event, subject in each case to the Committee's approval and to such terms as are determined by the Committee.

(b) Payment of Awards. Bonus Awards under the Plan shall be paid in cash or in shares of Common Stock (valued at Fair Market Value as of the date of payment) as determined by the Committee, as soon as practicable following the close of the Plan Year, but in any event within 90 days

following the close of the Plan Year. The Bonus Award for any Plan Year to any participant may be reduced or eliminated by the Committee in its discretion.

(c) Termination of Employment. A participant shall not be entitled to receive payment of a Bonus Award, unless the annual Performance Goals for the Plan Year are satisfied or as otherwise set forth in Section 11, if at any time prior to the end of the Plan Year the participant has a Termination of Employment for any reason other than death or Disability.

SECTION 11. Change In Control Provisions

(a) IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, upon a Change in Control:

(i) Any Stock Options and Stock Appreciation Rights outstanding as of the date of such Change in Control, and which are not then exercisable and vested, shall become immediately fully exercisable and vested.

(ii) The restrictions and deferral limitations applicable to any Restricted Stock shall immediately lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(iii) All Performance Units shall be considered to be immediately earned and payable in full, and any deferral or other restriction shall lapse and such Performance Units shall be settled in cash or shares of Common Stock, as determined by the Committee, as promptly as is practicable.

(iv) To the extent determined by the Committee, Bonus Awards may be paid in whole or in part to participants notwithstanding the attainment of Performance Goals.

(b) DEFINITION OF CHANGE IN CONTROL. For purposes of the Plan, unless otherwise provided in an option agreement or other agreement relating to an Award, a "Change in Control" shall mean the happening of any of the following events:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than Barry Diller, Liberty Media Corporation, Universal Studios, Inc. and their respective Affiliates (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of equity securities of the Corporation representing more than 50% of the voting power of the then outstanding equity securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition by the Corporation, (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation, or (C) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii); or

(ii) Individuals who, as of February 22, 2000, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to February 22, 2000, whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the stockholders of the Corporation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation or the purchase of assets or stock of another entity (a "Business Combination"), in each case, unless immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Corporation Voting Securities immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Voting Securities, (B) no Person (excluding Barry Diller, Liberty Media Corporation, Universal Studios, Inc. and their Affiliates, any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) will beneficially own, directly or indirectly, more than a majority of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership of the Corporation existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the Corporation resulting from such Business Combination will have been members of the Incumbent Board at the time of the initial agreement, or action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(c) CHANGE IN CONTROL PRICE. For purposes of the Plan, "Change in Control Price" means the higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (ii) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of the Common Stock on the date the right set forth in Section 5(k) is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

SECTION 12. Term, Amendment And Termination

The Plan will terminate 10 years after the effective date of the Plan; provided, that the Plan Awards outstanding as of such date shall not be affected or impaired by the termination of the Plan.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair the rights of an optionee under a Stock Option or a recipient of a Stock Appreciation Right, Restricted Stock Award, Performance Unit Award or Bonus Award theretofore granted without the optionee's or recipient's consent. In addition, no such amendment shall be made without the approval of the Corporation's stockholders to the extent such approval is required by law or agreement.

The Committee may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any holder of such Award without the holder's consent.

Subject to the above provisions, the Board shall have authority to amend the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Awards which qualify for beneficial treatment under such rules without stockholder approval.

SECTION 13. Unfunded Status Of Plan

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan.

SECTION 14. General Provisions

(a) The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Corporation in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Corporation shall not be required to issue or deliver any certificate or certificates for shares of Common Stock under the Plan prior to fulfillment of all of the following conditions:

(1) Listing or approval for listing upon notice of issuance, of such shares on NASDAQ or on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Common Stock;

(2) Any registration or other qualification of such shares of the Corporation under any state or federal law or regulation or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and

(3) Obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) Nothing contained in the Plan shall prevent the Corporation or any subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) Adoption of the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Corporation or any subsidiary or Affiliate to terminate the employment of any employee at any time

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for federal income tax purposes with respect to any Award under the Plan, the participant shall pay to the Corporation, or make arrangements satisfactory to the Corporation regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Corporation, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangements, and the Corporation and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment with respect to Restricted Stock shall only be permissible if sufficient shares of Common Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options and other Awards). (f) The Committee shall establish such procedures as it deems appropriate for a participant to designate a beneficiary to whom any amounts payable in the event of the participant's death are to be paid or by whom any rights of the participant, after the participant's death, may be exercised.

(g) In the case of a grant of an Award to any employee of a subsidiary or other Affiliate of the Corporation, the Corporation may, if the Committee so directs, issue or transfer the shares of Common Stock, if any, covered by the Award to the subsidiary or such other Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the subsidiary will transfer the shares of Common Stock to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of the Plan.

(h) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

SECTION 15. Effective Date Of Plan

The Plan shall be effective as of February 22, 2000, the date it was approved by the Board, subject to later approval by the Corporation's stockholders; provided, however, that no Awards may be exercised or paid out prior to receipt of such stockholder approval.

USA NETWORKS, INC.

DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE. The purpose of the USA Networks, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Plan") is to provide non-employee Directors of USA Networks, Inc. (or any successor thereto) (the "Company") with an opportunity to defer certain compensation earned as a Director.

2. EFFECTIVE DATE. The Plan shall become effective upon approval by both the Board of Directors and the stockholders of the Company.

3. ELIGIBILITY. Any Director of the Company who is not an employee of the Company or of any subsidiary or affiliate of the Company is eligible to participate in the Plan.

4. ELECTION TO DEFER COMPENSATION.

a. TIME OF ELIGIBILITY. An election to defer compensation shall be made by a nominee for election as a Director who is not then serving as a Director prior to the time of election to the Board for the relevant elected term and prior to the right to receive any compensation with respect to such term. A Director who has not previously elected to defer receipt of compensation or who has subsequently discontinued such election may elect to defer compensation by giving notice prior to November 1 of each year, but any such election shall only be effective for compensation payable during the calendar year following such notice and thereafter. An election shall continue in effect until the end of the participant's service as a Director or until the end of the calendar year during which the Director gives the Company written notice of the discontinuance of the election, whichever shall occur first. Such a notice of discontinuance shall operate prospectively from the first day of the calendar year following the giving of notice referred to in the preceding sentence, and compensation payable during any subsequent calendar year shall not be deferred (absent any timely future deferral election), but compensation theretofore deferred shall continue to be withheld and shall be paid in accordance with the notice of election pursuant to which it was withheld.

b. AMOUNT OF DEFERRAL. A participant may only elect to defer receipt of all or a specified portion of the annual retainer fee receivable by such Director for service as a Director of the Company, but not any other compensation or expense reimbursement.

c. MANNER OF ELECTING DEFERRAL. A participant shall elect to defer compensation by giving written notice to the Company in the form attached hereto as Exhibit A. Such notice shall include:

(i) the percentage or amount of compensation to be deferred;

(ii) an allocation of the deferral between the "Cash Fund" or "Share Units"; and

(iii) an election of a lump-sum payment or of a number of annual installments (not to exceed five) for the payment of the deferred compensation (plus the amounts credited under Section 5), such lump-sum payment or the first installment payment occurring on the later of January 15 of the year following the year in which service as a Director terminates or six months from the date on which service as a Director terminates.

5. DEFERRED COMPENSATION ACCOUNT. The Company shall establish a deferred compensation account (the "Account") for each participant.

(i) For amounts deferred to the Cash Fund, the Account will be credited as follows:

(a) at the time such amount would otherwise be payable, with the amount of any compensation, receipt of which the participant has elected to defer, and

(b) at the end of each calendar year or initial or terminal portion of a year, with deemed interest, at an annual rate equivalent to the weighted average prime or base lending rate of The Chase Manhattan Bank (or any successor thereto) for the relevant year or portion thereof (the "Interest Equivalents"), upon the average daily balance in the Account during such year or portion thereof.

(ii) For amounts deferred to Share Units, the Account will be credited as follows:

(a) at the time such amount would otherwise be payable, with the amount of any compensation, receipt of which the participant has elected to defer. Such amount shall be converted on such date to a number of Share Units (computed to the nearest 1/1000 of a share) equal to the number of shares of common stock, par value \$.01 per share ("Common Stock"), of the Company which theoretically could have been purchased on such date with such amount, using the last sale price for the Common Stock on such date (or, if such date is not a trading day, on the next preceding trading day) on The Nasdaq Stock Market's National Market System ("Nasdaq"), or, if the Common Stock is not then listed or quoted on Nasdaq, the principal stock exchange on which the Common Stock is then traded;

(b) on each date on which a dividend is paid on the Common Stock, with the number of Share Units (computed to the nearest 1/1000 of a share) which theoretically could have been purchased with the amount of dividends payable on the number of shares equal to the number of Share Units in the participant's Account immediately prior to the payment of such dividend; the number of additional Share Units shall be calculated as in 5(ii) (a) above; and

(c) on the date of any stock split or stock dividend, with the number of Shares Units necessary for an equitable adjustment.

6. VALUE OF DEFERRED COMPENSATION ACCOUNTS. The value of each participant's Account on any date shall consist of (i) in the case of the Cash Fund, the sum of the compensation deferred in accordance with paragraph 4(c) above and the Interest Equivalents credited through such date, and (ii) in the case of the Share Units, the market value of the corresponding number of shares of Common Stock on such date, determined using the last sale price for the Common Stock on such date (or, if such date is not a trading day, on the next preceding trading day) on Nasdaq, or if the Common Stock is not then listed or quoted on Nasdaq, the principal stock exchange on which the Common Stock is then traded. The Account balances shall be credited with Interest Equivalents or additional Share Units for so long as there is an outstanding balance in the Account. As promptly as practicable following the close of each calendar year a statement shall be sent to each participant as to the balance in the participant's Account as of the end of such year.

7. PAYMENT OF DEFERRED COMPENSATION. No payment may be made from a participant's Account except as follows:

a. The balance in a participant's Account in the Cash Fund shall be paid in cash in the manner elected in accordance with the provisions of paragraph 4(c) above. If annual installments are elected, the amount of the first payment shall be a fraction of the balance in the participant's Account as of December 31 of the year preceding such payment, the numerator of which is one and the denominator of which is the total number of installments elected. The amount of each subsequent payment shall be a fraction of the balance in the participant's Account as of December 31 of the year preceding each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid. Each payment pursuant to this paragraph 7(a) shall include Interest Equivalents, but only on the amount being paid, from the preceding December 31 to the date of payment.

b. The balance in a participant's Account in Share Units shall be paid in the number of actual shares of Common Stock equal to the whole number of Share Units in the participant's Account. If annual installments are elected, the whole number of shares of Common Stock in the first payment shall be a fraction of the number of Share Units in the participant's Account as of December 31 of the year preceding such payment, the numerator of which is one and the denominator of which is the total number of installments elected. The whole number of shares of Common Stock in each subsequent payment shall be a fraction of the Share Units in the participant's Account as of December 31 of the year preceding each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid.

c. Notwithstanding the election of the participant pursuant to paragraph 4(c), in the event of a participant's death or termination of service due to conflict of interest, illness or disability, the balance in the participant's Account (in the case of the Cash Fund including Interest Equivalents in relation to the elapsed portion of the year of death or termination of service) shall be determined as of the date of death or termination of service due to conflict of interest, illness or disability, and such balance shall be paid in a single payment in cash in the case of the Cash Fund or in actual shares of Common Stock in the case of Share Units to the participant or the participant's estate, as the case may be, as soon as reasonably possible thereafter.

d. In the event of any change in corporate capitalization (including, but not limited to, a change in the number of shares of Company common stock outstanding), as a result of a stock split, reverse stock split, stock dividend, combination or reclassification of Common Stock, or an extraordinary corporate transaction, including, without limitation, any merger, consolidation, separation, spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial liquidation of the Company, the Board of Directors of the Company may make such equitable substitution or adjustments in the aggregate number of Share Units in a participant's Account, in the form or type of property represented by such Share Units and in the number and kind of shares reserved for issuance as the Board deems appropriate. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board of Directors of the Company shall be authorized to cause the Company to pay to a Participant the value of such Participant's Account (whether or not represented by Share Units) at such time in the form of a cash payment; provided, however that in the event of a merger of the Company with or into another corporation or upon the sale of all or substantially all of the property of the Company to another corporation or person, the Board of Directors of the Company may elect, in lieu of causing the Company to make a cash payment in respect of any Share Units previously credited to a Participant's Account, to have the successor corporation assume the Company's obligations hereunder and substitute an appropriate number of shares of stock and Share Units of such successor entity.

8. PARTICIPANT'S RIGHTS UNSECURED. The right of a participant to receive any unpaid portion of the participant's Account, whether the Cash Fund or Share Units, shall be an unsecured claim against the general assets of the Company.

9. NONASSIGNABILITY. The right of a participant to receive any unpaid portion of the participant's Account shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or anticipation.

10. ADMINISTRATION. This Plan shall be administered by the Secretary of the Company, who shall have the authority to adopt rules and regulations for carrying out the Plan and to interpret, construe and implement the provisions thereof.

11. STOCK SUBJECT TO PLAN. The total number of Share Units that may be credited to the Accounts of all eligible Directors, and the total number of shares of Common Stock reserved and available for issuance, under the Plan shall be 100,000.

12. CONDITIONS UPON ISSUANCE OF COMMON STOCK. Shares of Common Stock shall not be issued pursuant to the Plan unless the issuance and delivery of such shares pursuant hereto shall comply with all

relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares of Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

13. AMENDMENT AND TERMINATION. This Plan may be amended, modified or terminated at any time by the Board of Directors of the Company; provided, however, that no such amendment, modification or termination shall, without the consent of a participant, adversely affect such participant's rights with respect to amounts theretofore accrued to the participant's Account.

ELECTION

TO THE SECRETARY OF USA NETWORKS, INC. (the "Company"):

Pursuant to paragraph 4 of the USA Networks, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Plan"), the undersigned hereby elects to defer ___% of all future payments with respect to the annual retainer fee for service on the Board of Directors of the Company in accordance with the terms of the Plan. Of such amount ___% shall be deferred to the Cash Fund and ___% shall be deferred to Share Units.

Except as otherwise provided by the Plan, the compensation deferred is to be paid to me in the following manner (check and complete one):

- ___ single lump-sum payment in cash or Company common stock, as the case may be, to be paid on the later of January 15 of the year following the year in which my service terminates or six months from the termination of my service; or
- ___ installment payments in _____ (insert number up to five) annual installments, the first annual installment to be paid on the later of January 15 of the year following the year in which my service terminates or six months from the termination of my service, and the subsequent annual installment payments to begin on January 15 of the year following the year in which my first payment was made.

It is understood that this election must be submitted to the Secretary of the Company

- by November 1 for continuing directors to begin deferrals for payments otherwise to be received beginning in the next calendar year, or
- prior to beginning service on the Board for new directors.

The undersigned hereby acknowledges that this election is subject to the terms of the Plan.

(Signature of Director)

Date: _____, 19__ -----
(Printed or typed name of Director)

Received on the ___ day of _____, 19__ on behalf of USA Networks, Inc.

Secretary

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement"), dated as of June 21, 2000, is entered into by and between USA Networks, Inc., a Delaware corporation (the "Company"), and Barry Baker (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a director and the President and Chief Operating Officer of the Company and was recruited by the Company to serve in those capacities principally for purposes of managing the Company's disparate business units and bringing such business units together into a more unified, cohesive and focused organization;

WHEREAS, the Executive has accomplished the principal purposes of his employment by the Company and in so doing has made major contributions to its profitability, growth and financial strength;

WHEREAS, the Company and the Executive have come to share a common view that, in light of the Executive's accomplishment of his principal objectives, the Company no longer needs the full-time services and attention of a Chief Operating Officer, and that the Executive's management skills and talent would be underdeployed were he to continue in that role with the Company;

WHEREAS, the Company and the Executive have mutually agreed that the Executive's service as an employee, director and officer of the Company and/or its subsidiaries should cease effective as of June 21, 2000 (the "Effective Date"), but that the Executive should continue to provide certain consulting services to the Company after the Effective Date, on the terms and subject to the conditions hereinafter specified;

WHEREAS, the Company and the Executive entered into an Employment Agreement dated February 19, 1999 (the "Employment Agreement"), which provides for certain compensation and benefits to the Executive and for certain rights upon the termination of the Executive's employment with the Company; and

WHEREAS, the Company and the Executive have mutually agreed upon modifications to such compensation, benefits and rights, and are entering into this Agreement for purposes of specifying and clarifying such matters and for purposes of terminating the Employment Agreement, except to the extent otherwise specified herein;

NOW, THEREFORE, the Company and the Executive agree as follows:

1. RESIGNATION.

(a) Effective as of the close of business, New York City time, on the Effective Date, the Executive hereby resigns as a director and as an officer and employee of the Company, and from any director, officer or similar positions he may hold with any subsidiary or affiliate of the Company (including, without limitation, Ticketmaster Online-City Search, Inc.). The Executive shall

execute and deliver to the Company any and all additional documentation necessary to effectuate such resignations.

(b) On the Effective Date, the Company shall pay the Executive that portion of his Base Salary (calculated at the rate of \$750,000 per year) which is accrued and unpaid with respect to the period June 1, 2000 through and including the Effective Date.

(c) From and after the Effective Date, the Company shall reimburse the Executive for all reasonable and necessary business expenses incurred by him through the close of business on the Effective Date in performing his duties and responsibilities for the Company, subject to the Executive's submission of reasonable supporting documentation for such expenses. For purposes of this Section 1(c) the term "reasonable and necessary business expenses" shall specifically include, without limitation, business expenses incurred by the Executive consistent with his past practices.

2. CONSULTING ARRANGEMENTS.

(a) During the Consulting Term (as such term is hereinafter defined), the Executive shall serve in an advisory capacity to the Chairman and Chief Executive Officer of the Company for the purpose of providing such strategic consulting services as may be mutually agreed upon by the Executive and the Company's Chairman and Chief Executive Officer, including, without limitation, the making of strategic recommendations regarding the Company's business and operations and such other matters as are within the Executive's expertise. Such consulting services shall be performed at such place or places as shall be mutually agreed upon by the Executive and the Company and shall be, at the Company's discretion, for at least 20 hours per month. The Executive shall perform such consulting services at such time or times as may be convenient for the Executive and otherwise as mutually agreed upon by the Executive and the Company; provided, however, that the Executive shall not be required to provide any such services during the period from July 27, 2000 through and including August 31, 2000. For purposes of this Agreement, the "Consulting Term" shall be the period from June 22, 2000, through and including February 19, 2004.

(b) As compensation for and in consideration of the consulting services to be performed hereunder, the Company shall pay the Executive a fee of \$174,370.00 per month ("Monthly Consulting Fees"), with the first payment to be due upon the execution hereof, and a like payment to be due during the first week of each month thereafter during the remaining Consulting Term; provided, however, that the Monthly Consulting Fee due with respect to the month of June 2000, but only that month, shall be \$136,326.00. Notwithstanding the immediately preceding sentence, at any time during the Consulting Term the Executive shall have the right and option (the "Early Termination Option"), exercisable only after the occurrence of a Triggering Event (as such term is hereinafter defined), to terminate in its entirety his obligation to provide consulting services hereunder and to receive a lump sum cash payment from the Company (the "Final Payment") equal to the remaining Monthly Consulting Fees then due hereunder, discounted from the dates such Monthly Consulting Fees would otherwise have been paid had the Executive not exercised the Early Termination Option at a discount rate of 5.0% per annum. The Executive shall exercise the Early Termination Option by providing written notice of same to the Company, which notice shall include confirmation that a Triggering Event has in fact occurred. The Company shall disburse the Final Payment to the Executive not later than 10 days after receipt of such notice and shall supply

the Executive with reasonable supporting detail regarding the calculation of the Final Payment. Notwithstanding anything to the contrary in this Agreement or any other document, the Executive's ability to make the Early Termination Option following the occurrence of a Triggering Event is expressly intended by the Company and the Executive to be an absolute and unconditional right, and, once exercised, to give rise to an absolute and unconditional payment obligation on the part of the Company, regardless of any breach or alleged breach of this Agreement by the Executive and subject to no defenses, counterclaims, offsets or the like in favor of the Company; provided, however, that this sentence shall not be applicable to any defenses, counterclaims, offsets or the like arising out of any conduct by the Executive prior to the Effective Date which would have given the Company grounds to terminate his employment for "Cause" (as such term is defined in Section 4(c) of the Employment Agreement) had such conduct been known by the Company. As used herein, a "Triggering Event" shall be deemed to have occurred at such time as (i) the Executive shall have accepted either employment or a consulting engagement with a substantial business enterprise that was theretofore unaffiliated with the Executive (the "New Company"), and (ii) the New Company requests in writing that the Executive discontinue the provision of consulting services under this Agreement. The Company's obligation to pay Monthly Consulting Fees under this Section 2(b) shall not terminate upon the death or disability of the Executive.

(c) The Executive shall be reimbursed for all reasonable expenses which are incurred in connection with the Executive's rendering of consulting services under this Agreement, subject to the submission of reasonable supporting documentation for such expenses.

(d) During the Consulting Term, the Executive shall continue to have full rights to participate in the "VIP Program" of the Company's travel agency as if the Executive were continuing as the Chief Operating Officer of the Company throughout the Consulting Term. Such participation shall extend to any and all travel arrangements that the Executive may book during the Consulting Term, regardless of whether such arrangements are related to the Executive's provision of consulting services under this Agreement.

(e) The Company and the Executive acknowledge and agree that the Company shall not exercise general supervision or control over the time, place or manner in which the Executive provides consulting services hereunder, and that in performing consulting services pursuant to this Agreement the Executive shall be acting and shall act at all times as an independent contractor only and not as an employee, agent, partner or joint venturer of or with the Company and that no such relationship shall arise or subsist between the Executive and the Company during the Consulting Term, including any extension or renewal thereof.

3. PRESS RELEASE. The Company and the Executive shall cooperate with one another in good faith to develop a mutually acceptable press release announcing the Executive's change in status relative to the Company. The parties acknowledge and agree that the general tone and content of such press release shall be consistent with the first four recital paragraphs of this Agreement.

4. STOCK OPTIONS, RESTRICTED STOCK AND STOCK ACQUIRED THROUGH DEFERRED COMPENSATION.

(a) The Company acknowledges and agrees that each of the options to purchase shares of the Company's common stock, par value \$.01 per share ("Common Stock"), previously

granted to the Executive on February 8, 1999 (currently representing the right to purchase an aggregate of 2,400,000 shares of Common Stock and herein called the "Options") shall be, and hereby are, immediately and fully vested and shall remain exercisable by the Executive (or any past or future permitted assignee) until February 19, 2004. In all respects, the Options shall continue to be governed by the terms and conditions of the applicable stock option plan and/or agreement (including, without limitation, the exercise price and the right to transfer the Options to certain permitted assignees). The Options (and the shares of Common Stock underlying same) have been duly registered under a registration statement filed under the Securities Act of 1933, as amended (the "1933 Act").

(b) The Company acknowledges and agrees that all 280,000 shares (the "Restricted Shares") of Common Stock previously granted to the Executive pursuant to the Company's 1999 Bonus Stock Purchase Program (the "Restricted Share Program"), shall be immediately and fully vested effective as of June 26, 2000, and all restrictions thereon shall lapse effective as of June 26, 2000. The Restricted Shares have been duly registered under the 1933 Act.

(c) The Company shall honor the Executive's previous deferral of \$245,000 of his 1999 bonus under the Company's 1999 Bonus Stock Purchase Program and shall promptly issue (or cause its transfer agent to issue) an appropriate number of shares of Common Stock in accordance with the terms and conditions of such Program (including, without limitation, the 20% discount on the purchase price of such shares). Such shares have been duly registered under the 1933 Act.

(d) The Executive agrees with respect to the shares of Common Stock acquired by him under the Options, the Restricted Share Program and the 1999 Bonus Stock Purchase Program not to sell, on any single trading day, more than that number of shares of Common Stock which shall be equal to 20% of the average daily trading volume of the Common Stock on the NASDAQ Stock Market over the 10 trading days immediately preceding the date of any proposed sale of such shares of Common Stock by the Executive, without first obtaining the Company's prior written consent.

5. CONTINUATION OF BENEFITS. During the period from June 22, 2000 through and including February 19, 2004, the Company shall maintain, at its expense (provided that the Executive continues to make all required employee contributions consistent with past practice), all insurance coverages (including, without limitation, life insurance coverage equal to \$11,000,000, which life insurance coverage shall be without any cost to the Executive; provided, however, that the Executive shall be entitled to designate the beneficiary or beneficiaries of such life insurance only with respect to 50% of the proceeds of such life insurance, with the Company entitled to the balance of such proceeds) and medical and health benefits in respect of the Executive and his family that were in effect immediately prior to the Effective Date.

6. COMPUTERS AND RELATED EQUIPMENT. The Company hereby transfers and assigns to the Executive all right, title and interest of the Company in and to all cellular telephones, personal computers, printers, fax machines and similar items (together with all off-the-shelf software residing therein) heretofore provided by the Company to the Executive for use in any of the Executive's personal residences or automobiles. For a reasonable period after the Effective Date (not to exceed 90 days), the Company will make available to the Executive the services of members of the Company's information services or information technology staff in order that they may assist the Executive in

migrating the aforementioned computers (and any related peripheral equipment) off of the Company's network and related systems, and in connection with any tasks that may be necessary to enable such computers (and related peripheral equipment) to function and operate properly on a standalone basis.

7. OFFICE SPACE AND CLERICAL ASSISTANCE.

(a) During a reasonable period of time from and after the Effective Date, the exact length of which shall be agreed upon by the Executive and the Chairman and Chief Executive Officer of the Company (the "Office Period"), the Company shall continue to provide the Executive with office space, office furnishings and related office support (e.g., telephone, personal computer, network connectivity, fax machine, mail service, etc.) in the Company's offices on the forty-third floor of 152 West 57th Street in New York City, such office space, furnishings and support to remain unchanged from that provided to the Executive immediately prior to the Effective Date for a period of 30 days after the Effective Date, and thereafter such office space, furnishings and support to be appropriate in view of the Executive's reduced role at the Company. Notwithstanding the foregoing sentence, the Company may at any time, upon not less than 30 days prior written notice to the Executive, terminate the Office Period and the Company's obligation to provide office space, office furnishings and related office support to the Executive.

(b) During the Office Period, the Company shall continue to provide the Executive with a level of administrative and clerical support which is reasonably comparable to that enjoyed by the Executive immediately prior to the Effective Date, including, without limitation, the same number of administrative and clerical personnel.

8. WITHHOLDING OF TAXES. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling; provided, however, that the consulting fees (including, without limitation, any Final Payment) paid to the Executive under Section 2 hereof shall not be subject to any such withholding. The payments (or issuances of shares of Common Stock) under Sections 4(b) and (c) hereof will be made net of applicable withholding taxes unless the Executive has made other arrangements, reasonably satisfactory to the Company, to provide for such withholding.

9. SUCCESSORS AND BINDING AGREEMENT.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive and the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 9(a) and 9(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 9(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

10. NOTICES. For all purposes of this Agreement (except as otherwise expressly provided in this Agreement with respect to notice periods), all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or ten business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or five business days after having been sent by a nationally recognized overnight courier service such as Federal Express, UPS, or Purolator, to the parties in accordance with the following:

If to the Company: USA Networks, Inc.
152 West 57th Street
New York, New York 10019
Attention: Office of the Chairman

If to the Executive: Barry Baker
28 Merry Hill Court
Baltimore, Maryland 21208

with a copy to:

Andrew M. Baker, Esq.
Baker Botts, L.L.P.
2001 Ross Avenue
Dallas, Texas 75201

or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of New York, without giving effect to the principles of conflict of laws of such State.

12. VALIDITY. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

13. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and such writing is signed by the Executive and the Company. Failure to insist upon strict compliance with any of the terms, covenants or conditions in this Agreement shall not be deemed a waiver of such term, covenant or condition. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

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

15. TERMINATION OF EMPLOYMENT AGREEMENT. The Employment Agreement between the Executive and the Company, dated February 19, 1999, as amended to the date hereof, shall terminate automatically upon the execution and delivery of this Agreement by the parties hereto and shall thereafter be of no further force or effect; provided, however, that:

(a) the provisions set forth in Section 4(e) of the Employment Agreement shall survive until February 19, 2004; provided, however, that (i) the reference in the first sentence of such Section 4(e) to "any payment provided to Executive pursuant to Section 4 hereof" shall be deemed amended to mean compensation paid under Sections 4(a), (b) and (c) of this Agreement, and (ii) the reference in the penultimate sentence of such Section 4(e) to "cash compensation paid pursuant to this Section 4" shall be deemed amended to mean cash amounts paid pursuant to this Agreement;

(b) the provisions set forth in Section 5(a) of the Employment Agreement shall survive in accordance with their terms;

(c) the provisions set forth in Section 5(b) of the Employment Agreement shall survive in accordance with their terms;

(d) the provisions set forth in Section 14 of the Employment Agreement shall survive until the applicable statutes of limitation with respect to any claims or causes of action that could give rise to a claim by the Executive for indemnification under said Section 14 shall have expired; and

(e) any related definitions of terms shall survive as necessary to give effect to the foregoing.

If it is determined by a court of competent jurisdiction in any state that any restriction in or referred to in this Section 15 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 such court to render it enforceable to the maximum extent permitted by the law of that state. Except as otherwise specified in this Section 15, this Agreement supersedes all prior agreements, arrangements and understandings with respect to the subject matter hereof, and the Executive shall not be entitled to

any additional benefits from the Company, except to the extent otherwise provided by applicable law or the specific terms of the Company's benefit plans for similarly situated employees.

16. INFORMATION REQUESTS; COOPERATION. For a period of two years after the Effective Date, the Executive agrees to make himself reasonably available to the Company to respond to requests by the Company's executive officers for information concerning matters involving facts or events relating to the Company that arose during the period of the Executive's employment with the Company and that may be within the Executive's knowledge, and to assist the Company as reasonably requested with respect to pending and future litigation, arbitrations or other dispute resolutions concerning matters involving facts or events relating to the Company that arose during the period of the Executive's employment with the Company.

[Remainder of page intentionally left blank - signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

USA NETWORKS, INC.

By: _____
Name: _____
Title: _____

Barry Baker

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Julius Genachowski ("Employee") and USA Networks, Inc., a Delaware corporation (the "Company"), and is effective August 9, 2000 (the "Effective Date").

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

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

1A. EMPLOYMENT. The Company agrees to employ Executive as Senior Vice President, General Counsel and Secretary, 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 Executive's position and shall render such services on the terms set forth herein. Executive shall have supervision and day-to-day authority over the legal affairs of the Company and such other business and legal affairs as the parties may mutually agree. During Executive's employment with the Company, Executive shall report directly to the Vice Chairman and/or, from time to time, the senior executive officer who has responsibility for corporate staff functions (hereinafter referred to as the "Reporting Officer"). Executive shall have such powers and duties with respect to the Company as may reasonably be assigned to Executive by the Board or Reporting Officer, to the extent consistent with Executive's 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 Executive's 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 located in New York City.

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

3A. COMPENSATION.

(a) BASE SALARY. During the Term, the Company shall pay Executive an annual base salary of \$400,000 (the "Base Salary"), payable in equal biweekly installments or in accordance with the Company's payroll practice as in effect from time to time.

(b) DISCRETIONARY BONUS. During the Term, Executive shall be eligible to receive discretionary annual bonuses.

(c) STOCK OPTIONS. In consideration of Executive's entering into this Agreement, Executive shall be granted under USA Networks, Inc.'s 1997 Stock and Annual Incentive Plan (the "Plan") a non-qualified stock option (the "Options") to purchase 200,000 shares of USA Networks, Inc. ("USAi") common stock, par value \$.01 per share (the "Common Stock"), subject to the approval of the Compensation Committee of the Board of Directors of USAi. The date of grant of the Option shall be the date on which the grant is approved by such Compensation Committee. The exercise price of the Option shall equal the last reported sales price of the Common Stock in the over-the-counter market (or such other market on which the Common stock is then traded) on the date preceding the date of grant. Such Option shall vest and become exercisable in four equal installments on each of the first, second, third and fourth anniversaries of the Effective Date, provided that the Option shall become 100% vested and exercisable upon a Change in Control (as such term is defined in the Plan). The Option shall expire upon the earlier to occur of (i) ten years from the date of grant (the "Option Term") or (ii) except as otherwise provided in the Option award agreement, 90 days following the termination of Executive's employment with the Company for any reason. Other than acceleration of the Option following a Change in Control, the Option shall not otherwise 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.

(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 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 similarly situated Executives of the Company. Without limiting the generality of the foregoing, Executive shall be entitled to the following benefits:

(i) REIMBURSEMENT FOR BUSINESS EXPENSES. During the Term, the Company shall reimburse Executive for all reasonable and necessary expenses incurred by Executive in performing his duties for the Company, on the same basis as similarly situated Executives and in accordance with the Company's policies as in effect from time to time.

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

(iii) APARTMENT. Throughout the period of the Executive's employment with the Company during the Term, the Company shall reimburse Executive for an apartment in New York City for Executive's use at a rental rate not to exceed \$50,000 annually. The Company shall pay the Executive such additional amounts as shall be necessary to make the Executive whole on a net after-tax basis for all Taxes (as defined herein) required to be paid by the Executive with respect to all taxable income he receives pursuant to the provisions of this Section 3A(d)(iii). The term "Taxes" means all federal, state and local income, employment and capital gains taxes.

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

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

If to Executive: [EXECUTIVE'S ADDRESS]']

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

5A. GOVERNING LAW; JURISDICTION. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of New York without reference to the principles of conflicts of laws. Any and all disputes between the parties which may arise pursuant to this Agreement will be heard and determined before an appropriate federal court in New York, or, if not maintainable therein, then in an appropriate New York state court. The parties acknowledge that such courts have jurisdiction to interpret and enforce the provisions of this Agreement, and the parties consent to, and waive any and all objections that they may have as to, personal jurisdiction and/or venue in such courts.

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

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer and Executive has executed and delivered this Agreement on August 9, 2000.

USA NETWORKS, INC.

By: Victor A. Kaufman
Title: Vice Chairman

Julius Genachowski

STANDARD TERMS AND CONDITIONS

1. TERMINATION OF EXECUTIVE'S EMPLOYMENT.

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

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

(c) TERMINATION FOR CAUSE. The Company may terminate 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 or nolo contendere 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 Executive in Section 2 hereof; or (iv) the willful or gross neglect by Executive of the material duties required by this Agreement. In the event of Executive's termination for Cause, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in paragraph 1(f) below).

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE. If Executive's employment is terminated by the Company for any reason other than Executive's death or Disability or for Cause, then (i) the Company shall pay Executive the Base Salary through the end of the Term over the course of the then remaining Term; and (ii) 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 paragraph 1(f) below).

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

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

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

(a) CONFIDENTIALITY. Executive acknowledges that while employed by the Company Executive will occupy a position of trust and confidence. Executive shall not, except as may be required to perform Executive's 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 subsidiaries or affiliates. "Confidential Information" shall mean information about the Company or any of its subsidiaries or affiliates, and their clients and customers that is not disclosed by the Company or any of its subsidiaries or affiliates for financial reporting purposes and that was learned by Executive in the course of employment by the Company or any of its subsidiaries or affiliates, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Executive acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its subsidiaries or affiliates, and that such information gives the Company and its subsidiaries or affiliates a competitive advantage. Executive agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of Executive's employment or as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company and its subsidiaries or affiliates or prepared by Executive in the course of Executive's employment by the Company and its subsidiaries or affiliates. As used in this Agreement, "subsidiaries" and "affiliates" shall mean any company controlled by, controlling or under common control with the Company.

(b) 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 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.

(c) 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.

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

(e) SURVIVAL OF PROVISIONS. The obligations contained in this Section 2 shall, to the extent provided in this Section 2, survive the termination or expiration of 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 2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

3. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and

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

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

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

6. HEADING REFERENCES. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. References to "this Agreement" or the use of the term "hereof" shall refer to these Standard Terms and Conditions and the Employment Agreement attached hereto, taken as a whole.

7. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto. Notwithstanding anything to the contrary herein, neither the assignment of Executive to a different Reporting Officer due to a reorganization or an internal restructuring of the Company or its affiliated companies nor a change in the title of the Reporting Officer shall constitute a modification or a breach of this Agreement.

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

9. INDEMNIFICATION. The Company shall indemnify and hold Executive harmless for acts and omissions in Executive's capacity as an officer, director or Executive of the Company to

the maximum extent permitted under applicable law; PROVIDED, HOWEVER, that neither the Company, nor any of its subsidiaries or affiliates shall indemnify Executive for any losses incurred by Executive as a result of acts described in Section 1(c) of this Agreement.

ACKNOWLEDGED AND AGREED:

Date:

USA NETWORKS, INC.

By: Victor A. Kaufman
Title: Vice Chairman

Julius Genachowski

6-MOS

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JAN-01-2000	
JUN-30-2000	
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