

USA INTERACTIVE  
Form S-4  
December 23, 2002

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As Filed with the Securities and Exchange Commission on December 23, 2002

Registration No. 333-{ }

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## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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### FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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## USA INTERACTIVE

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**4833**  
(Primary Standard Industrial  
Classification Code Number)  
**152 West 57th Street**  
**New York, New York 10019**  
**(212) 314-7300**

**59-2712887**  
(I.R.S. Employer Identification  
Number)

(Address, including Zip Code, and Telephone Number, including Area Code, of  
Registrant's Principal Executive Offices)

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**David Ellen**  
**Deputy General Counsel**  
**USA Interactive**  
**152 West 57th Street**  
**New York, New York 10019**  
**(212) 314-7300**

(Name, Address, including Zip Code, and Telephone Number,  
including Area Code, of Agent For Service)

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**Copy to:**

**Karen E. Bertero**  
**Gibson, Dunn & Crutcher LLP**  
**333 S. Grand Avenue**  
**Los Angeles, California 90071**  
**(213) 229-7520**

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Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed prospectus.

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If the securities registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Securities Act"), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

### Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$0.01 per share	(1)	N/A	\$184,507,500(2)	\$16,974.69(3)

- (1) The number of shares of Common Stock to be registered has been omitted pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (2) The registration fee has been calculated pursuant to Rule 457(o) on the basis of the maximum aggregate offering price of all securities to be offered in connection with the acquisition of Entertainment Publications, Inc.
- (3) Reflects the product of (a) 0.000092 multiplied by (b) the Proposed Maximum Aggregate Offering Price for shares of USA common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

**Subject to Completion, dated December 23, 2002**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.**

The executive committee of the board of directors of USA Interactive has approved a merger agreement that would result in Entertainment Publications, Inc. becoming a subsidiary of USA Interactive. In the merger, each outstanding share of Entertainment Publications common stock and options for common stock would be converted into the right to receive a combination of cash and shares of USA common stock. USA expects to issue approximately 6.6 million shares of USA common stock at the closing of the merger. This prospectus relates to the shares that USA may issue to the current shareholders and optionholders of Entertainment Publications pursuant to the merger.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

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Please see "Risk Factors" beginning on page 13 for a discussion of matters relating to an investment in USA common stock.

USA common stock is listed on the Nasdaq National Market under the symbol "USAI." The closing price of USA common stock on the Nasdaq National Market on { }, 2002, the date immediately prior to the date of this prospectus was \$ .

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the USA common stock to be issued in the merger or determined if the information contained in this document is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this prospectus is { }, 2002.

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**IMPORTANT**

This document constitutes a prospectus of USA for the shares of USA common stock that USA will issue to Entertainment Publications' shareholders and optionholders in the merger. As permitted under the rules of the U.S. Securities and Exchange Commission, or the SEC, this prospectus incorporates important business and financial information about USA and its affiliates that is contained in documents filed with the SEC and that is not included in or delivered with this prospectus. Copies of these documents may be obtained, without charge, from the website maintained by the SEC at [www.sec.gov](http://www.sec.gov), as well as other sources. See "Where You Can Find More Information" beginning on page 57. You may also obtain copies of these documents, without charge, from USA by writing or calling:

USA Interactive  
152 West 57th Street  
New York, New York 10019  
(212) 314-7300  
Attention: Corporate Secretary

**In order to obtain delivery of these documents prior to completion of the merger, you should request such documents no later than { }, 2002.**

Except as otherwise specifically noted, references to "us," "we" or "our" refer to USA Interactive.

In "Questions and Answers About the Merger" below and in the "Summary" beginning on page 4, we highlight selected information from this prospectus but we have not included all of the information that may be important to you. To better understand the merger agreement and the merger, and for a complete description of their legal terms, you should carefully read this entire prospectus, including the appendix, as well as the documents that we have incorporated by reference into this document. See "Where You Can Find More Information" beginning on page 57.

Information regarding Entertainment Publications has been provided by Entertainment Publications for inclusion in this prospectus.

**NOTE ON COPYRIGHTS AND TRADEMARKS**

Expedia and Expedia.com, among others, are copyrights and trademarks of Expedia, Inc. Hotels.com, among others, is a copyright and trademark of Hotels.com. Styleclick and Styleclick.com, among others, are copyrights and trademarks of Styleclick, Inc. Sally Foster and Entertainment, among others, are copyrights and trademarks of Entertainment Publications, Inc.

**Q: What is the proposed transaction?**

A: USA is proposing to acquire all of the outstanding shares of Entertainment Publications common stock. The acquisition will be effected by the merger of a wholly owned subsidiary of USA with and into Entertainment Publications, with Entertainment Publications surviving as a subsidiary of USA. We sometimes refer to Entertainment Publications following completion of the merger as the surviving corporation.

**Q: How many shares of USA common stock will be issued in the merger?**

A: The total consideration to be paid by USA in the merger for all outstanding shares of Entertainment Publications common stock and options for shares of Entertainment Publications common stock is approximately \$370 million, subject to adjustment as described in this prospectus. USA may issue USA common stock valued at up to \$184,507,500 in the merger; and the balance of the consideration will be paid in cash. The exact number of shares to be issued by USA will not be finally determined until the day prior to the consummation of the merger. Alternatively, USA may elect to pay all or a portion of the \$184,507,500 otherwise payable in USA common stock in cash instead of shares of USA common stock. USA will not issue fractional shares of USA common stock. Any Entertainment Publications shareholder or optionholder entitled to receive a fractional share of USA common stock will receive a cash payment instead of a fractional share.

**Q: Is my vote needed to approve the merger?**

A: No vote of the stockholders of USA is required. A majority of the shareholders of Entertainment Publications will be required to approve the merger. USA has entered into a voting agreement with shareholders of Entertainment Publications who hold, in the aggregate, approximately 78.3% of the outstanding shares of Entertainment Publications common stock as of December 1, 2002. Pursuant to the voting agreement, these shareholders have agreed to vote their shares in favor of the merger at the shareholders meeting to be called by Entertainment Publications to approve the merger, among other things. We refer to these shareholders as the Company Principal Shareholders in this prospectus. Materials related to the vote of the shareholders of Entertainment Publications will be sent to the shareholders of Entertainment Publications by Entertainment Publications. The directors and executive officers of Entertainment Publications, including their affiliates, hold 810,360 shares or 4.9% of the outstanding Entertainment Publications common stock.

**Q: Will I have appraisal rights in connection with the merger?**

A: No.

**Q: Will I be able to freely resell the shares of USA common stock I receive in the merger?**

A: Shares of USA common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for shares of USA common stock issued to any Entertainment Publications shareholder that is, or is expected to be, an "affiliate" of USA or Entertainment Publications for purposes of Rule 145 under the Securities Act. See "The Merger Resale of USA Common Stock."

**Q: Will I be taxed on the cash and/or USA common stock that I receive?**

A: The exchange of shares of Entertainment Publications common stock by Entertainment Publications shareholders for cash and shares of USA common stock in the merger will be treated for United States federal income tax purposes as a taxable sale of the Entertainment Publications shares, in which an Entertainment Publications shareholder generally will recognize gain or loss equal to the difference between (i) the amount of cash and the value of the USA common stock

received and (ii) the shareholder's basis in the Entertainment Publications shares surrendered. We recommend that you carefully read the complete explanation of the material federal income tax consequences of the merger beginning on page 19, and that you consult your tax advisor for a full understanding of the tax consequences of the merger to you.

**Q:**  
**What do I need to do now?**

**A:**  
Nothing, other than carefully reading the information contained in this document. After the merger is completed, you will receive written instructions and a letter of transmittal for exchanging your shares of Entertainment Publications common stock for shares of USA common stock and cash. Please do not send your stock certificates until you receive the instructions and letter of transmittal.

**Q:**  
**When do you expect to complete the merger?**

**A:**  
We currently expect to complete the merger in the first quarter of 2003; however, we must satisfy a number of conditions before we can complete the merger. We refer to the date of completion of the merger as the closing date.

**Q:**  
**Where can I find more information?**

**A:**  
You may obtain more information from various sources, as set forth under "Where You Can Find More Information" beginning on page 57.

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## SUMMARY

The following summary highlights selected information from this prospectus and may not contain all of the information that is important to you. To better understand the merger, you should carefully read this entire document and the other documents to which this document refers you. See "Where You Can Find More Information" beginning on page 57.

### Information About the Parties

#### ***USA Interactive***

152 West 57th Street  
New York, New York 10019  
(212) 314-7300

USA Interactive (Nasdaq: USAI), via the Internet, the television and the telephone, engages worldwide in the business of interactivity across electronic retailing, travel services, ticketing services, personals services, local information services and teleservices. USA is comprised of HSN; Expedia, Inc. (Nasdaq: EXPE); Hotels.com (Nasdaq: ROOM); Interval International; TV Travel Group; Ticketmaster (Nasdaq: TMCS); Precision Response Corporation; Electronic Commerce Solutions; and Styleclick, Inc. (OTCBB: IBUYA).

#### ***Entertainment Publications, Inc.***

2125 Butterfield Road  
Troy, Michigan 48084  
(248) 637-8400

Entertainment Publications sells over 8 million annual memberships per year for Entertainment® Books and also sells online access to local 50% off and 2-for-1 discounts on dining, travel, shopping and attractions. Consumers redeem an average of 25 discount offers each per year, generating an estimated \$8-10 billion in merchant sales. Approximately 70,000 merchants participate in Entertainment Publications' discount programs.

**Red Wing, Inc.**

c/o USA Interactive  
152 West 57th Street  
New York, New York 10019  
(212) 314-7300

Red Wing, Inc., a Michigan corporation, is a wholly owned subsidiary of USA created solely for the purpose of effecting the merger. In the merger, Red Wing, Inc. will be merged with and into Entertainment Publications, with Entertainment Publications surviving the merger as a subsidiary of USA.

**Transaction Structure**

At the closing of the merger, Red Wing, Inc. will be merged with and into Entertainment Publications, with Entertainment Publications surviving as a subsidiary of USA. We sometimes refer to Entertainment Publications following the completion of the merger as the surviving corporation. At the effective time, the separate existence of Red Wing, Inc. will cease.

**Reasons for the Merger**

For a description of the factors on which the executive committee of USA's board of directors based its decision to approve the merger, see "USA's Reasons for the Merger" beginning on page 18. For a description of the factors on which the Entertainment Publications' board of directors based its

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decision to approve the merger, see "Entertainment Publications' Reasons for the Merger" beginning on page 18.

**Treatment of Entertainment Publications Common Stock (Page 26)**

At the effective time, each share of Entertainment Publications common stock issued and outstanding immediately prior to the effective time (other than certain shares held by four officers, which are referred to herein as the Management Rollover Shares) will be automatically converted into the right to receive a portion of the merger consideration calculated as described below. See "Interests of Certain Persons in the Merger Management Investment in Surviving Corporation" beginning on page 23 for a description of the treatment of the Management Rollover Shares. At the effective time, shares of Entertainment Publications common stock will no longer be outstanding, and will automatically be canceled and retired and will cease to exist, and each certificate previously representing any shares of Entertainment Publications will thereafter represent only the right to receive the merger consideration payable upon the surrender of those certificates, without interest.

**Treatment of Entertainment Publications Stock Options (Page 27)**

Pursuant to the Entertainment Publications stock option plan and action of Entertainment Publications' board of directors, upon the giving of at least 30 days' prior notice of the change of control associated with the consummation of the merger to the optionholders of Entertainment Publications, all outstanding options will become fully vested and exercisable immediately prior to the effective time of the merger and will terminate if not exercised prior to the effective time. Entertainment Publications has given the appropriate notice to each of the optionholders of Entertainment Publications of the change of control that will occur upon the consummation of the merger. Pursuant to the merger agreement, USA has agreed to pay optionholders of Entertainment Publications who return a properly executed holder acknowledgment prior to the effective time their share of the merger consideration, calculated as described below. Optionholders who do not return the holder acknowledgment may exercise their options prior to the effective time and have the shares of Entertainment Publications common stock they receive upon exercise be converted into the right to receive their share of the merger consideration payable to holders of common stock, which shall be the same as the amount paid to optionholders who return a properly executed holder acknowledgment prior to the effective time. If an optionholder neither delivers a holder acknowledgment nor exercises options prior to the effective time, the options will terminate at the closing of the merger without a right to receive any merger consideration.

**Ownership of USA Following the Merger**

We anticipate that USA will issue approximately 6.6 million shares of USA common stock at the closing of the merger, or approximately 1.5% of the shares of USA common stock that will be outstanding at the conclusion of the merger and approximately 1.4% on a fully-diluted treasury method basis, in each case based on the number of outstanding shares of Entertainment Publications and USA on November 20, 2002 and the "average trading price" of the USA common stock for the five trading day period ended November 20, 2002. The "average trading price"



means the average of the weighted average trading prices of USA common stock on the NASDAQ National Market for each of the days in a specified five-day trading period. Those shares represent approximately 0.6% of the combined voting power of USA immediately following completion of the merger, and approximately 0.6% of the combined voting power on a fully-diluted treasury method basis. Barry Diller, USA's chairman and chief executive officer, currently beneficially owns or has the right to vote 100% of the outstanding shares of USA Class B common stock, which is sufficient to control the outcome of any matter submitted to a vote of USA stockholders with respect to which holders of USA capital stock vote together as a single class.

#### **Registration Rights Agreement (Page 41)**

Concurrent with the execution of the merger agreement, USA and shareholders of Entertainment Publications holding 78.3% of the outstanding shares of Entertainment Publication common stock as of November 20, 2002 entered into a registration rights agreement, which is filed as an exhibit to the registration statement of which this prospectus is a part. The registration rights agreement requires that USA file a registration statement on Form S-3 with respect to the resale of the shares of USA common stock to be issued in the merger to the shareholders and optionholders of Entertainment Publications that are party to the registration rights agreement. By signing the registration rights agreement, the shareholders and optionholders of Entertainment Publications also agree to cooperate with an investment advisor designated by USA to facilitate their resale of the shares of USA common stock issued to them in the merger. Other shareholders and optionholders may elect to sign the registration rights agreement under the circumstances described in the registration rights agreement and thereby agree to cooperate with the investment advisor designated by USA.

#### **The Merger Agreement (Page 25)**

The merger agreement is the legal document that governs the merger and the other transactions contemplated by the merger agreement. The merger agreement is filed as an exhibit to the registration statement of which this prospectus forms a part and is incorporated herein by reference. We urge you to read it carefully in its entirety.

#### **Voting Agreement**

USA has entered into a voting agreement with shareholders of Entertainment Publications who hold, in the aggregate, approximately 78.3% of the outstanding shares of Entertainment Publications common stock as of November 20, 2002. Pursuant to the voting agreement, these shareholders have agreed to vote their shares in favor of the merger at the shareholders meeting to be called by Entertainment Publications to approve the merger, among other things.

#### **Appraisal Rights in Connection with the Merger**

There are no appraisal rights in connection with the merger.

#### **Interests of Certain Persons in the Merger**

You should be aware that a number of directors and officers of Entertainment Publications have interests in the merger that are different from, or in addition to, their interests as an Entertainment Publications shareholder. We describe these interests beginning on page 23 of this document.

#### **Regulatory Approvals (Page 22)**

Other than the notification and waiting period requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, we are not aware of any material regulatory approval or notice requirements required in connection with the merger. We intend to make all required filings under the Securities Act of 1933 and the Securities Exchange Act of 1934 relating to the merger.

#### **Accounting Treatment (Page 22)**

The merger will be accounted for under the purchase method of accounting in accordance with United States generally accepted accounting principles.

### Comparison of Stockholder Rights

If we successfully complete the merger, you will become a stockholder of USA. The rights of USA stockholders are governed by Delaware law and by USA's charter and by-laws. Entertainment Publications is governed by Michigan law. Your rights under USA's charter and by-laws will differ in some respects from your rights under Entertainment Publications' charter and by-laws. For a summary of these material differences, see the discussion beginning on page 45 of this prospectus.

### Selected Historical Financial Information of USA

We are providing the following selected financial information to assist you in analyzing the financial aspects of the merger. The selected USA financial data set forth below, including the accompanying notes, are qualified in their entirety by, and should be read in conjunction with, the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by USA with the SEC, which we have incorporated by reference into this prospectus. See "Where You Can Find More Information" beginning on page 57.

#### *USA Selected Historical Consolidated Financial Data*

The following table presents selected historical consolidated financial data for USA for each of the years in the five-year period ended December 31, 2001, and for the nine-month periods ended September 30, 2002 and 2001. This data was derived from USA's audited and unaudited consolidated financial statements and reflects the operations and financial position of USA at the dates and for the periods indicated. The financial statements for each of the five years in the period ended December 31, 2001 for USA have been audited by Ernst & Young LLP, independent auditors. The financial statements for the nine-month periods ended September 30, 2002 and 2001 are unaudited and are not necessarily indicative of results for any other interim period or for any calendar year.

Since the date of USA's most recent audited financial statements, USA has completed, among others, the following transactions:

On February 4, 2002, USA completed its acquisition of a controlling interest in Expedia, Inc. through a merger of one of its subsidiaries with and into Expedia. We refer to this transaction in this document as the Expedia transaction.

On May 1, 2002, USA completed its acquisition of TV Travel Group Limited.

On May 7, 2002, USA completed its transaction with Vivendi Universal, S.A., or Vivendi, in which USA's Entertainment Group, consisting of USA Cable, Studios USA and USA Films, was contributed to Vivendi Universal Entertainment LLLP, or VUE, a new joint venture controlled by Vivendi. We refer to this transaction in this document as the VUE transaction.

On June 27, 2002, Liberty exchanged its shares of Home Shopping Network, Inc. for 31.6 million shares of USA common stock and 1.6 million shares of USA Class B common stock.

On September 24, 2002, USA completed its acquisition of Interval International.

In addition, on October 10, 2002, USA announced that it had entered into an agreement by which Ticketmaster would be merged with USA. Pursuant to that agreement, USA, which is now the controlling shareholder and majority owner of Ticketmaster, would acquire all Ticketmaster shares that it does not presently own in a tax-free transaction. The transaction is expected to be completed no later than the first quarter of 2003, subject to customary regulatory approvals.

The financial position and results of operations of USA Broadcasting and USA Entertainment Group have been presented as discontinued operations in all periods presented.

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	Year Ended December 31,					Nine Months Ended September 30,	
	1997 <sup>(1)</sup>	1998 <sup>(2)(3)</sup>	1999 <sup>(4)</sup>	2000 <sup>(5)</sup>	2001 <sup>(6)</sup>	2001 <sup>(6)</sup>	2002 <sup>(7)</sup>
(Dollars in thousands, except per share data)							
<b>Statements of Operations Data:</b>							
Net revenues	\$ 1,310,037	\$ 1,639,828	\$ 2,001,108	\$ 2,964,612	\$ 3,468,860	\$ 2,520,354	\$ 3,282,236
Operating profit (loss)	102,729	59,391	(48,842)	(349,746)	(216,423)	(181,146)	27,978
Earnings (loss) from continuing operations	34,397	26,848	(69,212)	(172,398)	(186,799)	(140,358)	(140,739)
Earnings (loss) before cumulative effect of accounting change	13,061	76,874	(27,631)	(147,983)	392,795	449,744	2,266,375
Net earnings (loss) available to common shareholders	13,061	76,874	(27,631)	(147,983)	383,608	440,557	1,796,491
Basic earnings (loss) per common share from continuing operations available to common shareholders <sup>(8)(10)</sup>	0.16	0.09	(0.21)	(0.48)	(0.50)	(0.38)	(0.36)
Diluted earnings (loss) per common share from continuing operations available to common shareholders <sup>(8)(10)</sup>	0.5	0.04	(0.21)	(0.48)	(0.50)	(0.38)	(0.36)
Basic earnings (loss) per common share before cumulative effect of accounting change available to common shareholders <sup>(8)(10)</sup>	0.06	0.27	(0.08)	(0.41)	1.05	1.21	5.39
Diluted earnings (loss) per common share before cumulative effect of accounting change available to common shareholders <sup>(8)(10)</sup>	0.06	0.21	(0.08)	(0.41)	1.05	1.21	5.39
Basic earnings (loss) per common share available to common shareholders <sup>(8)(10)</sup>	0.06	0.27	(0.08)	(0.41)	1.03	1.18	4.29
Diluted earnings (loss) per common share available to common shareholders <sup>(8)(10)</sup>	0.06	0.21	(0.08)	(0.41)	1.03	1.18	4.29
<b>Balance Sheet Data (end of period):</b>							
Working capital	\$ 60,941	\$ 443,408	\$ 381,046	\$ 355,157	\$ 1,380,936	\$ 1,247,221	\$ 2,186,811
Total assets	2,464,750	4,161,873	5,151,160	5,646,290	6,539,850	11,687,907	14,702,148
Long-term obligations, net of current maturities	389,679	775,683	573,056	551,766	544,372	545,584	508,237
Minority interest	271,772	336,788	742,365	908,831	706,688	4,943,105	1,009,953
Common stock exchangeable for preferred interest							1,428,530
Preferred stock <sup>(9)</sup>							131
Stockholders' equity	1,447,354	2,571,405	2,769,729	3,439,871	3,945,501	3,993,871	7,776,217
<b>Other Data:</b>							
Net cash provided by (used in)							
Operating activities	\$ 34,581	\$ (91,660)	\$ 77,760	\$ 87,321	\$ 298,335	\$ 199,629	\$ 454,214
Investing activities	(81,450)	(1,179,346)	(468,318)	(408,016)	35,052	168,317	(750,176)
Financing activities	108,050	1,297,654	100,204	58,163	56,256	64,325	(20,200)
Discontinued operations	12,249	304,173	267,651	86,266	348,174	226,691	5,351
Effect of exchange rate changes		(1,501)	(123)	(2,687)	(3,663)	(3,426)	7,847

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- (1) The consolidated statement of operations data include the operations of Ticketmaster since the acquisition by USA of a controlling interest in Ticketmaster Group, Inc. on July 17, 1997.
- (2) Net earnings include the operations of USA Cable, formerly USA Networks, and Studios USA since their acquisition by USA from Universal Studios, Inc. on February 12, 1998 and the operations of Citysearch since its acquisition by USA on September 28, 1998.
- (3) Net earnings for the year ended December 31, 1998 include a pre-tax gain of \$74.9 million related to USA's sale of its Baltimore television station during the first quarter of 1998 and a pre-tax gain of \$109.0 million related to the purchase of Citysearch during the fourth quarter of 1998.
- (4)

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The consolidated statement of operations data include the operations of Hotels.com, formerly Hotel Reservations Network, since its acquisition by USA on May 10, 1999 and the operations of October Films and the domestic film distribution and development businesses of Universal (which previously operated Polygram Filmed Entertainment) that are now collectively referred to as USA Films, since their acquisition by USA on May 28, 1999. Net earnings for the year ended December 31, 1999 includes a pre-tax gain of \$89.7 million related to the sale of securities.

- (5) Includes a pre-tax gain of \$104.6 million by Styleclick, Inc. related to USA's exchange of its interest in Internet Shopping Network for 75% of Styleclick, Inc., a pre-tax gain of \$3.7 million related to the Hotels.com initial public offering, and a pre-tax charge of \$145.6 million related to impairment of Styleclick goodwill.
- (6) Net earnings includes a gain of \$517.8 million, net of tax, related to the sale of capital stock of certain USA Broadcasting subsidiaries and an after-tax expense of \$9.2 million related to the cumulative effect of adoption as of January 1, 2001 of SOP 00-2, "Accounting by Producers or Distributors of Films."
- (7) Includes a gain of \$2.4 billion, net of tax, related to the contribution of the USA Entertainment Group to VUE and an after-tax expense of \$461.4 million related to the cumulative effect of adoption as of January 1, 2002 of Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." Also includes results of TV Travel Group and Interval since their acquisition by USA on May 1, 2002 and September 24, 2002, respectively.
- (8) Earnings (loss) per common share data and shares outstanding retroactively reflect the impact of two-for-one stock splits of USA common stock and USA Class B common stock paid on February 24, 2000 and March 26, 1998. All USA share numbers give effect to these stock splits.
- (9) In connection with USA's acquisition of a controlling interest in Expedia, Inc., USA issued approximately 13.1 million shares of Series A Redeemable Preferred Stock, or USA preferred stock, at \$50 face value (\$656 million aggregate value), with a 1.99% annual dividend rate and which is convertible at any time into USA common stock at an initial conversion price of \$33.75. The conversion price will be adjusted downward pursuant to a specified formula if the average share price of USA common stock over a ten-day trading period prior to conversion exceeds \$35.10. Holders of USA preferred stock may require USA to purchase their shares on the fifth, seventh, tenth and fifteenth anniversary of the closing on February 4, 2002. USA has the right to redeem such shares for cash or stock, at USA's option, commencing on the tenth anniversary of February 4, 2002. Any payment by USA pursuant to any redemption requested by holders of USA preferred stock or by USA may be made in cash or USA common stock, or a combination thereof, at the option of USA.

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- (10) The following table adjusts USA's reported net earnings (loss) and basic and diluted net earnings (loss) per share to exclude amortization expense related to goodwill and other intangible assets with indefinite lives as if Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangibles Assets," was effective January 1, 1999:

	Year Ended December 31,			Nine Months Ended September 30,	
	1999	2000	2001	2001	2002
(Dollars in thousands, except per share data)					
<b>Earnings (loss) from continuing operations available to common shareholders</b>					
Reported loss from continuing operations	\$ (69,212)	\$ (172,398)	\$ (186,799)	\$ (140,358)	\$ (149,234)
Add: goodwill amortization	71,859	166,705	134,077	100,374	
Earnings (loss) from continuing operations as adjusted	\$ 2,647	\$ (5,693)	\$ (52,722)	\$ (39,984)	\$ (149,234)
<b>Basic earnings (loss) per share from continuing operations as adjusted:</b>					
Reported basic loss per share	\$ (0.21)	\$ (0.48)	\$ (0.50)	\$ (0.38)	\$ (0.36)
Add: goodwill amortization	0.22	0.46	0.36	0.27	

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	Year Ended December 31,			Nine Months Ended September 30,	
Adjusted basic earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)	\$ (0.11)	\$ (0.36)
<b>Diluted earnings (loss) per share from continuing operations as adjusted:</b>					
Reported diluted loss per share	\$ (0.21)	\$ (0.48)	\$ (0.50)	\$ (0.38)	\$ (0.36)
Add: goodwill amortization	0.22	0.46	0.36	0.27	
Adjusted diluted net earnings (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.14)	\$ (0.11)	\$ (0.36)
<b>Net income (loss) available to common shareholders</b>					
Net income (loss) available to common shareholders	\$ (27,631)	\$ (147,983)	\$ 383,608	\$ 440,557	\$ 1,796,491
Add: goodwill amortization	104,704	206,151	176,413	132,445	
Net earnings available to common shareholders as adjusted	\$ 77,073	\$ 58,168	\$ 560,021	\$ 573,002	\$ 1,796,491
<b>Basic earnings (loss) per share as adjusted:</b>					
Reported basic net earnings (loss) per share	\$ (0.08)	\$ (0.41)	\$ 1.03	\$ 1.18	\$ 4.29
Add: goodwill	0.32	0.57	0.47	0.36	
Adjusted basic net earnings per share	\$ 0.24	\$ 0.16	\$ 1.50	\$ 1.54	\$ 4.29
<b>Diluted earnings per share as adjusted:</b>					
Reported diluted net earnings (loss) per share	\$ (0.08)	\$ (0.41)	\$ 1.03	\$ 1.18	\$ 4.29
Add: goodwill amortization	0.29	0.57	0.47	0.36	
Adjusted diluted net earnings per share	\$ 0.21	\$ 0.16	\$ 1.50	\$ 1.54	\$ 4.29

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**Certain Historical Per Share Data**

**Unaudited Per Share Data**

In the following table we present historical per share data for USA as of and for the nine months ended September 30, 2002 and as of and for the year ended December 31, 2001. USA did not declare any cash dividends during the periods presented on its common stock.

The unaudited per share data does not purport to be, and you should not rely on it as, indicative of the results of operations or financial position which may be achieved in the future.

It is important that when you read this information, you read along with it the separate financial statements and accompanying notes of USA that are incorporated by reference into this document.

	USA Historical Per Share Data
<b>Book value per share:</b>	
September 30, 2002	\$ 17.32

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	<u>USA Historical Per Share Data</u>
December 31, 2001	10.44
<b>Earnings (loss) per share from continuing operations, before dividend to preferred shareholders:</b>	
Basic and diluted for the nine months ended September 30, 2002	(0.34)
Basic and diluted for the twelve months ended December 31, 2002	(0.50)

**Market Value**

In the following table we present the historical per share closing prices and aggregate market value of USA common stock on the Nasdaq National Market as of the close of trading on November 20, 2002, the last trading date prior to the public announcement of the merger.

	<u>USA Historical</u>
<b>As of November 20, 2002:</b>	
Price per share as of close of trading	\$ 28.13
Aggregate market value of common stock	\$ 10,842,579,468(1)

(1)

Based on 385,445,413 shares of USA common stock outstanding on November 20, 2002.

USA common stock trades on the Nasdaq National Market under the symbol "USAI." Shares of Entertainment Publications common stock are not publicly traded. On { }, 2002, the last trading date prior to the printing of this prospectus, the closing price per share of USA common stock on the Nasdaq National Market was \${ }.

The market price of shares of USA common stock is subject to fluctuation. You are urged to obtain current market quotations. See " Per Share Price Information and Dividend Policy" below.

**Per Share Price Information and Dividend Policy**

The following table sets forth the high and low sale prices for a share of USA common stock, rounded to the nearest cent, for the periods indicated. The prices below are as quoted on the Nasdaq National Market, based on published financial sources.

	<u>USA Common Stock</u>	
	<u>High</u>	<u>Low</u>
<b>2002</b>		
Fourth Quarter (through December 20, 2002)	29.80	15.31
Third Quarter	24.11	16.25
Second Quarter	33.53	19.55
First Quarter	33.22	25.41
<b>2001</b>		
Fourth Quarter	27.84	17.45
Third Quarter	28.44	16.45
Second Quarter	28.20	20.16
First Quarter	24.94	17.69

**USA Common Stock**

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**2000**

Fourth Quarter	22.38	16.56
Third Quarter	25.94	20.00
Second Quarter	24.00	16.88
First Quarter	28.47	19.13

On November 20, 2002, the last trading day before we announced the merger, USA common stock closed at \$28.13 per share. On {            }, 2002, the last trading day before the printing of this prospectus, USA common stock closed at \${            } per share.

USA has never paid any cash dividends on shares of USA common stock. USA currently anticipates that it will retain all of its future earnings available for distribution to the holders of USA common stock for use in the expansion and operation of its business, and do not anticipate paying any cash dividends on shares of USA common stock in the foreseeable future.

### RISK FACTORS

Entertainment Publications' stockholders will be subject to the following risks associated with the merger and with the ownership of USA common stock following the merger. In addition to the risks described below, the combined company will continue to be subject to the risks described in the documents that USA has filed with the SEC that are incorporated by reference into this prospectus. If any of the events described below or in the documents incorporated by reference into this prospectus actually occur, the business, financial condition, results of operations or cash flows of the combined company could be materially adversely affected. The risks below should be considered along with the other information included or incorporated by reference into this prospectus.

#### Risks Relating to the Merger

*The number of shares of USA common stock that you will receive in the merger will be based upon the average trading price of USA common stock for the five trading days ended prior to the closing date of the merger. The value of the shares of USA common stock will fluctuate and could decrease in value.*

In the merger, each Entertainment Publications share will be exchanged for a fixed number of shares of USA common stock based on the average trading price of USA common stock for the five-day trading period ending on the day prior to the closing date of the merger. The market price of USA common stock will fluctuate after the issuance of shares in the merger and likely will be different, and may be lower, on the date you receive shares of USA common stock than the market price of shares of USA common stock as of the date of such determination as a result of changes in the business, operations or prospects of USA, market reactions to the proposed merger, general market and economic conditions and other factors. You are urged to obtain current market quotations for USA common stock. See "Summary Per Share Price Information and Dividend Policy."

#### Risk Factors Relating to USA

*USA depends on its key personnel.*

USA is dependent upon the continued contributions of its senior corporate management, particularly Mr. Diller, the chairman and chief executive officer of USA, and certain key employees for its future success. Mr. Diller does not have an employment agreement with USA, although he has been granted options to purchase a substantial number of shares of USA common stock.

If Mr. Diller no longer serves in his positions at USA, USA's business, as well as the market price of USA common stock, could be substantially adversely affected. USA cannot assure you that it will be able to retain the services of Mr. Diller or any other members of its senior management or key employees.

*USA is controlled by Mr. Diller and in his absence will be controlled by Liberty Media Corporation.*

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Subject to the terms of an amended and restated stockholders agreement, dated as of December 16, 2001, among Universal Studios, Inc., Liberty Media Corporation, Mr. Diller and Vivendi Universal, S.A., which we refer to in this document as the Stockholders Agreement, Mr. Diller effectively controls the outcome of all matters submitted to a vote or for the consent of USA's stockholders (other than with respect to the election by the holders of USA common stock of 25% of the members of USA's board of directors (rounded up to the nearest whole number) and matters as to which a separate class vote of the holders of USA common stock or USA preferred stock is required under Delaware law).

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In addition, under an amended and restated governance agreement, dated as of December 16, 2001, among USA, Vivendi, Universal Studios, Liberty and Mr. Diller, which we refer to in this document as the Governance Agreement, each of Mr. Diller and Liberty generally has the right to consent to limited matters in the event that USA's ratio of total debt to EBITDA, as defined in the Governance Agreement, equals or exceeds 4:1 over a continuous 12-month period. USA cannot assure you that Mr. Diller and Liberty will consent to any such matter at a time when USA is highly leveraged, in which case USA would not be able to engage in such transaction or take such actions.

Upon Mr. Diller's permanent departure from USA, Liberty generally would be able to control USA through its ownership of shares of USA Class B common stock.

*USA's success depends on maintaining the integrity of its systems and infrastructure.*

A fundamental requirement for online commerce and communications is the secure transmission of confidential information, such as credit card numbers or other personal information, over public networks. USA's current security measures may not be adequate and, if any compromise of USA's security were to occur, it could have a detrimental effect on USA's reputation and adversely affect its ability to attract customers. As USA's operations continue to grow in both size and scope, USA will need to improve and upgrade its systems and infrastructure. This may require USA to commit substantial financial, operational and technical resources before the volume of business increases, with no assurance that the volume of business will increase.

USA relies on its own affiliates' and third-party computer systems and service providers to facilitate and process a portion of its transactions. Any interruptions, outages or delays in these services, or a deterioration in their performance, could impair USA's ability to process transactions for its customers and the quality of service USA can offer to them. It is unlikely that USA could make up for the level of orders lost in these circumstances by increased phone orders.

*Declines or disruptions in the industries in which USA operates, such as those caused by terrorism or general economic downturns, could harm USA's businesses.*

USA's businesses in general are sensitive to trends or events that are outside of USA's control. For example, adverse trends or events, such as general economic downturns, decreases in consumer spending and work stoppages, may reduce the popularity and frequency of the events to which USA sells tickets and reduce travel. The occurrence of any of these adverse trends or events could significantly impact USA's businesses, results of operations or financial condition.

Travel is highly sensitive to traveler safety concerns, and thus declines after acts of terrorism impact the perceived safety of travelers. In the aftermath of the terrorist attacks of September 11, 2001, the travel industry experienced a protracted decrease in demand for air travel due to fears regarding additional acts of terrorism and increased costs and reduced operations by airlines due, in part, to new security directives adopted by the Federal Aviation Administration. USA cannot predict the future scope and effects of these changes, which could significantly impact USA's long-term results of operations or financial condition.

*USA may experience operational and financial risks in connection with its acquisitions. In addition, some of the businesses USA acquires may incur significant losses from operations or experience impairment of carrying value.*

USA's future growth may be a function, in part, of acquisitions. To the extent that USA grows through acquisitions, it will face the operational and financial risks commonly encountered with that type of a strategy. USA would also face operational risks, such as failing to assimilate the operations and personnel of the acquired businesses, disrupting its ongoing business, dissipating its limited management resources and impairing its relationships with employees and customers of acquired

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businesses as a result of changes in ownership and management. Some of USA's acquisitions may not be successful and their performances may result in the impairment of their carrying value.

*Changing laws and regulations, and legal uncertainties, regarding the Internet may impair USA's growth and harm its businesses.*

A number of proposed laws and regulations regarding the Internet, including with respect to consumer privacy, have been proposed or considered that could impact USA's businesses. USA cannot predict whether any of these types of laws or regulations will be enacted or amended and what effect, if any, such laws or regulations would have on its businesses, financial condition or results of operations. In addition, the application of various sales and use tax provisions under state and local law to USA's historical and new products and services sold via the Internet, television and telephone is subject to interpretation by the applicable taxing authorities. USA believes it is compliant with these tax provisions, but there can be no assurances that taxing authorities will not take a contrary position or that such positions will not have a material adverse effect on USA's businesses, financial condition and results of operations.

### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus and the SEC filings that are incorporated by reference into this prospectus contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. For those statements, USA claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements relating to USA's anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements preceded by, followed by or that include the words "believes," "could," "should," "expects," "anticipates," "estimates," "intends," "plans," "projects," "seeks," or similar expressions. These forward-looking statements are necessarily estimates reflecting the best judgment of USA's senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that could have a material adverse effect on the merger and/or on USA's businesses, financial condition or results of operations. In addition, investors should consider the other information contained in or incorporated by reference into USA's filings with the SEC, including its Annual Report on Form 10-K for the fiscal year ended 2001, especially in the Management's Discussion and Analysis section, its most recent Quarterly Report on Form 10-Q and its Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on USA's future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this prospectus may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this prospectus.

You should understand that the following important factors, in addition to those discussed in the documents incorporated into this prospectus by reference, could affect USA's future results and could cause those results to differ materially from those expressed in the forward-looking statements:

the risk that USA's and Entertainment Publications' businesses will not be integrated successfully, including successful integration of USA's and Entertainment Publications' management structures;

costs related to the proposed transaction;

material adverse changes in economic conditions generally or in USA's markets or industries;

future regulatory and legislative actions and conditions affecting USA's operating areas;

competition from others;

product demand and market acceptance;

the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;

the ability to expand into and successfully operate in foreign markets;

obtaining and retaining key executives and skilled employees; and

other risks and uncertainties as may be detailed from time to time in USA's and/or USA's other public subsidiaries' public announcements and filings with the SEC.

USA is not under any obligation, and USA does not intend, to make publicly available any update or other revisions to any of the forward-looking statements contained in this prospectus to reflect circumstances existing after the date of this prospectus or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

## THE MERGER

The following discussion of the merger and the principal terms of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, a copy of which has been filed as an exhibit to the registration statement of which this prospectus forms a part and is incorporated by reference into this prospectus.

### Background to the Merger

In 2001, Ticketmaster identified Entertainment Publications as an attractive potential commercial partner or acquisition target based on its stand-alone prospects and its potential fit with Ticketmaster's and USA's other strategic assets. From time to time during 2001, representatives of Ticketmaster had commercial and strategic discussions with representatives of Entertainment Publications, and Ticketmaster kept USA informed of the general substance of these discussions.

Subsequently, during the spring of 2002, Ticketmaster management met with representatives of Entertainment Publications and The Carlyle Group ("Carlyle"), affiliates of which hold a majority of the shares of outstanding common stock of Entertainment Publications, to generally explore a transaction involving Entertainment Publications and Ticketmaster and/or USA. On June 6, 2002, at a regular meeting of the Ticketmaster board of directors, the Ticketmaster board was updated on the findings from the meetings and discussed transactional mechanics and other related issues. The Ticketmaster board also discussed whether Ticketmaster or USA should be the acquiring party.

This Ticketmaster board meeting followed USA's announcement of its intention to acquire the Ticketmaster stock not owned by USA. As a result of that announcement, the Ticketmaster board appointed a special committee of independent directors. During a special meeting of the Ticketmaster board of directors held on July 1, 2002 called to discuss the Entertainment Publications transaction and other matters, the special committee advised that their preliminary view was that if the Entertainment Publications transaction was to move forward prior to any potential transaction between Ticketmaster and USA, that USA, and not Ticketmaster, should be the acquiring party.

In the meantime, EPI, Carlyle and Ticketmaster continued to discuss a possible transaction and the terms of such a transaction. USA was kept informed throughout, and due diligence was also ongoing. Ticketmaster and USA eventually retained Gibson, Dunn & Crutcher LLP to provide advisory and additional due diligence services for the possible acquisition. On August 12, 2002, USA, Ticketmaster, and Entertainment Publications came to tentative terms and signed a non-binding term sheet, which, among other things, provided for flexibility as to whether Ticketmaster or USA would be the acquiring company. Initial drafts of definitive documentation were subsequently exchanged between Gibson Dunn and Latham & Watkins, legal counsel for Entertainment Publications.

Before USA's regular board meeting on September 11, 2002 and consistent with the Ticketmaster special committee's preliminary view, USA and Ticketmaster tentatively concluded (which conclusion was later confirmed by the Ticketmaster special committee) that USA would be the acquiring party. At the regular USA board meeting, the USA board of directors delegated authority to the USA executive committee of the

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board of directors to decide whether or not to enter into the Entertainment Publications transaction. Eventually, the decision that USA would be the acquiring entity was communicated to Carlyle for their approval. After receiving approval, USA and Ticketmaster instructed the lawyers to revise all documentation to reflect USA as the acquiring party.

In October 2002, USA and Ticketmaster entered into a merger agreement under which Ticketmaster will be acquired by USA. That merger is now expected to close in the first part of the first quarter of 2003, subject to customary regulatory approvals.

Once a transaction appeared imminent, on November 7, 2002, USA's executive committee of the board of directors unanimously approved the proposed transaction, including the issuance of USA

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common stock as a portion of the merger consideration, the proposed merger agreement and related agreements, subject to finalization by USA's management and legal advisors of the necessary documentation. On November 14, 2002, Entertainment Publications' board of directors unanimously approved the proposed transaction, including the proposed merger agreement and related agreements, subject to finalization by Entertainment Publications' management and legal advisors of the necessary documentation.

Through November 20, 2002, the parties negotiated and finalized the terms of the transaction agreements, including the merger agreement. Upon completion of these negotiations, the parties executed the merger agreement and certain ancillary documents, copies of which have been filed as exhibits to the registration statement of which this prospectus forms a part, and USA and Entertainment Publications issued a joint press release announcing the execution of the merger agreement on November 21, 2002.

### **USA's Reasons for the Merger**

The USA board of directors believes that the transaction will result in the following significant benefits to USA:

Acquiring a company with significant growth opportunities and a strong management team that generates a steady and reliable stream of significant free cash flow;

Gaining an established business that sells over 8 million annual memberships per year for Entertainment books and access to thousands of local merchants that offer 50% off and 2-for-1 discounts on dining, travel, shopping and attractions;

Capitalizing on Entertainment Publications' tremendous local reach, with extensive merchant relationships in more than 160 markets in the United States and Canada, to increase sales and generate new revenue and profit opportunities;

Continuing to drive the online migration of traditional businesses such as retailing, ticketing and travel and placing USA in a leadership position in a category merchant discounts and offers that is today primarily distributed to consumers offline;

Generating growth opportunities for the distribution of Entertainment Publications' products to USA's other customers;

Generating growth opportunities by offering USA products and services to customers of Entertainment Publications;

Advancing online migration and developing more convenient, seamless ways for consumers to redeem discounts electronically by leveraging USA's technological expertise; and

Maintaining USA's strategy to be the leader in both size and profitability in electronic commerce.

### **Entertainment Publications' Reasons for the Merger**

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In making its decision to approve the merger agreement, including the merger, Entertainment Publications' board of directors considered the following positive factors relating to the merger:

the ability of a combined company to more effectively pursue, in a coordinated manner, strategic growth opportunities and other expansion strategies, in part due to integration and coordination between Entertainment Publications and USA's other existing assets;

the fact that the product offerings of Entertainment Publications and USA are complementary and, by developing and implementing a combined strategy, a combined company would

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potentially increase sales of Entertainment Publications' products and services including digital expansion and new product innovations by exposing Entertainment Publications to USA's customer base, as well as create additional opportunities for USA with Entertainment Publications' existing customers;

Entertainment Publications' board of directors' conclusion that the economic terms reflected by the merger consideration and contained in the merger represent the best economic terms that could be obtained from USA; and

the business, financial condition, results of operations, current business strategy and competitive position of Entertainment Publications, USA and the new combined company, as well as general economic and stock market conditions.

Entertainment Publications' board of directors also considered a number of negative factors in its deliberations concerning the merger, including the factors discussed in this prospectus under "Risk Factors." The board of directors believed that these negative factors were substantially outweighed by the benefits anticipated from the merger.

In evaluating the merger, the board of directors of Entertainment Publications considered their knowledge of the business, financial condition and prospects of Entertainment Publications, and the advice of its advisors. In light of the number and variety of factors that the board of directors considered in connection with their evaluation of the merger, the board of directors did not find it practicable to assign relative weights to the foregoing factors. Rather, the board of directors made its determination based upon the total mix of information available to it.

### **Material United States Federal Income Tax Consequences**

The following description summarizes the material United States federal income tax consequences of the merger for Entertainment Publications shareholders. It is based upon the Internal Revenue Code of 1986, as amended (which we refer to as the Code), regulations under the Code, and court and administrative rulings and decisions in effect on the date of this prospectus, all of which are subject to change, possibly retroactively. Any change could affect the continuing validity of the tax consequences described in this prospectus. We have not requested and will not request an advance ruling from the U.S. Internal Revenue Service, or the IRS, as to the tax consequences of the merger. This description is not binding on the IRS, and there can be no assurance that the IRS will not disagree with or challenge any of the conclusions described below.

The description applies only to Entertainment Publications shareholders who are U.S. persons. For purposes of this description, the term "U.S. person" means:

an individual who is a U.S. citizen or a U.S. resident alien;

a corporation created or organized under the laws of the United States or any state thereof;

a trust where (1) a U.S. court is able to exercise primary supervision over the administration of the trust and (2) one or more U.S. persons have the authority to control all substantial decisions of the trust or, if the trust was in existence on August 20, 1996, it was treated as a domestic trust on that date and has elected to continue to be treated as a U.S. person; or

an estate that is subject to U.S. tax on its worldwide income from all sources.

Our description is not a comprehensive description of all the tax consequences that may be relevant to you. It applies only to Entertainment Publications shareholders who hold their shares of Entertainment Publications common stock as a capital asset and who exchange their Entertainment Publications shares for cash and/or USA common stock in the merger. Further, it assumes that the merger is completed as described in this prospectus and that all conditions to closing the merger set

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forth in this prospectus are satisfied without waiver. No attempt has been made to address all United States federal income tax consequences that may be relevant to a particular Entertainment Publications shareholder in light of the shareholder's individual circumstances or to Entertainment Publications shareholders who are subject to special treatment under the United States federal income tax laws, such as:

banks, insurance companies and financial institutions;

tax-exempt organizations;

mutual funds;

persons that have a functional currency other than the U.S. dollar;

investors in pass-through entities;

traders in securities who elect to apply a mark-to-market method of accounting;

dealers in securities or foreign currencies;

Entertainment Publications shareholders who are subject to the alternative minimum tax;

Entertainment Publications shareholders who received their shares of Entertainment Publications common stock through the exercise or conversion of options, or otherwise as compensation or through a tax-qualified retirement plan; and

Entertainment Publications shareholders who hold shares of Entertainment Publications common stock as part of a hedge, straddle, constructive sale or conversion transaction.

This description does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, and it does not address any federal tax consequences other than federal income tax consequences. It does not address the tax consequences of any transaction other than the merger. Accordingly, you are strongly urged to consult with your own tax advisor to determine the particular federal, state, local or foreign income or other tax consequences of the merger to you.

Entertainment Publications shareholders who exchange their shares of Entertainment Publications common stock for USA common stock and cash in the merger will be treated as selling their shares of Entertainment Publications common stock in a taxable sale. Entertainment Publications shareholders generally will realize gain or loss on the sale measured by the difference between (i) the amount of cash and the value of USA common stock received and (ii) the tax basis of the Entertainment Publications shares surrendered in the merger, except that a portion of the cash received as a distribution to the shareholders from escrow may be treated as interest income and not as part of the "amount realized" (see the paragraph entitled "Imputed Interest on Escrow Distributions" below).

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Gain or loss realized generally will be calculated separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered in the merger by an Entertainment Publications shareholder. Any gain or loss will be capital gain or loss, and any such capital gain or loss will be long term if the holding period for the Entertainment Publications shares is greater than one year at the effective time of the merger. Long-term capital gain of a non-corporate shareholder is generally subject to a maximum tax rate of 20%.

The above tax consequences generally will not apply to the cash and/or shares of USA common stock received upon the conversion of Entertainment Publications stock options. In general, the income recognized pursuant to the conversion of options in the merger will be compensation income rather than capital gains. The compensation income generally will be taxable at ordinary income rates. Holders of Entertainment Publications stock options should consult their own tax advisors as to the tax consequences associated with the conversion of options pursuant to the merger.

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*Installment Sale Rules.* Because distributions from escrow are to be received after the close of the taxable year in which the merger occurs, a shareholder may be eligible to report gain realized from the sale of his, her or its shares under the installment method. In general, if the installment method is available and the shareholder does not elect out of such treatment, a portion of each payment of consideration is taxable as gain in the year of receipt, and a portion represents a tax-free return of the shareholder's basis in the Entertainment Publications common stock. The gain is calculated by multiplying the principal amount of any payment received in the year by a "gross profit ratio," which is the ratio that (i) the selling price less the shareholder's basis in the common stock bears to (ii) the total selling price of the shareholder's shares. For this purpose, the selling price does not include the portion of any payment treated as imputed interest as described in the paragraph entitled "Imputed Interest on Escrow Distributions."

In order to calculate the gross profit ratio and the interest on deferred taxes in connection with a contingent installment obligation, such as the right to receive funds from the escrow, each shareholder is required to assume that he or she will receive the maximum possible distribution from the amounts held in escrow (and, if applicable, the maximum possible payment based on post-closing adjustments). If the amount of cash actually received is less than such maximum amount (or if the principal amount in escrow is reduced as a result of payments to USA), shareholders could be required to recompute the balance of gain to be recognized or to recognize a loss to the extent of unrecovered basis.

The installment method is not available to shareholders who will recognize a loss in the merger, who affirmatively elect out of installment method treatment, or who are otherwise ineligible for installment method treatment. A shareholder may elect out of the installment method by appropriately reporting the entire amount of gain realized on his or her tax return for the taxable year in which the merger occurs.

A shareholder that reports gain under the installment method may be required to pay interest on the deferred tax liability. In general, if the total face amount of all installment obligations (including the right to receive distributions from escrow) exceeds, at the close of any taxable year, \$5 million, interest is required to be paid to the Internal Revenue Service (the "IRS") on the deferred tax liability.

The application of the installment sale rules is complex and to some degree depends on the shareholder's specific situation. In addition, the law relating to the application of the installment sale rules to amounts distributed from escrow is unclear. Each Entertainment Publications shareholder should consult his, her or its own tax advisor regarding the ability to defer a portion of the gain realized under the installment sale rules of the Internal Revenue Code and the issues that arise in connection with that deferral.

*Imputed Interest on Escrow Distributions.* In general, in a transaction where any payment that constitutes some or all of the purchase price is due more than six months after the date of sale, under a contract in which (i) some or all of the payments are due more than one year after the date of sale and (ii) there is an excess of the total amount of such payments due under the contract over the present value, as of the date of the sale, of such payments plus any interest payments due under the contract, a portion of such payments will be recharacterized for federal income tax purposes as interest income. The discount rate used in calculating the present value of such payments will be the appropriate "applicable federal rate," which is a rate published monthly by the IRS reflecting an average of market yields on U.S. Treasury obligations. The portion of such payments characterized as interest will be taxed as ordinary income. The application of these rules to an escrow arrangement such as the escrow provided for in the merger is unclear. You should consult with your own tax advisor to determine the tax consequences to you of the escrow account, including the possibility of imputed interest.

Payments in connection with the merger may be subject to "backup withholding" at a 30% rate. Backup withholding generally applies if a holder (a) fails to furnish his or her TIN, (b) furnishes an

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incorrect TIN, (c) fails properly to include a reportable interest or dividend payment on its United States federal income tax return or (d) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN provided is its correct number and that the shareholder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax.

Certain persons generally are entitled to exemption from backup withholding, including corporations, financial institutions and certain foreign shareholders if such foreign shareholders submit a statement, signed under penalties of perjury, attesting to their exempt status. Certain penalties apply for failure to furnish correct information and for failure to include reportable payments in income. Each shareholder should consult such shareholder's own tax advisor as to its qualification for exemption from backup withholding and the procedure for obtaining such exemption.

All shareholders who are U.S. persons exchanging shares of Entertainment Publications common stock pursuant to the merger should complete and sign the main signature form and the Substitute Form W-9 included as part of the letter of transmittal, when provided following the completion of the merger, to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to USA and the exchange agent).

**Tax matters are very complicated, and the tax consequences of the merger to each Entertainment Publications shareholder will depend on the facts of that shareholder's particular situation. The United States federal income tax discussion set forth above does not address all United States federal income tax consequences that may be relevant to a particular Entertainment Publications shareholder in light of the shareholder's individual circumstances and may not be applicable to shareholders in special situations. You are urged to consult your own tax advisors regarding the specific tax consequences of the merger, including tax return reporting requirements, the applicability of federal, state, local and foreign tax laws and the effect of any proposed changes in the tax laws.**

#### **Appraisal Rights**

Under Michigan law, shareholders of Entertainment Publications do not have appraisal rights in connection with the merger.

#### **Voting Agreement**

USA has entered into a voting agreement with the Company Principal Shareholders who hold, in the aggregate, approximately 78.3% of the outstanding shares of Entertainment Publications common stock as of November 20, 2002. Pursuant to the voting agreement, these shareholders have agreed, among other things, to vote their shares in favor of the merger at the shareholders meeting to be called by Entertainment Publications to approve the merger.

#### **Regulatory Approvals Required for the Merger**

Except as we have described in this prospectus, other than filings that are required under the HSR Act, the Securities Act and the Exchange Act, we are not aware of any material regulatory filings or approvals required prior to completing the merger. We intend to make all required filings under the HSR Act, the Securities Act and the Exchange Act in connection with the merger.

#### **Accounting Treatment for the Merger**

The merger will be accounted for by USA under the purchase method of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, the cost to acquire shares of Entertainment Publications common stock and outstanding stock options in excess of the carrying value of Entertainment Publications' assets and liabilities will be allocated on a pro rata basis

to Entertainment Publications' assets and liabilities based on their fair values, with any excess being allocated to goodwill and any identified intangible assets.

#### **Resale of USA Common Stock**

Shares of USA common stock issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for shares of USA common stock issued to any Entertainment Publications shareholder that is, or is expected to be, an "affiliate" of USA or Entertainment Publications for purposes of Rule 145 under the Securities Act. Persons that may be deemed to be "affiliates" of USA or

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Entertainment Publications for such purposes generally include individuals or entities that control, are controlled by, or are under common control with, USA or Entertainment Publications, respectively, and will include the directors of USA and Entertainment Publications, respectively. The merger agreement requires each of Entertainment Publications' affiliates to execute a written agreement with USA to the effect that such affiliate will not transfer any shares of USA common stock received as a result of the merger, except pursuant to an effective registration statement under the Securities Act or in a transaction not required to be registered under the Securities Act.

USA will file a registration statement on Form S-3 with respect to the resale of the shares of USA common stock to be issued in the merger to the shareholders and optionholders of Entertainment Publications that are party to the registration rights agreement. See "Registration Rights Agreement."

The registration rights agreement also contains restrictions on the resale of the shares of USA common stock to be issued in the merger that are applicable to the shareholders and optionholders of Entertainment Publications that are party to the registration rights agreement. See "Registration Rights Agreement."

This prospectus does not cover resales of shares of USA common stock received by any person in connection with the merger, and no person is authorized to make any use of this prospectus in connection with any resale of shares of USA common stock.

### MATERIAL CONTACTS WITH ENTERTAINMENT PUBLICATIONS

Other than the merger described herein (including the initial merger discussions between Ticketmaster and Entertainment Publications), there are no past, present or proposed material contracts, arrangements, understandings, relationships, negotiations or transactions since January 1, 2001 between USA and its affiliates, on the one hand, and Entertainment Publications and its affiliates, on the other hand, such as those concerning: a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets.

### INTERESTS OF CERTAIN PERSONS IN THE MERGER

You should be aware that, as described below, some of the executive officers of Entertainment Publications may have interests in the merger that may be different from, or in addition to, the interests of the other shareholders of Entertainment Publications generally. USA has been advised that the board of directors of Entertainment Publications was aware of these interests and considered them, among other matters, in approving the merger, the merger agreement and the transactions contemplated by the merger agreement. At the close of business on December 1, 2002, executive officers of Entertainment Publications beneficially owned approximately 0.65% of the outstanding shares of Entertainment Publications common stock and 0.60% of the fully-diluted shares of Entertainment Publications common stock.

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### Management Investment in Surviving Corporation

Four members of Entertainment Publications management team (Messrs. Alan Bittker, Kevin Petry and Karl Hawes and Ms. Marian Roberge) will exchange a total of 67,996 shares of Entertainment Publications common stock they hold (the "Management Rollover Shares") for shares of Class B common stock of the surviving corporation in the merger. Each shareholder will be entitled to receive, in respect of the Management Rollover Shares held by the management team member as of the effective time, a number of shares of surviving corporation Class B common stock equal to the product of (i) the number of Management Rollover Shares held as of the effective time multiplied by (ii) 0.0006036. In addition, four additional members of the Entertainment Publications management team (Messrs. Ed Stassen, Yosi Heber, Steven Loos and Terry Clark) will invest a total of \$450,000 of cash in shares of Class B common stock of the surviving corporation. In the aggregate, these eight members of the management team will receive shares representing 0.40% of the outstanding stock of the surviving corporation. The investment by the members of the management team in the Class B common stock of the surviving corporation has been valued on approximately the same per share basis as the merger consideration to be paid by USA in the merger for the non-Management Rollover Shares, after taking into consideration the estimated adjustments to the merger consideration pursuant to the merger agreement. The Class B common stock will not be entitled to vote on any matter presented to the shareholders of the surviving corporation. The Management Rollover Shares and the investments are governed by the merger agreement and a stock purchase and shareholders agreement entered into by the eight members of the management team, Entertainment Publications and USA on November 20, 2002.

### Employment Arrangements



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In connection with the execution of the merger agreement, Entertainment Publications entered into new employment agreements which will become effective as of the closing of the merger, with Alan Bittker, President and Chief Executive Officer; Yosi Heber, Chief Marketing Officer; Steven Loos, Chief Information Officer; Kevin Petry, Executive Vice President; Marian Roberge, Executive Vice President; and Ed Stassen, Chief Financial Officer. These new employment agreements will supercede the existing employment agreements between these executives and Entertainment Publications. The terms of the agreements provide for an initial employment term of at least two years from the date of consummation of the merger. The employment agreements also require USA to grant a specified number of shares of restricted USA common stock to each person upon the consummation of the merger.

### **Employee Bonuses**

Concurrent with the effective time, certain employees and officers of Entertainment Publications will be paid cash bonuses, in an amount not to exceed \$2,650,000 in the aggregate for past services.

### **Indemnification and Insurance**

The merger agreement includes provisions relating to indemnification and insurance for directors and officers of Entertainment Publications. See "The Merger Agreement Covenants Indemnification; Insurance."

### **Voting Agreement**

USA has entered into a voting agreement with the Company Principal Shareholders who hold, in the aggregate, approximately 78.3% of the outstanding shares of Entertainment Publications common stock as of November 20, 2002. Pursuant to the voting agreement, these shareholders have agreed, among other things, to vote their shares in favor of the merger at the shareholders meeting to be called by Entertainment Publications to approve the merger.

### **Fee Payable to T.C. Group, L.L.C.**

In connection with the consummation of the merger, a customary advisory fee in the amount of 1% of the transaction value will be paid to T.C. Group, L.L.C., an affiliate of Entertainment Publications and the Company Principal Shareholders. The fee will reduce the merger consideration otherwise payable pro rata to the shareholders and optionholders of Entertainment Publications as discussed below in "The Merger Agreement Treatment of Securities in the Merger Cash Merger Consideration."

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## **THE MERGER AGREEMENT**

This section of the prospectus describes certain aspects of the merger agreement and the proposed merger. The following description does not purport to be complete and is qualified in its entirety by reference to the merger agreement, which has been filed as an exhibit to the registration statement of which this prospectus forms a part and is incorporated herein by reference. We urge Entertainment Publications shareholders to read the merger agreement carefully in its entirety.

### **General Terms of the Merger Agreement**

On November 20, 2002, USA, Entertainment Publications, Red Wing, Inc. and Carlyle-EPI Partners, L.P., entered into an Agreement and Plan of Merger, or the merger agreement. The merger provided for by the merger agreement will become effective upon the filing of a properly executed certificate of merger by the Michigan Department of Consumer and Industry Services in accordance with the Michigan Business Corporation Act, or the MBCA. We refer to the effective time of the merger in this document as the effective time.

At the effective time, Red Wing, Inc. will be merged with and into Entertainment Publications, with Entertainment Publications surviving as a subsidiary of USA. We sometimes refer to Entertainment Publications following the completion of the merger as the surviving corporation. At the effective time, the separate existence of Red Wing, Inc. will cease. At the effective time, the articles of incorporation and the bylaws of Red Wing, Inc., which will be amended at the effective time, will become the articles of incorporation and bylaws, respectively, of Entertainment Publications. Also at the effective time, the officers and directors of Red Wing, Inc. will become the initial officers and directors of the surviving corporation.

### **Merger Consideration**

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The merger consideration payable by USA in connection with the merger is \$184,507,500 in cash and USA common stock valued at \$184,507,500 (in each case, subject to adjustment, as discussed below). Each of the cash merger consideration and the stock merger consideration will be allocated *pro rata* among the shareholders of Entertainment Publications (other than with respect to the Management Rollover Shares) and the optionholders of Entertainment Publications who have returned a properly executed holder acknowledgment prior to the effective time. For the shareholders of Entertainment Publications, the allocation will be based on the number of shares of Entertainment Publications common stock held by the shareholders (other than with respect to any management rollover shares). For the optionholders of Entertainment Publications, the allocation will be based on the net number of shares of Entertainment Publications common stock into which the options held by the optionholders are exercisable, taking into account the amount of the exercise price on such options. Alternatively, USA may elect to pay all of the stock merger consideration otherwise payable to the optionholders of Entertainment Publications in cash without affecting the amount of stock merger consideration otherwise payable to the shareholders of Entertainment Publications.

At the closing, USA will deposit \$20 million of the cash merger consideration otherwise payable to the shareholders and optionholders of Entertainment Publications with the Bank of New York, in its capacity as escrow agent. The \$20 million of cash consideration deposited in escrow will be withheld on a pro rata basis from the cash merger consideration payable to the Entertainment Publications shareholders and optionholders. The escrow agent will hold the escrow amount and make payments from the escrow in accordance with the terms of an escrow agreement to be entered into by the escrow agent, USA and the holder representative. See " Indemnification; Escrow.

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### ***Cash Merger Consideration***

The cash merger consideration of \$184,507,500 will be reduced by the following amounts: (i) any indebtedness of Entertainment Publications outstanding at the effective time, including prepayment premiums (less 60% of estimated cash and cash equivalents of Entertainment Publications as of December 20, 2002), (ii) expenses incurred by Entertainment Publications in connection with the merger in excess of \$200,000 (including the fee payable to T.C. Group, L.L.C.) and (iii) the employee bonuses described in "Interests of Certain Persons in the Merger Employee Bonus Amount" above, including payroll taxes payable by the surviving corporation in connection therewith. Based on information provided by Entertainment Publications, USA estimates the aggregate amount of reductions will be \$115,344,000.

### ***Stock Merger Consideration***

The number of shares of USA common stock comprising the stock merger consideration will be calculated on the date prior to closing date and will be equal to \$184,507,500 divided by the average trading price of USA common stock for the five-day trading period ending on the date prior to the closing date. USA may elect to pay all or a portion of the stock merger consideration in cash and reduce the aggregate consideration payable, if USA makes such an election, (i) the stock merger consideration will be decreased by an amount equal to the number of shares of USA common stock that USA has elected to pay in cash multiplied by the average trading price of USA common stock for the five-day trading period ending on the date prior to the closing date and (ii) the cash merger consideration will be increased by the amount by which the stock merger consideration is decreased pursuant to clause (i) multiplied by 0.94847093.

## **Treatment of Securities in the Merger**

### ***Entertainment Publications Shares***

At the effective time, each share of Entertainment Publications common stock issued and outstanding immediately prior to the effective time (other than the Management Rollover Shares) will be automatically converted into the right to receive a portion of the merger consideration calculated as described above. See "Interests of Certain Persons in the Merger Management Rollover Shares" for a description of the treatment of the Management Rollover Shares.

At the effective time, each outstanding share of Red Wing, Inc. common stock, will be automatically converted into 29.917916 shares of validly issued, fully paid and nonassessable shares of Class A common stock of the surviving corporation, or surviving corporation Class A common stock. Because USA is the sole holder of all shares of Red Wing, Inc. common stock, USA will be the sole holder of all outstanding shares of surviving corporation Class A common stock. Shares of surviving corporation Class A common stock will generally entitle their holder to one vote for each such share on all matters submitted for the vote or consent of surviving corporation shareholders.

### ***Management Rollover Shares***

Four members of Entertainment Publications management team will exchange the Management Rollover Shares that they hold for shares of Class B common stock of the surviving corporation in the merger. Each such shareholder will be entitled to receive, in respect of the

Management Rollover Shares held by the management team member as of the effective time, a number of shares of surviving corporation Class B common stock equal to the product of (i) the number of Management Rollover Shares held as of the effective time multiplied by (ii) 0.0006036. See "Interests of Certain Persons in the Merger Management Investment in Surviving Corporation."

### *Entertainment Publications Stock Options*

Pursuant to the Entertainment Publications stock option plan and action of Entertainment Publications' board of directors, upon the giving of at least 30 days' prior notice of the change of control associated with the consummation of the merger to the optionholders of Entertainment Publications, all outstanding options will become fully vested and exercisable immediately prior to the effective time and will terminate if not exercised prior to the effective time. Entertainment Publications has given the appropriate notice to each of the optionholders of Entertainment Publications of the change of control that will occur upon the consummation of the merger. Pursuant to the merger agreement, USA has agreed to pay optionholders of Entertainment Publications who return a properly executed holder acknowledgment prior to the effective time their share of the merger consideration, calculated as described above. Optionholders who do not return the holder acknowledgment may exercise their options prior to the effective time and have the shares of Entertainment Publications common stock they receive upon exercise be converted into the right to receive their share of the merger consideration payable to holders of common stock, which shall be the same as the amount paid to optionholders who return a properly executed holder acknowledgment prior to the effective time. If an optionholder neither delivers a holder acknowledgment nor exercises options prior to the effective time, the options will terminate at the closing of the merger without a right to receive any merger consideration.

### **Exchange of Certificates**

#### *Exchange Agent*

USA's transfer agent will be the exchange agent under the merger agreement. The exchange agent will accept certificates for shares of Entertainment Publications common stock and/or a holders acknowledgment relating to options to purchase shares of Entertainment Publications common stock and exchange them for cash, certificates representing shares of USA common stock and cash instead of fractional shares of USA common stock. As discussed above, USA may elect, in its sole discretion to pay all or a portion of the stock merger consideration in cash.

#### *Exchange Procedures*

At or prior to the effective time, the exchange agent will mail to each holder of record of Entertainment Publications common stock a letter of transmittal and instructions for exchanging their Entertainment Publications certificates for the merger consideration. After receipt of the transmittal forms, each holder of Entertainment Publications common stock will be able to surrender his or her Entertainment Publications stock certificate to the exchange agent, and the holder of an Entertainment Publications stock certificate will receive in exchange, cash, certificates representing that number of whole shares of USA common stock to which the holder of the Entertainment Publications certificate is entitled, any cash which may be payable instead of fractional shares of USA common stock and any dividends or other distributions with respect to USA common stock having a record date and paid after the effective time. The consideration to be issued in the merger will be delivered by the exchange agent promptly after the effective time following surrender of an Entertainment Publications stock certificate, a properly completed letter of transmittal and any other required documents. No interest will be payable on the merger consideration, regardless of any delay in making payments.

Prior to the effective time, the exchange agent will mail to each optionholder of Entertainment Publications a letter of transmittal and instructions for delivering a holder acknowledgment prior to the closing date for the merger consideration. After receipt of the transmittal forms, each Entertainment Publications optionholder will be able to deliver a holder acknowledgment to the exchange agent, and if the optionholder delivers a properly completed holder acknowledgment prior to the effective time, the optionholder will receive in exchange, cash, certificates representing that number of whole shares of

USA common stock to which the optionholder is entitled, any cash which may be payable instead of fractional shares of USA common stock and any dividends or other distributions with respect to USA common stock having a record date and paid after the effective time. The consideration to be issued in the merger will be delivered by the exchange agent promptly after the effective time to each optionholder who has previously delivered a holder acknowledgment prior to the closing date and any other required documents. No interest will be payable on the merger consideration, regardless of any delay in making payments.

***Dividends and Other Distributions***

Shareholders of Entertainment Publications will not be entitled to receive any dividends or distributions payable by USA in respect of USA common stock until they exchange their Entertainment Publications stock certificates for shares of USA common stock. After they deliver their Entertainment Publications stock certificates to the exchange agent, those shareholders will receive, subject to applicable law, the amount of dividends or other distributions, if any, on USA common stock having a record date after the effective time previously paid and, at the appropriate payment date, the amount of dividends or other distributions on USA common stock with a record date after the effective time and a payment date after the surrender of such Entertainment Publications stock certificates, without interest.

Optionholders of Entertainment Publications will not be entitled to receive any dividends or distributions payable by USA in respect of USA common stock unless they deliver a holder acknowledgment to the exchange agent prior to the closing date. After they deliver their holder acknowledgment to the exchange agent prior to the closing date, those optionholders will receive, subject to applicable law, the amount of dividends or other distributions, if any, on USA common stock having a record date after the effective time previously paid and, at the appropriate payment date, the amount of dividends or other distributions on USA common stock with a record date after the effective time and a payment date after the delivery of such holder acknowledgment, without interest.

***Cash Instead of Fractional Shares***

No fractional shares of USA common stock will be issued upon the surrender of Entertainment Publications stock certificates or holder acknowledgments. No dividend or distribution will relate to any fractional share of USA common stock that would otherwise be issuable in the merger, and those fractional shares of USA common stock will not entitle the owner thereof to any voting rights of a USA stockholder.

Shareholders and optionholders of Entertainment Publications otherwise entitled to fractional shares of USA common stock, if any, will receive a cash payment instead of the fractional shares of USA common stock they would otherwise be entitled to upon surrender of all of their Entertainment Publications certificates.

***Management Rollover Shares***

Promptly after the effective time, the surviving corporation shall issue certificates for the surviving corporation Class B common stock to the holders of management rollover shares upon surrender of the certificates representing such management rollover shares.

***Miscellaneous***

None of the exchange agent, USA, Red Wing, Inc. or Entertainment Publications will be liable to any shareholder or optionholder of Entertainment Publications for any amount delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

If an Entertainment Publications stock certificate has been lost, stolen or destroyed, the exchange agent will issue the cash, USA common stock, cash instead of fractional shares of USA common stock and unpaid dividends and distributions on shares of USA common stock payable under the merger agreement upon receipt of an affidavit with respect to that loss, theft or destruction and a reasonable indemnity.

The exchange agent may deduct and withhold a portion of the cash merger consideration otherwise payable to any shareholder or optionholder of Entertainment Publications to be placed into escrow, as discussed below, or if it is required to do so by United States federal, state or local, or any foreign, tax law.

**Holder Representative**

Pursuant to the merger agreement, Carlyle-EPI Partners, L.P. has agreed to act as the representative to act on behalf of the shareholders and optionholders of Entertainment Publications for certain limited purposes as specified in the merger agreement. Approval of the merger agreement by the required vote of the shareholders of Entertainment Publications, and the execution and delivery of a holder acknowledgment by any optionholder of Entertainment Publications, as applicable, constitutes ratification and approval of such designation on behalf of all shareholders and each such optionholder of Entertainment Publications, as applicable. The holder representative has full power, authority and discretion to estimate, determine and pay the expenses of Entertainment Publications in excess of \$200,000 (the first \$200,000 will be paid by Entertainment Publications) on behalf of the shareholders and optionholders of Entertainment Publications, to enforce all the indemnification rights and remedies conferred on the shareholders and optionholders of Entertainment Publications and make determinations with respect to indemnification obligations of the shareholders and optionholders, to agree on payments to be made out of the escrow account pursuant to the escrow agreement and to agree to the determination of the post-closing adjustments described below.

### **Post-Closing Adjustments**

Under certain circumstances, additional cash merger consideration may be payable from USA to the shareholders and optionholders of Entertainment Publications after the effective time. The timing and amount of any additional payments cannot be determined at this time, but the amounts will be based on the amount of cash and working capital of Entertainment Publications as of December 20, 2002. The holder representative will settle any disputes with USA related to the calculations of cash and cash equivalents and working capital of Entertainment Publications as of December 20, 2002 and the related cash payments resulting therefrom, as provided in the merger agreement. More specifically, if the cash and cash equivalents held by Entertainment Publications as of December 20, 2002 as finally determined by USA and the holder representative (up to a maximum of \$29 million) exceed 60% of the estimated cash and cash equivalents held by Entertainment Publications as of December 20, 2002, as estimated as of the closing date, then such excess will be distributed to the shareholders and optionholders of Entertainment Publications pro rata after the closing date. Any such payment will be reduced or increased, as applicable, by the amount, if any, that the working capital of Entertainment Publications as of December 20, 2002, as finally determined by USA and the holder representative after the closing, is less than or more than, as applicable, an agreed-upon target amount of working capital, less \$250,000; provided that such amount will only be increased if the cash and cash equivalents of Entertainment Publications as of December 20, 2002, as finally determined, is less than \$29 million. The agreed-upon target amount of working capital as of December 20, 2002 shall be calculated based on a linear interpolation of the working capital of Entertainment Publications between November 30, 2002 and December 31, 2002, both as finally determined by USA and the holder representative.

The merger agreement sets forth the procedures and dispute resolution mechanics that USA and the holder representative will follow to finally determine the cash and working capital of Entertainment

Publications as of December 20, 2002. In general, depending on the actual closing date, either USA or the holder representative will be responsible for preparing the different statements of cash and/or working capital of Entertainment Publications to determine such amounts as of December 20, 2002. The recipient of any such statement will then have an opportunity to review such statement, in conjunction with its independent certified public accountants, and to object to such statement. If USA and the holder representative cannot resolve any such objections among themselves within a prescribed time period, then an independent certified public accountant shall be engaged to resolve any remaining objections. The determination of the independent certified public accountant shall be binding on USA and the holder representative and the fees and expenses of the independent certified public accountant shall be paid half by USA and half by the holder representative.

### **Indemnification; Escrow**

In the merger agreement, each of USA, on the one hand, and the shareholders and optionholders of Entertainment Publications, on the other, has agreed to indemnify the other, generally for a one-year period following closing, from any damage or expense (with certain exceptions and limitations) that may arise out of a breach of the representations, warranties, covenants and agreements of the merger agreement. The obligations of the Entertainment Publications shareholders and optionholders to indemnify USA for breaches related to taxes exist for a three-year period following closing. These indemnification obligations are subject to certain adjustments relating to (1) the amount of tax savings as a result of the incurrence of any damage, and (2) any amount recovered by each from certain insurers or third parties liable for such damage.

In addition, any indemnified party under the merger agreement is only entitled to indemnification when the aggregate of any damages (other than breaches related to tax matters, breaches related to the valid authorization and issuance of the USA common stock and failure to deliver the cash consideration) exceeds \$3 million and then only to the extent of any such excess. USA is only entitled to indemnification for breaches related to tax matters when the aggregate of any damages related to breaches of tax representations exceeds \$1 million and then only to the extent of any excess. The maximum amount that either USA or the shareholders and optionholders of Entertainment Publications are obligated to indemnify the other for under the merger agreement is \$20 million, except that USA's maximum indemnification liability for breaches of representations and covenants related to the valid authorization and issuance of the USA common stock to be issued in the merger is \$184,507,500 (or, if less, the amount of the stock consideration component of the merger consideration) and USA's maximum indemnification liability for failure to deliver any of the cash consideration is the amount of the cash consideration not delivered. In the case of USA, any indemnification payments received pursuant to the terms of the merger agreement will be paid entirely from the escrow.

### **Representations and Warranties**

In the merger agreement, Entertainment Publications, USA and Red Wing, Inc. make representations and warranties to each other about their respective companies related to, among other things:

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corporate organization and qualification to do business;

capitalization;

corporate authority to enter into, and carry out the obligations under, the merger agreement and the enforceability of the merger agreement;

approval of the merger agreement by Entertainment Publications' board of directors, the executive committee of USA's board of directors and the board of directors of Red Wing, Inc.;

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absence of a breach of organizational documents, laws or material agreements as a result of the merger agreement and the merger;

required governmental consents and approvals;

payment of fees to finders, brokers or investment bankers in connection with the merger; and

absence of undisclosed litigation.

Entertainment Publications also made additional representations and warranties to USA and Red Wing, Inc. related to, among other things:

subsidiaries and their corporate organization, qualifications to do business and capitalization;

employee benefit plans;

labor relations;

compliance with laws;

absence of specified transactions with certain persons as contemplated by the merger agreement;

financial statements and financial information;

material contracts and the absence of default with respect to material contracts;

absence of certain changes in the operations of the business of Entertainment Publications;

owned real property and leased real property;

tax matters;

existing bank accounts;

title to assets;

intellectual property;

environmental matters;

governmental licenses, permits and authorizations;

insurance policies;

accounts receivables;

absence of unlawful business practices; and

the accuracy of book-keeping and record-keeping practices.

USA and Red Wing, Inc. also made additional representations and warranties to Entertainment Publications related to, among other things:

USA has, and shall cause Red Wing, Inc. to have, the financial resources necessary to consummate the transactions contemplated by the merger agreement;

documents filed with the SEC and the financial statements included in those documents; and

the registration statement on Form S-4, of which this prospectus forms a part.

The representations and warranties given by Entertainment Publications, USA and Red Wing, Inc. survive the consummation of the merger. See " Indemnification; Escrow."

## **Covenants**

The merger agreement contains customary covenants as well as specific covenants relating to the conduct of the respective parties' businesses pending completion of the merger.

### ***Covenants of Entertainment Publications***

#### ***Conduct of Business Prior to the Merger***

Entertainment Publications has agreed (as to itself and its subsidiaries) that, prior to the consummation of the merger or termination of the merger agreement, except as contemplated by the merger agreement, Entertainment Publications and its subsidiaries will conduct their respective businesses in the ordinary and usual course consistent with past practice, and will use their reasonable efforts not to take any action inconsistent with the merger agreement. In addition, among other things and subject to certain exceptions, Entertainment Publications has agreed

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(as to itself and its subsidiaries) that, without USA's prior consent, it will not take any of the following actions prior to the completion of the merger or the termination of the merger agreement:

set aside, declare or pay any dividends or make other distributions (other than any dividend or other distribution made by any subsidiary of Entertainment Publications to Entertainment Publications or another subsidiary);

split, combine or reclassify its capital stock;

make any restricted payments to its officers, directors, shareholders or affiliates or repurchase, redeem or otherwise acquire any of its outstanding shares of capital stock or other equity securities or ownership interests;

issue, deliver or sell any stock of any class or any debt or equity securities or equity equivalents, or issue or grant any stock appreciation rights stock or other options to acquire any debt or equity securities;

amend its articles of incorporation, bylaws or other organizational documents except as required by law;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization other than the merger agreement, or otherwise permit its corporate existence, to be suspended, lapsed or revoked;

incur any indebtedness or assume, endorse or guarantee any indebtedness except for borrowings under Entertainment Publications' current revolving line of credit in the ordinary course;

mortgage, pledge, or otherwise encumber any of its material assets or material properties, sell, assign, transfer, convey, lease or otherwise dispose of any material assets or material properties except, in each case, in the ordinary course of business;

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acquire by merger or consolidation with, or merge or consolidate with, or purchase substantially all of the assets of, or otherwise acquire any material assets or business of any corporation, partnership, association or other business organization or division thereof;

make or change any material election with respect to taxes, enter into any closing agreement, settle any claim or assessment in respect of taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of taxes;

make any material investment of a capital nature either by purchase of stock or securities of, or contributions to capital to, any other person;

make any material loans or material advances to any partnership, firm, corporation, or except for expenses in the ordinary course of business, to any individual;

enter into any contract that would have been deemed a material contract if effective as of November 20, 2002 or extend, materially modify, terminate or renew any existing material contract except in the ordinary course of business;



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make any change not required by generally accepted accounting principles or GAAP in any method of accounting or accounting practice or revalue any assets, including writing down the value of inventory or writing off notes or accounts receivable;

except as otherwise required by law, take any action with respect to the grant of any employee compensation, severance or termination pay (other than pursuant to policies or agreements in effect as of November 20, 2002) which will become due and payable on or after the effective time; hire or terminate the employment of any employee whose annual cash compensation exceeds \$100,000 per year; or adopt or enter into or make any material change to any benefit plan;

make any loans to officers of Entertainment Publications or its subsidiaries, other than ordinary course travel and relocation advances and draws on future commissions consistent with past practice;

settle or compromise any pending litigation or other disputes or proceedings for more than \$25,000 individually or \$200,000 in the aggregate; or

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

### *Inspection*

Subject to confidentiality obligations applicable to information furnished to Entertainment Publications or any of its subsidiaries by third-parties that is in Entertainment Publications or any of its subsidiaries possession, Entertainment Publications has agreed to, and shall cause its subsidiaries to, afford to USA and its representatives reasonable access to information with respect to their operations.

Between November 20, 2002 and the effective time of the merger, Entertainment Publications has agreed to furnish USA with an unaudited consolidated balance sheet as of the end of each such month and the related statements of operations and cash flows, and an unaudited consolidated balance sheet as of the end of each such quarter and the related statements of operations, stockholders' equity (deficit) and cash flows for the quarter then ended. The quarterly financial statements shall be prepared in accordance with GAAP applied on a consistent basis throughout the periods covered and in a manner consistent, in all material respects, with the preparation of the audited financial statements, subject to the absence of footnotes and normal year-end adjustments.

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### *No Solicitation*

The merger agreement contains a no-solicitation covenant, which prohibits Entertainment Publications from engaging in discussions or negotiations regarding any takeover proposal (as defined below). In accordance with the covenant, Entertainment Publications has agreed that it will not, nor will Entertainment Publications permit any of its subsidiaries or principal shareholders to, authorize or permit any officer, director or employee of, or any financial advisor, attorney or other advisor or representative of, Entertainment Publications or any of its subsidiaries to:

solicit, initiate or knowingly encourage the submission of, any takeover proposal;

enter into any agreement with respect to or approve or recommend, any takeover proposal; or

participate in any discussions or negotiations regarding, or furnish to any person any information with respect to Entertainment Publications or any subsidiary in connection with, or take any other action to knowingly facilitate the making of any proposal that constitutes, or may reasonably be expected to lead to, any takeover proposal.

A takeover proposal is any proposal for a merger, tender offer or other business combination involving Entertainment Publications or any of its subsidiaries or any proposal or offer to acquire in any manner, directly or indirectly, an equity interest in, any voting securities of, or a substantial portion of the assets of Entertainment Publications or any of its subsidiaries, other than the transactions contemplated by the merger agreement.

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Entertainment Publications will promptly advise USA orally and in writing of:

any takeover proposal or any inquiry with respect to a potential takeover proposal that is received by, or communicated to any of its officers or directors, or to the knowledge of Entertainment Publications, any financial advisor, attorney or other advisor or representative of Entertainment Publications or any other shareholder;

the material terms of such takeover proposal (including a copy of any written proposal); and

the identity of the person making any such takeover proposal.

In addition, Entertainment Publications will use commercially reasonable efforts to keep USA fully informed of the status and details of any such takeover proposal or inquiry.

### *Australian Joint Venture*

Entertainment Publications will negotiate to sell its shares in Entertainment Publications Limited and Entertainment Publications of Australia Pty Ltd., subject to the approval of USA of the terms of, and documents governing, the transaction.

### *Entertainment Publications Shareholders' Meeting*

Entertainment Publications has agreed to call and hold a meeting of its shareholders for the purpose of voting upon the approval of the merger and merger agreement, as well as the appointment of Carlyle-EPI Partners, L.P., as the initial holder representative, as soon as practicable after the date on which the registration statement on Form S-4, of which this prospectus forms a part, is declared effective. Entertainment Publications will provide USA with a draft of the proxy statement relating to the shareholders' meeting prior to the time it is mailed to shareholders of Entertainment Publications and make any modifications to the proxy statement as reasonably requested by USA. In addition, Entertainment Publications has agreed to promptly notify USA when the date has been set for Entertainment Publications shareholders' meeting, of the date on which Entertainment Publications mails a proxy statement to its shareholders in connection with the shareholders' meeting and when the merger has been approved by the affirmative vote of the shareholders at shareholders' meeting.

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### *Covenants of USA*

#### *Nasdaq Delisting*

Between November 20, 2002 until the effective date, USA has agreed not to take any affirmative action to cause the USA common stock to be delisted from the NASDAQ National Market, unless at that time, the USA common stock has been approved for listing on the New York Stock Exchange.

#### *Indemnification; Insurance*

From and after the effective time, USA has agreed that it will cause the surviving corporation to continue to indemnify and hold harmless each present and former director and officer of Entertainment Publications or any of its subsidiaries against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, arising out of or pertaining to matters existing or occurring at or prior to the effective time, whether asserted or claimed prior to, at or after the effective time, to the fullest extent that Entertainment Publications or any of its subsidiaries would have been permitted under Michigan state law and its charter or by-laws in effect on November 20, 2002 to indemnify such person; *provided* that any person to whom expenses are advanced provides an undertaking to the surviving corporation to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

USA has agreed to provide, or to cause the surviving corporation to provide, for a period of not less than six years after the effective time, Entertainment Publications' current and former directors and officers who are currently covered by Entertainment Publications' existing insurance and indemnification policy with an insurance and indemnification policy that provides coverage for events occurring at or prior to the effective time that is not materially less favorable than the existing policy (it being understood that USA currently self-insures for legally indemnifiable claims and maintains liability insurance solely for claims not so indemnifiable or in circumstances in which USA cannot provide

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indemnification and USA shall be entitled to do the same for the coverage contemplated by the merger agreement), or, if substantially equivalent insurance coverage is unavailable, the most advantageous insurance obtainable for an annual premium equal to no more than 150% of the annual premium currently in place for Entertainment Publications for such insurance.

### *Employee Benefit Matters*

Until December 31, 2003, USA has agreed to cause the surviving corporation to maintain for full-time employees the employee benefits and benefit levels under Entertainment Publications non-compensation benefit plans, in a manner not materially less favorable than under such plans, as in effect on November 20, 2002. To the extent USA does not maintain the benefit plans in effect prior to the effective time, USA has agreed to afford the participants of the plans, among other things, eligibility and vesting, credit for amounts paid for the purposes of applying co-pays, deductibles and out-of-pocket maximums.

### *Indebtedness*

USA has agreed, at the effective time, to repay any then-outstanding indebtedness, including accrued interest and prepayment premiums, of Entertainment Publications. Prior to the effective time, Entertainment Publications will cooperate with USA and any applicable lenders in connection with any arrangements proposed by USA for the repayment of such indebtedness.

### *Employee Bonuses*

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